

Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

Or

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: 001-36418

Moelis & Company

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)
399 Park Avenue, 5th Floor, New York NY
(Address of principal executive offices)

46-4500216
(I.R.S. Employer
Identification No.)
10022
(Zip Code)

(212) 883-3800

(Registrant's telephone number, including area code)

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

Title	Trading Symbol	Name of Exchange on which registered
Class A Common Stock	MC	New York Stock Exchange (NYSE)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

As of July 17, 2019, there were 49,206,713 shares of Class A common stock, par value \$0.01 per share, and 10,431,422 shares of Class B common stock, par value \$0.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Financial Statements (Unaudited)

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Moelis & Company

Condensed Consolidated Statements of Financial Condition

(Unaudited)

(dollars in thousands, except per share amounts)

	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 108,360	\$ 261,100
Restricted cash	682	671
Receivables:		
Accounts receivable, net of allowance for doubtful accounts of \$3,900 and \$1,975 as of June 30, 2019 and December 31, 2018, respectively	42,802	54,412
Accrued and other receivables	6,391	14,199
Total receivables	49,193	68,611
Deferred compensation	9,283	8,788
Investments at fair value (cost basis \$635 and \$80,717 as of June 30, 2019 and December 31, 2018, respectively)	149	80,650
Right-of-use assets	46,617	—
Equity method investment	61,858	63,274
Equipment and leasehold improvements, net	14,633	12,731
Deferred tax asset	406,732	402,859
Prepaid expenses and other assets	17,262	15,691
Total assets	<u>\$ 714,769</u>	<u>\$ 914,375</u>
Liabilities and Equity		
Compensation payable	\$ 18,030	\$ 197,741
Accounts payable and accrued expenses	6,414	19,784
Amount due pursuant to tax receivable agreement	311,432	311,246
Deferred revenue	11,443	7,074
Lease liabilities	54,273	—
Other liabilities	319	6,777
Total liabilities	<u>401,911</u>	<u>542,622</u>
Commitments and Contingencies (See Note 12)		
Class A common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 51,629,289 issued and 49,231,339 outstanding at June 30, 2019; 1,000,000,000 authorized, 47,031,095 issued and 45,604,980 outstanding at December 31, 2018)	516	470
Class B common stock, par value \$0.01 per share (1,000,000,000 shares authorized, 10,431,422 issued and outstanding at June 30, 2019; 1,000,000,000 authorized, 10,493,358 issued and outstanding at December 31, 2018)	104	105
Treasury stock, at cost; 2,397,950 and 1,426,115 shares as of June 30, 2019 and December 31, 2018, respectively	(96,271)	(56,661)
Additional paid-in-capital	791,403	697,938
Retained earnings (accumulated deficit)	(327,353)	(237,782)
Accumulated other comprehensive income (loss)	667	291
Total Moelis & Company equity	<u>369,066</u>	<u>404,361</u>
Noncontrolling interests	(56,208)	(32,608)
Total equity	<u>312,858</u>	<u>371,753</u>
Total liabilities and equity	<u>\$ 714,769</u>	<u>\$ 914,375</u>

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

Moelis & Company

Condensed Consolidated Statements of Operations

(Unaudited)

(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues	\$ 153,523	\$ 220,405	\$ 291,306	\$ 439,823
Expenses				
Compensation and benefits	84,485	128,109	174,646	255,286
Occupancy	4,765	4,550	9,584	9,133
Professional fees	5,342	6,574	10,521	12,258
Communication, technology and information services	7,877	7,317	15,839	14,450
Travel and related expenses	9,293	10,851	20,790	22,411
Depreciation and amortization	1,290	1,100	2,445	2,155
Other expenses	6,592	6,259	13,973	13,416
Total expenses	<u>119,644</u>	<u>164,760</u>	<u>247,798</u>	<u>329,109</u>
Operating income (loss)	33,879	55,645	43,508	110,714
Other income and (expenses)	4,303	1,286	5,680	1,873
Income (loss) from equity method investments	719	2,226	1,432	3,114
Income (loss) before income taxes	38,901	59,157	50,620	115,701
Provision (benefit) for income taxes	1,234	6,027	(3,224)	8,590
Net income (loss)	37,667	53,130	53,844	107,111
Net income (loss) attributable to noncontrolling interests	8,208	17,440	10,815	38,096
Net income (loss) attributable to Moelis & Company	<u>\$ 29,459</u>	<u>\$ 35,690</u>	<u>\$ 43,029</u>	<u>\$ 69,015</u>
Weighted-average shares of Class A common stock outstanding				
Basic	<u>50,107,269</u>	<u>41,750,396</u>	<u>48,919,127</u>	<u>38,938,952</u>
Diluted	<u>54,668,087</u>	<u>49,280,107</u>	<u>54,770,852</u>	<u>46,991,421</u>
Net income (loss) per share attributable to holders of shares of Class A common stock				
Basic	<u>\$ 0.59</u>	<u>\$ 0.85</u>	<u>\$ 0.88</u>	<u>\$ 1.77</u>
Diluted	<u>\$ 0.54</u>	<u>\$ 0.72</u>	<u>\$ 0.79</u>	<u>\$ 1.47</u>

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

Moelis & Company
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(dollars in thousands)

	Three Months Ended		Six Months Ended June 30,	
	June 30,			
	2019	2018	2019	2018
Net income	\$ 37,667	\$ 53,130	\$ 53,844	\$ 107,111
Foreign currency translation adjustment, net of tax	(57)	(1,843)	483	(164)
Other comprehensive income (loss)	(57)	(1,843)	483	(164)
Comprehensive income (loss)	37,610	51,287	54,327	106,947
Less: Comprehensive income attributable to noncontrolling interests	8,196	16,878	10,922	38,144
Comprehensive income (loss) attributable to Moelis & Company	<u>\$ 29,414</u>	<u>\$ 34,409</u>	<u>\$ 43,405</u>	<u>\$ 68,803</u>

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

Moelis & Company

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(dollars in thousands)

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities		
Net income (loss)	\$ 53,844	\$ 107,111
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debt expense	2,203	1,208
Depreciation and amortization	2,445	2,155
(Income) loss from equity method investments	(1,432)	(3,114)
Equity-based compensation	67,132	58,335
Deferred tax provision	(3,011)	8,568
Other	(3,373)	3,688
Changes in assets and liabilities:		
Accounts receivable	9,365	(8,475)
Accrued and other receivables	7,815	(54,549)
Prepaid expenses and other assets	(1,077)	933
Deferred compensation	(509)	(1,160)
Compensation payable	(180,065)	(32,227)
Accounts payable and accrued expenses	(13,359)	(12,012)
Deferred revenue	4,369	(998)
Dividends received	2,848	2,737
Other liabilities	2,374	(2,205)
Net cash provided by (used in) operating activities	<u>(50,431)</u>	<u>69,995</u>
Cash flows from investing activities		
Purchase of investments	(9,245)	(55,479)
Proceeds from sales of investments	89,859	92,310
Note payments received from employees	—	193
Purchase of equipment and leasehold improvements	(4,587)	(3,133)
Net cash provided by (used in) investing activities	<u>76,027</u>	<u>33,891</u>
Cash flows from financing activities		
Dividends and distributions	(145,537)	(167,145)
Proceeds from exercise of stock options	5,864	6,695
Treasury Stock Purchases	(39,610)	(24,172)
Class A partnership units and other equity purchased	—	(135)
Net cash provided by (used in) financing activities	<u>(179,283)</u>	<u>(184,757)</u>
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	958	401
Net increase (decrease) in cash, cash equivalents, and restricted cash	(152,729)	(80,470)
Cash, cash equivalents, and restricted cash, beginning of period	261,771	213,894
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 109,042</u>	<u>\$ 133,424</u>
Supplemental cash flow disclosure:		
Cash paid during the period for:		
Income taxes	\$ 13,448	\$ 14,185
Other non-cash activity		
Dividend equivalents issued	\$ 23,998	\$ 24,767
Class A Partnership Units or other equity converted into Class A Common Stock	\$ 670	\$ 22,174
Cumulative Effect Adjustment upon Adoption of ASU 2014-09	\$ —	\$ 3,155
Exercised stock option proceeds receivable	\$ —	\$ 24
Forfeiture of fully-vested Group LP units or other equity units	\$ 2,271	\$ 677

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

Moelis & Company
Condensed Consolidated Statements of Changes in Equity
(Unaudited)
(dollars in thousands, except share amounts)

	Shares			Class A Common Stock	Class B Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Class A Common Stock	Class B Common Stock	Treasury Stock								
Balance as of January 1, 2019	47,031,095	10,493,358	(1,426,115)	\$ 470	\$ 105	\$ (56,661)	\$ 697,938	\$ (237,782)	\$ 291	\$ (32,608)	\$ 371,753
Net income (loss)	—	—	—	—	—	—	—	13,570	—	2,607	16,177
Equity-based compensation	2,397,164	—	—	24	—	—	38,753	—	—	109	38,886
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	421	119	540
Dividends declared (\$1.75 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	19,484	(103,436)	—	(30,439)	(114,391)
Treasury Stock Purchases	—	—	(616,796)	—	—	(26,970)	—	—	—	—	(26,970)
Exercise of Stock options	29,439	—	—	—	—	—	492	—	—	—	492
Equity-based payments to non-employees	—	—	—	—	—	—	416	—	—	—	416
Other	—	—	—	—	—	—	(734)	—	—	974	240
Balance as of March 31, 2019	<u>49,457,698</u>	<u>10,493,358</u>	<u>(2,042,911)</u>	<u>\$ 494</u>	<u>\$ 105</u>	<u>\$ (83,631)</u>	<u>\$ 756,349</u>	<u>\$ (327,648)</u>	<u>\$ 712</u>	<u>\$ (59,238)</u>	<u>\$ 287,143</u>
Net income (loss)	—	—	—	—	—	—	—	29,459	—	8,208	37,667
Equity-based compensation	1,787,993	—	—	18	—	—	28,187	—	—	41	28,246
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(45)	(12)	(57)
Dividends declared (\$0.50 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	4,514	(29,164)	—	(6,496)	(31,146)
Treasury Stock Purchases	—	—	(344,970)	—	—	(12,308)	—	—	—	—	(12,308)
Exercise of Stock options	321,662	—	(10,069)	3	—	(332)	5,372	—	—	—	5,043
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	61,936	(61,936)	—	1	(1)	—	(1,580)	—	—	2,010	430
Equity-based payments to non-employees	—	—	—	—	—	—	111	—	—	—	111
Other	—	—	—	—	—	—	(1,550)	—	—	(721)	(2,271)
Balance as of June 30, 2019	<u>51,629,289</u>	<u>10,431,422</u>	<u>(2,397,950)</u>	<u>\$ 516</u>	<u>\$ 104</u>	<u>\$ (96,271)</u>	<u>\$ 791,403</u>	<u>\$ (327,353)</u>	<u>\$ 667</u>	<u>\$ (56,208)</u>	<u>\$ 312,858</u>

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(dollars in thousands, except share amounts)

	Shares			Class A Common Stock	Class B Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Class A Common Stock	Class B Common Stock	Treasury Stock								
Balance as of January 1, 2018	34,163,042	19,912,230	(707,416)	\$ 342	\$ 199	\$ (23,188)	\$ 487,163	\$ (139,918)	\$ 352	\$ 19,306	\$ 344,256
Cumulative Effect Adjustment upon Adoption of ASU 2014-09	—	—	—	—	—	—	—	3,155	—	—	3,155
Cumulative Effect Adjustment upon Adoption of ASU 2016-01	—	—	—	—	—	—	—	(317)	317	—	—
Balance as of January 1, 2018, as adjusted	34,163,042	19,912,230	(707,416)	\$ 342	\$ 199	\$ (23,188)	\$ 487,163	\$ (137,080)	\$ 669	\$ 19,306	\$ 347,411
Net income (loss)	—	—	—	—	—	—	—	33,325	—	20,656	53,981
Equity-based compensation	2,210,079	—	—	22	—	—	31,764	—	—	458	32,244
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	1,069	610	1,679
Dividends declared (\$1.97 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	20,379	(90,631)	—	(66,777)	(137,029)
Treasury Stock Purchases	—	—	(414,327)	—	—	(20,789)	—	—	—	—	(20,789)
Exercise of Stock options	18,494	—	—	—	—	—	365	—	—	—	365
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	4,689,295	(4,689,295)	—	47	(47)	—	24,328	—	—	(4,029)	20,299
Equity-based payments to non-employees	—	—	—	—	—	—	2,016	—	—	—	2,016
Balance as of March 31, 2018	<u>41,080,910</u>	<u>15,222,935</u>	<u>(1,121,743)</u>	<u>\$ 411</u>	<u>\$ 152</u>	<u>\$ (43,977)</u>	<u>\$ 566,015</u>	<u>\$ (194,386)</u>	<u>\$ 1,738</u>	<u>\$ (29,776)</u>	<u>\$ 300,177</u>
Net income (loss)	—	—	—	—	—	—	—	35,690	—	17,440	53,130
Equity-based compensation	751,997	—	—	8	—	—	25,839	—	—	244	26,091
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(1,281)	(562)	(1,843)
Dividends declared (\$0.47 per share of Class A Common Stock) and distributions	—	—	—	—	—	—	4,388	(23,560)	—	(10,944)	(30,116)
Treasury Stock Purchases	—	—	(60,842)	—	—	(3,383)	—	—	—	—	(3,383)
Exercise of Stock options	325,286	—	—	3	—	—	6,327	—	—	—	6,330
Issuance of Class A common stock and cancellation of Class B common stock in connection with offerings and other exchanges	18,242	(18,242)	—	—	—	—	1,666	—	—	74	1,740
Equity-based payments to non-employees	—	—	—	—	—	—	1,662	—	—	—	1,662
Other	—	(26,118)	—	—	—	—	—	—	—	(677)	(677)
Balance as of June 30, 2018	<u>42,176,435</u>	<u>15,178,575</u>	<u>(1,182,585)</u>	<u>\$ 422</u>	<u>\$ 152</u>	<u>\$ (47,360)</u>	<u>\$ 605,897</u>	<u>\$ (182,256)</u>	<u>\$ 457</u>	<u>\$ (24,201)</u>	<u>\$ 353,111</u>

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

1. ORGANIZATION AND BASIS OF PRESENTATION

Moelis & Company and its consolidated subsidiaries (the “Company,” “we,” “our,” or “us”) is a leading global investment bank, incorporated in Delaware. Prior to the Company’s IPO, the business operated as a Delaware limited partnership that commenced operations during 2007. Following the IPO, the operations are owned by Moelis & Company Group LP (“Group LP”), a U.S. Delaware limited partnership, and Group LP is controlled by Moelis & Company. Moelis & Company’s shareholders are entitled to receive a portion of Group LP’s economics through their direct ownership interests in shares of Class A common stock of Moelis & Company. The noncontrolling interest owners of Group LP (not Moelis & Company) receive economics of the operations primarily through their ownership interests in Group LP partnership units.

The Company’s activities as an investment banking advisory firm constitute a single business segment offering clients, including corporations, governments and financial sponsors, a range of advisory services with expertise across all major industries in mergers and acquisitions, recapitalizations and restructurings and other corporate finance matters.

Basis of Presentation —The condensed consolidated financial statements of Moelis & Company include its partnership interests in Group LP, its equity interest in the sole general partner of Group LP, Moelis & Company Group GP LLC (“Group GP”), and its interests in its subsidiaries. Moelis & Company will operate and control all of the business and affairs of Group LP and its operating entity subsidiaries indirectly through its equity interest in Group GP. The Company operates through the following subsidiaries:

- Moelis & Company LLC (“Moelis U.S.”), a Delaware limited liability company, a registered broker-dealer with the U.S. Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).
- Moelis & Company International Holdings LLC (“Moelis International”), a Delaware limited liability company, owns the following entities and investments, directly or indirectly:
 - Moelis & Company UK LLP (“Moelis UK”), a limited liability partnership registered under the laws of England and Wales. In addition to the United Kingdom, Moelis UK maintains operations through the following branches:
 - Moelis & Company UK LLP, French Branch (French branch)
 - Moelis & Company Europe Limited, Frankfurt am Main Branch (German branch)
 - Moelis & Company UK LLP, DIFC Branch (Dubai branch)
 - Moelis & Company Asia Limited (“Moelis Asia”), a limited company incorporated in Hong Kong licensed under the Hong Kong Securities and Futures Ordinance to provide financial advisory services. In addition to Hong Kong, Moelis Asia maintains operations in Beijing China through Hong Kong Moelis & Company Asia Limited Beijing Representative Office, as well as having a wholly-owned Chinese subsidiary, Moelis & Company Consulting (Beijing) Company Limited.
 - Moelis & Company India Private Limited, a private limited company incorporated in Mumbai, India.
 - Moelis & Company Assessoria Financeira Ltda. (“Moelis Brazil”), a limited liability company incorporated in São Paulo, Brazil.
 - An equity method investment in Moelis Australia Limited (“Moelis Australia”), a public company listed on the Australian Securities Exchange

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting —The Company prepared the accompanying condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As permitted by the interim reporting rules and regulations set forth by the SEC, the condensed consolidated financial statements presented exclude certain financial information and footnote disclosures normally included in audited financial statements prepared in accordance with U.S. GAAP. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to fairly present the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

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Consolidation —The Company’s policy is to consolidate (i) entities, other than limited partnerships, in which it has a controlling financial interest, (ii) variable interest entities where the Company has a variable interest and is deemed to be the primary beneficiary and (iii) limited partnerships where the Company has ownership of the majority of voting interests. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity’s operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of income or losses of the entity. All intercompany balances and transactions with the Company’s subsidiaries have been eliminated in consolidation.

Use of Estimates —The preparation of condensed consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary.

In preparing the condensed consolidated financial statements, management makes estimates and assumptions regarding:

- the adequacy of the allowance for doubtful accounts;
- the assessment of whether revenues from variable consideration should be constrained due to the probability of a significant revenue reversal;
- the assessment of probable lease terms and the measurement of the present value of such obligations;
- the measurement and realization of deferred taxes;
- the measurement of amount due pursuant to tax receivable agreement;
- the measurement and vesting of equity-based compensation; and
- other matters that affect the reported amounts and disclosures of contingencies in the financial statements.

Cash, Cash Equivalents and Restricted Cash —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.

The Company’s cash is maintained in U.S. and non-U.S. bank accounts, of which most bank account balances had little or no insurance coverage (most balances are held in U.S. and U.K. accounts which exceeded the U.S. Federal Deposit Insurance Corporation and U.K. Financial Services Compensation Scheme coverage limits). The Company’s cash equivalents are invested primarily in U.S. Treasury instruments and government securities money markets.

The Company’s restricted cash is comprised of collateral deposits primarily held by certain non-U.S. subsidiaries. These deposits are required for certain direct debit accounts and are also used to satisfy future medical claims. A reconciliation of the Company’s cash, cash equivalents and restricted cash as of June 30, 2019 and 2018, is presented below.

	June 30,	
	2019	2018
Cash	\$ 48,113	\$ 42,843
Cash equivalents	60,247	90,025
Restricted cash	682	556
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 109,042</u>	<u>\$ 133,424</u>

Additionally, as of December 31, 2018, the Company held cash of \$59,705 and cash equivalents of \$201,395.

Receivables —The accompanying condensed consolidated statements of financial condition present accounts receivable balances net of allowance for doubtful accounts based on the Company’s assessment of the collectability of customer accounts.

Included in the accounts receivable balances at June 30, 2019 and December 31, 2018 were \$23,556 and \$26,738 of long term receivables related to private funds advisory capital raising engagements, which are generally paid in installments over a period of three to four years. These long term receivables generated interest income of \$245 and \$106 for the three months ended June 30, 2019 and 2018, respectively, and \$520 and \$207 for the six months ended June 30, 2019 and 2018, respectively.

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The Company maintains an allowance for doubtful accounts that, in management's opinion, provides for an adequate reserve to cover losses that may be incurred. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable, and the current economic conditions that may affect a customer's ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable is no longer collectible, the Company will charge-off the receivable. This is determined based on several factors including the age of the accounts receivable and the credit worthiness of the customer. This has the effect of reducing both the gross receivable and the allowance for doubtful accounts.

Deferred Compensation —Deferred compensation costs represent arrangements with certain employees whereby cash payments are subject to a required period of service subsequent to payment by the Company. These amounts are charged to expenses over the period that the employee is required to provide services in order to vest in the payment.

Financial Instruments at Fair Value —Fair value is generally based on quoted prices, however if quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent instruments and valuation pricing models. The Company established a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Financial instruments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories (from highest to lowest) based on inputs:

Level 1 —Quoted prices (unadjusted) are available in active markets for identical instruments that the Company has the ability to access as of the reporting date. The Company, to the extent that it holds such instruments, does not adjust the quoted price for these instruments, even in situations in which the Company holds a large position and a sale could reasonably affect the quoted price.

Level 2 —Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies.

Level 3 —Pricing inputs are unobservable for the instruments and include situations where there is little, if any, market activity for the investments. The inputs into the determination of fair value require significant judgment or estimation by the Company's management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the instrument.

For level 3 investments in which pricing inputs are unobservable and limited market activity exists, management's determination of fair value is based on the best information available, may incorporate management's own assumptions and involves a significant degree of judgment.

Effective January 1, 2018, the Company adopted ASU 2016-01 using the modified retrospective approach. As a result, a cumulative adjustment was recorded which decreased retained earnings and increased accumulated other comprehensive income by \$317 as of January 1, 2018. The adjustment is related to the accumulated unrealized losses in fair value of an equity investment as of December 31, 2017. No prior periods were adjusted as a result of this change in accounting policy. The adoption of ASU 2016-01 requires that changes in fair value of equity investments measured at fair value be recognized in net income prospectively. For each period where a consolidated statement of operations is presented, the Company will disclose the portion of realized and/or unrealized gains and losses related to equity investments held at the reporting date or sold during the period.

Effective September 30, 2018, the Company early adopted ASU 2018-13. As a result, the Company removed its disclosures of the amounts of and reasons for transfers between level 1 and level 2 fair value investments. Level 3 fair value investments that are acquired in the future will not require disclosures of the valuation process but will require disclosure of unrealized gains and losses and the range and weighted average of significant unobservable inputs used to determine the fair value of the level 3 investment.

Equity Method Investments —The Company accounts for its equity method investments under the equity method of accounting as the Company does not control these entities but has the ability to exercise significant influence. The amounts recorded on the condensed consolidated financial statements of financial condition reflect the Company's share of contributions made to, distributions received from, and the equity earnings and losses of, the investments. The Company reflects its share of gains and losses of the investment in income (loss) from equity method investments in the condensed consolidated statements of operations. Certain adjustments have been made to account for the Company's equity method investment in Moelis Australia under US GAAP as Moelis Australia follows local accounting principles under Australian Accounting Standards.

Equipment and Leasehold Improvements—Office equipment and furniture and fixtures are stated at cost less accumulated depreciation, which is determined using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, respectively. Leasehold improvements are stated at cost less accumulated amortization, which is determined using the straight-line method over the lesser of the term of the lease or the estimated useful life of the asset.

Major renewals and improvements are capitalized and minor replacements, maintenance and repairs are charged to expenses as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation or amortization are removed from the condensed consolidated statements of financial condition and any gain or loss is reflected in the condensed consolidated statements of operations.

Deferred Tax Asset and Amount Due Pursuant to Tax Receivable Agreement—In conjunction with the IPO, the Company was treated for U.S. federal income tax purposes as having directly purchased Class A partnership units in Group LP from the existing unitholders. Additional Group LP Class A partnership units may be exchanged for shares of Class A common stock in the Company. The initial purchase and future exchanges are expected to result in an increase in the tax basis of Group LP's assets attributable to the Company's interest in Group LP. These increases in the tax basis of Group LP's assets attributable to the Company's interest in Group LP would not have been available but for the initial purchase and future exchanges. Such increases in tax basis are likely to increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of income tax the Company would otherwise be required to pay in the future. As a result, the Company records a deferred tax asset for such increase in tax basis.

The Company has entered into a tax receivable agreement with its eligible Managing Directors that will provide for the payment by the Company to its eligible Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that the Company actually realizes as a result of (a) the increases in tax basis attributable to exchanges by its eligible Managing Directors and (b) tax benefits related to imputed interest deemed to be paid by the Company as a result of this tax receivable agreement. The Company expects to benefit from the remaining 15% of cash savings, if any, in income tax that it realizes and record any such estimated tax benefits as an increase to additional paid-in-capital. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the Company's actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of Group LP as a result of the exchanges and had it not entered into the tax receivable agreement. The term of the tax receivable agreement commenced upon consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless the Company exercises its right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement. The Company has recorded the estimated tax benefits related to the increase in tax basis and imputed interest as a result of the initial purchase and subsequent exchanges described above as a deferred tax asset in the condensed consolidated statements of financial condition. The amount due to its eligible Managing Directors related to the tax receivable agreement as a result of the initial purchase and subsequent exchanges described above is recorded as amount due pursuant to tax receivable agreement in the condensed consolidated statements of financial condition. The amounts recorded for the deferred tax asset and the liability for our obligations under the tax receivable agreement are estimates. Any adjustments to our estimates subsequent to their initial establishment will be included in net income (loss). Future exchanges of Class A partnership units in Group LP for Class A common shares in the Company will be accounted for in a similar manner.

Revenue and Expense Recognition—We earn substantially all of our revenues from advisory engagements and, in many cases, we are not paid until the completion of an underlying transaction. The Company recognizes revenues from providing advisory services when or as our obligations are fulfilled and collection is reasonably assured. The vast majority of our advisory revenues, which include reimbursements for certain out-of-pocket expenses, are recognized over time; however, a small number of transactions may be recognized at a point in time. We provide our advisory service on an ongoing basis which, for example, may include evaluating and selecting one of multiple strategies. During such engagements, our clients are continuously benefitting from our counsel and the over time recognition matches the transfer of such benefits. However, the recognition of transaction fees is constrained until substantially all services have been provided, specified conditions have been met and it is probable that a revenue reversal will not occur in a future period. Upfront fees and retainers specified in our engagement letters that meet the over time criteria will be recognized on a systematic basis over the estimated period where the related services are performed. Revenues may be recognized at a point in time if the engagement represents a singular objective that does not transfer any notable value until formally completed, such as when issuing a fairness opinion. In these instances, the point in time recognition appropriately matches the transfer and consumption of our services.

Incremental costs of obtaining a contract are expensed as incurred since such costs are generally not recoverable and the typical duration of our advisory contracts is less than one year. Costs to fulfill contracts consist of out-of-pocket expenses that are part of performing our advisory services and are typically expensed as incurred, except where the transfer and consumption of our services occurs at a point in time. For engagements recognized at a point in time, out-of-pocket expenses are capitalized and subsequently expensed in the condensed consolidated statement of operations upon completion of the engagement. The Company records deferred revenues when it receives fees from clients that have not yet been earned (e.g. an upfront fee) or when the Company has an unconditional right to consideration before all performance obligations are complete (e.g. upon satisfying conditions to earn an announcement fee, but before the transaction is consummated).

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Complications that may terminate or delay a transaction include failure to agree upon final terms with the counterparty, failure to obtain required regulatory consents, failure to obtain board or stockholder approvals, failure to secure financing, adverse market conditions or unexpected operating or financial problems related to either party to the transaction. In these circumstances, we often do not receive advisory fees that would have been received if the transaction had been completed, despite the fact that we may have devoted considerable time and resources to the transaction. Barriers to the completion of a restructuring transaction may include a lack of anticipated bidders for the assets of our client, the inability of our client to restructure its operations, or indebtedness due to a failure to reach agreement with its creditors. In these circumstances, our fees are generally limited to monthly retainer fees and reimbursement of certain out-of-pocket expenses.

We do not allocate our revenue by the type of advice we provide because of the complexity of the transactions on which we may earn revenue and our holistic approach to client service. For example, a restructuring engagement may evolve to require a sale of all or a portion of the client, M&A assignments can develop from relationships established on prior restructuring engagements, and capital markets expertise can be instrumental on both M&A and restructuring assignments.

Adoption of ASU 2014-09

Effective January 1, 2018, the Company adopted ASU 2014-09, “Revenue from Contracts with Customers”, and all related amendments (“Topic 606”) using the modified retrospective method for all contracts. The adoption of the new standard requires the Company to present reimbursable expenses gross in revenues and expenses and to use new revenue recognition patterns as discussed below in the policy. Prior to adoption, client expenses were recorded net of reimbursements. As a result, a cumulative adjustment was recorded which increased the opening balance of accrued and other receivables and retained earnings by \$3,722 for outstanding reimbursable expenses at December 31, 2017, which would have been recognized as revenues under the new standard. The tax effect of this adjustment decreased retained earnings by \$567, resulting in a net increase to the opening balance of retained earnings of \$3,155 as of January 1, 2018. No prior periods were adjusted as a result of this change in accounting policy.

The adoption of Topic 606 may result in the recognition of revenue in certain circumstances earlier as compared with the time prior to the adoption of Topic 606 where revenues were generally recognized upon the closing date of a transaction. In contrast, Topic 606 requires revenues from variable transaction fees to be recognized when all material conditions for completion have been met and it is probable that a significant revenue reversal will not occur in a future period. Revenues subject to this timing difference in recognition will require significant judgment and could be material to any given reporting period.

Total compensation and benefits expense is determined by management primarily based on revenues earned, in addition to other performance and labor market conditions. Variable compensation and benefits expense has been adjusted in response to the adoption of Topic 606.

Equity-based Compensation —The Company recognizes the cost of employee services received in exchange for an equity instrument award. The cost is based on its grant-date fair value based on quoted market prices at the time of grant amortized over the service period required by the award’s vesting terms. The Company records as treasury stock shares repurchased from its employees for the purpose of settling tax liabilities incurred upon the vesting of restricted stock units (“RSUs”). The Company records dividends in kind, net of forfeitures, on outstanding RSUs as a dividend payment and a charge to equity. Dividends in kind on RSUs are subject to the same vesting conditions as the underlying RSUs on which they were accrued. Dividends in kind will be forfeited if the award does not vest.

The Company has a retirement plan whereby a retiring employee generally will not forfeit certain qualifying incentive RSUs granted during employment if at retirement the employee meets certain requirements. For qualifying awards issued prior to December 1, 2016, the employee must (i) be at least 54 years old and (ii) have provided at least 8 consecutive years of service to the Company. For qualifying awards issued on or after December 1, 2016, (i) the employee must be at least 56 years old, (ii) the employee must have provided at least 5 consecutive years of service to the Company and (iii) the total of (i) and (ii) must be equal to at least 65 years. Any such RSUs will continue to vest on their applicable vesting schedule, subject to noncompetition and other terms. Over time a greater number of employees may become retirement eligible and the related requisite service period over which we will expense these awards will be shorter than the stated vesting period. Any unvested RSUs prior to meeting the stated requisite service period or retirement eligibility date are eligible to receive dividends in kind; however, the right to dividends in kind will be forfeited if the underlying award does not vest.

Effective January 1, 2019, the Company adopted ASU 2018-07, “Compensation—Stock Compensation” (“ASU 2018-07”) using the modified retrospective method. The adoption of this new standard generally requires the accounting for equity-based payments to nonemployees to be consistent with the accounting for employees. As a result, the Company will recognize the cost of services received from a nonemployee in exchange for an equity instrument based on the award’s grant-date fair value. Unsettled equity-based payments to nonemployees have been remeasured at fair value as of the adoption date. No adjustment to the opening balance of retained earnings was required.

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Income Taxes — The Company accounts for income taxes in accordance with ASC 740, “Accounting for Income Taxes” (“ASC 740”), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company’s condensed consolidated statements of financial condition as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

ASC 740-10 prescribes a two-step approach for the recognition and measurement of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the financial statements. The Company has reviewed and will continue to review the conclusions reached regarding uncertain tax positions, which may be subject to review and adjustment at a later date based on ongoing analyses of tax laws, regulations and interpretations thereof. For the three and six months ended June 30, 2019 and 2018, no unrecognized tax benefit was recorded. To the extent that the Company’s assessment of the conclusions reached regarding uncertain tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. The Company reports income tax-related interest and penalties relating to uncertain tax positions, if applicable, as a component of income tax expense. For the three and six months ended June 30, 2019 and 2018, no such amounts were recorded.

Leases — The Company maintains operating leases for corporate offices and an aircraft. The Company determines if a contract contains a lease at inception. Operating leases are recorded as right-of-use (“ROU”) assets and lease liabilities on the condensed consolidated statements of financial condition. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease liabilities are recognized at the lease commencement date and are measured at the present value of anticipated lease payments over the lease term. The operating lease ROU assets are equal to the lease liabilities, adjusted for certain lease incentives, accrued rents, and prepaid rents. Typically, our borrowing rate is used to determine the present value of lease payments because the implicit rate is not readily determinable. Our lease terms may include options to extend or terminate the lease. These options are factored into our present value calculations when it is reasonably certain that such options will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

Adoption of ASU 2016-02

In February 2016, the FASB issued Accounting Standards Update 2016-02—Leases (“ASU 2016-02”) to improve transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11 which permits entities to apply the requirements of ASU 2016-02 as of the adoption date, as opposed to the earliest comparative period disclosed.

The Company adopted both standards as of January 1, 2019, and is applying the requirements of ASU 2016-02 as of the adoption date instead of the earliest comparative period disclosed. In addition, we elected to use certain practical expedients to assist in our transition and are not reassessing the identification and classification of leases upon adoption. Upon adoption, the Company recorded lease liabilities and corresponding ROU assets of \$63,252. The ROU assets were adjusted for prepaid rent and accrued rent, which reduced our opening balances of prepaid expenses and other assets and other liabilities by \$1,666 and \$7,139, respectively. The adoption of ASU 2016-02 did not have a material impact to our condensed consolidated statements of operations.

Foreign Currency Translation — Assets and liabilities held in non-U.S. dollar denominated currencies are translated into U.S. dollars at exchange rates in effect at the end of the reporting period. Revenues and expenses are translated at average exchange rates during the reporting period. A charge or credit is recorded to other comprehensive income to reflect the translation of these amounts to the extent the non-U.S. currency is designated the functional currency of the subsidiary. Non-functional currency related transaction gains and losses are immediately recorded in the condensed consolidated statements of operations.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, “Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 replaces the incurred loss impairment methodology for financial instruments with the current expected credit loss (CECL) model which requires estimates of future credit losses based on reasonable supporting information, such as historical experience and current conditions. ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. Upon initial evaluation, we do not anticipate any material changes to our condensed consolidated financial statements.

In March 2019, the FASB issued Accounting Standards Update No. 2019-01, “Leases” (“ASU 2019-01”). ASU 2019-01 enhances the guidance in ASC 842 surrounding the fair value of underlying assets for lessors, presentation of sales-type and direct financing leases on the statement of cash flows, and transition guidance surrounding accounting changes and error corrections. ASU 2019-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is permitted. Upon initial evaluation, we do not anticipate any material changes to our condensed consolidated financial statements.

4. EQUITY METHOD INVESTMENTS

Moelis Australia

On April 1, 2010, the Company entered into a 50-50 joint venture in Moelis Australia Holdings PTY Limited, investing a combination of cash and certain net assets in exchange for its interests. On April 10, 2017, Moelis Australia Holdings PTY Limited consummated their initial public offering and became listed on the Australian Securities Exchange as Moelis Australia Limited (ASX: MOE). As a result of the offering, the Company's ownership interest in Moelis Australia was diluted and continues to be accounted for under the equity method of accounting. Certain estimates and adjustments have been made to account for the Company's equity method investment in Moelis Australia under US GAAP as Moelis Australia follows local accounting principles under Australian Accounting Standards. Please see Note 4 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information.

On February 20, 2019 and February 20, 2018, Moelis Australia declared dividends, of which the Company received \$2,848 and \$2,737 on March 6, 2019 and March 7, 2018, respectively. The Company accounted for the dividends as a return on investment and reduced the carrying value of the investment in Moelis Australia by \$2,848 and \$2,737, respectively.

For the three months ended June 30, 2019 and 2018, income of \$719 and \$2,226 was recorded on this investment, respectively, and for the six months ended June 30, 2019 and 2018, income of \$1,432 and \$3,114 was recorded on this investment, respectively.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements, net consists of the following:

	June 30, 2019	December 31, 2018
Office equipment	\$ 13,336	\$ 11,517
Furniture and fixtures	5,013	4,533
Leasehold improvements	15,868	13,813
Total	34,217	29,863
Less accumulated depreciation and amortization	(19,584)	(17,132)
Equipment and leasehold improvements, net	\$ 14,633	\$ 12,731

Depreciation and amortization expenses for fixed assets totaled \$1,290 and \$1,100 for the three months ended June 30, 2019 and 2018, respectively, and \$2,445 and \$2,155 for the six months ended June 30, 2019 and 2018, respectively.

6. FAIR VALUE MEASUREMENTS

The Company established a fair value hierarchy which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories (from highest to lowest) based on inputs:

Level 1—Quoted prices (unadjusted) are available in active markets for identical instruments that the Company has the ability to access as of the reporting date. The Company, to the extent that it holds such instruments, does not adjust the quoted price for these instruments, even in situations in which the Company holds a large position and a sale could reasonably affect the quoted price.

Level 2—Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are not the same as those used in level 1. Fair value is determined through the use of models or other valuation methodologies.

Level 3—Pricing inputs are unobservable for the instruments and include situations in which there is little, if any, market activity for the investments. The inputs into the determination of fair value require significant judgment or estimation by the Company's management.

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The estimated fair values of government securities money markets, U.S. Treasury instruments, and government debt securities as of June 30, 2019 and December 31, 2018 are based on quoted prices for recent trading activity in identical or similar instruments. The Company generally invests in U.S. Treasury instruments with maturities of less than twelve months. See Note 2 for further information on the Company's fair value hierarchy.

The following table summarizes the levels of the fair value hierarchy into which the Company's financial assets fall as of June 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	46,253	46,253	—	—
Government securities money market	13,994	—	13,994	—
<i>Investments</i>				
Common stock	149	149	—	—
Total financial assets	\$ 60,396	\$ 46,402	\$ 13,994	\$ —

For the three and six months ended June 30, 2019, unrealized losses of \$42 and \$1 were recognized in other income and expenses on the condensed consolidated statement of operations related to common stock held at the reporting date.

The following table summarizes the levels of the fair value hierarchy into which the Company's financial assets fall as of December 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
<i>Included in cash and cash equivalents</i>				
U.S. treasury instruments	110,529	100,500	10,029	—
Government securities money market	90,866	—	90,866	—
<i>Investments</i>				
Government debt securities (1)	1,105	—	1,105	—
U.S. treasury instruments	79,395	7,977	71,418	—
Common stock	150	150	—	—
Total financial assets	\$ 282,045	\$ 108,627	\$ 173,418	\$ —

(1) Consists of municipal bonds and agency bonds.

For the three and six months ended June 30, 2018, unrealized losses of \$19 and unrealized gains of \$27 were recognized in other income and expenses on the condensed consolidated statement of operations related to common stock held at the reporting date.

The Company's methodology for reclassifications impacting the fair value hierarchy is that transfers in/out of the respective category are reported at fair value as of the beginning of the period in which the reclassification occurred.

At the end of the reporting period, the Company reviews U.S. treasury instruments held to determine whether the securities are of the most recent issuance of that security with the same maturity (referred to as "on-the-run", which is the most liquid version of the maturity band). If a U.S. treasury instrument held at the end of the reporting period was from the most recent issuance it is classified as level 1, otherwise it is referred to as "off-the-run" and is classified as level 2.

7. NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS

The calculations of basic and diluted net income (loss) per share attributable to holders of shares of Class A common stock for the three and six months ended June 30, 2019 and 2018 are presented below.

<u>(dollars in thousands, except per share amounts)</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>Numerator:</i>				
Net income (loss) attributable to holders of shares of Class A common stock—basic	\$ 29,459	\$ 35,690	\$ 43,029	\$ 69,015
Add (deduct) dilutive effect of:				
Noncontrolling interests related to Class A partnership units	(a)	(a)	(a)	(a)
Net income (loss) attributable to holders of shares of Class A common stock—diluted	<u>\$ 29,459</u>	<u>\$ 35,690</u>	<u>\$ 43,029</u>	<u>\$ 69,015</u>
<i>Denominator:</i>				
Weighted average shares of Class A common stock outstanding—basic	50,107,269	41,750,396	48,919,127	38,938,952
Add (deduct) dilutive effect of:				
Noncontrolling interests related to Class A partnership units	(a)	(a)	(a)	(a)
Weighted average number of incremental shares issuable from unvested restricted stock, RSUs and stock options, as calculated using the treasury stock method	<u>4,560,818 (b)</u>	<u>7,529,711 (b)</u>	<u>5,851,725 (b)</u>	<u>8,052,469 (b)</u>
Weighted average shares of Class A common stock outstanding—diluted	<u>54,668,087</u>	<u>49,280,107</u>	<u>54,770,852</u>	<u>46,991,421</u>
Net income (loss) per share attributable to holders of shares of Class A common stock				
Basic	<u>\$ 0.59</u>	<u>\$ 0.85</u>	<u>\$ 0.88</u>	<u>\$ 1.77</u>
Diluted	<u>\$ 0.54</u>	<u>\$ 0.72</u>	<u>\$ 0.79</u>	<u>\$ 1.47</u>

We have not included the impact of Class B common stock because these shares are entitled to an insignificant amount of economic participation.

- (a) Class A partnership units may be exchanged for Moelis & Company Class A common stock on a one-for-one basis, subject to applicable lock-up, vesting and transfer restrictions. If all Class A partnership units were to be exchanged for Class A common stock, fully diluted Class A common stock outstanding would be 67,701,355 and 67,189,931 for the three months ended June 30, 2019 and 2018, respectively, and 67,783,254 and 66,858,916 for the six months ended June 30 2019 and 2018, respectively. In computing the dilutive effect, if any, that the aforementioned exchange would have on net income (loss) per share, net income (loss) available to holders of Class A common stock would be adjusted due to the elimination of the noncontrolling interests in consolidated entities associated with the Group LP Class A partnership units (including any tax impact). For the three and six months ended June 30, 2019 and 2018, such exchange is not reflected in diluted net income (loss) per share as the assumed exchange is not dilutive.
- (b) During the three and six months ended June 30, 2019 and 2018, certain shares of Moelis & Company's Class A common stock assumed to be issued pursuant to certain RSUs as calculated using the treasury stock method were antidilutive and therefore have been excluded from the calculation of diluted net income (loss) per share attributable to Moelis & Company. During the three months ended June 30, 2019 and 2018, the additional weighted average amount of RSUs that would have been included in this calculation if the effect were dilutive would have been 2,500,362 and 10,508 units, respectively and 1,789,991 and 14,213 for the six months ended June 30 2019 and 2018, respectively.

8. EQUITY-BASED COMPENSATION

Partnership Units

Prior to the Company's restructuring and IPO, the business operated as a partnership and its ownership structure was comprised of common partners (principally outside investors) holding units. The common partners contributed capital to the partnership and were not subject to vesting. Units granted to Managing Directors upon joining the Company and as part of annual incentive compensation generally vested based on service over five to eight years. Certain non-Managing Director employees were granted units as part of their incentive arrangements and these units generally vested based on service ratably over four years. In connection with the Company's restructuring and IPO, substantially all of the Managing Director partner equity subject to vesting was accelerated. Units granted to non-Managing Director employees were not accelerated in connection with the Company's restructuring and IPO and continue to vest based on the original terms of the grant.

In connection with the reorganization and IPO, Group LP issued Class A partnership units to Moelis & Company and to certain existing unit holders. Following the reorganization, a Group LP Class A partnership unit (not held by Moelis & Company or its subsidiaries) is exchangeable into one share of Moelis & Company Class A common stock and represents the Company's noncontrolling interests. As of June 30, 2019, partners held 12,991,529 Group LP partnership units, 48,084 of which were unvested and will continue to vest over their service life.

In relation to the vesting of Class A partnership units, the Company recognized compensation expenses of \$41 and \$243 for the three months ended June 30, 2019 and 2018, respectively and \$150 and \$702 for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, there was \$100 of unrecognized compensation expense related to unvested Class A partnership units which is expected to be recognized over a weighted-average period of 0.6 years, using the graded vesting method.

2014 Omnibus Incentive Plan

In connection with the IPO, the Company adopted the Moelis & Company 2014 Omnibus Incentive Plan (the "Plan") to provide additional incentives to selected officers, employees, Managing Directors, non-employee directors, independent contractors, partners, senior advisors and consultants. The Plan provides for the issuance of incentive stock options ("ISOs"), nonqualified stock options, stock appreciation rights ("SARs"), restricted stock, RSUs, stock bonuses, other stock-based awards and cash awards.

In the first quarter of 2015, the Board of Directors authorized the repurchase of up to \$25 million of shares of Class A common stock of the Company and/or Class A partnership units of Group LP with no expiration date. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions. In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. This new authorization replaced the former repurchase program and the remaining authorization under the program was eliminated. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions. The remaining balance of shares authorized for repurchase under the program was \$95.0 million as of June 30, 2019.

Restricted Stock and Restricted Stock Units (RSUs)

Pursuant to the Plan and in connection with the Company's annual compensation process and ongoing hiring process, the Company issues RSUs which generally vest over a service life of four to five years. For the three months ended June 30, 2019 and 2018, the Company recognized expense of \$28,094 and \$25,553, respectively, and \$66,376 and \$56,733 for the six months ended June 30, 2019 and 2018, respectively.

The following table summarizes activity related to restricted stock and RSUs for the six months ended June 30, 2019 and 2018.

	Restricted Stock & RSUs			
	2019		2018	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Unvested Balance at January 1,	8,761,224	\$ 37.59	9,357,999	\$ 30.15
Granted	3,657,153	46.05	2,843,214	54.35
Forfeited	(71,641)	43.15	(116,695)	38.02
Vested	(3,825,041)	34.34	(2,864,172)	30.83
Unvested Balance at June 30,	8,521,695	\$ 42.39	9,220,346	\$ 37.02

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As of June 30, 2019, the total compensation expense related to unvested restricted stock and RSUs not yet recognized was \$175,164. The weighted-average period over which this compensation expense is expected to be recognized at June 30, 2019 is 1.8 years.

Stock Options

Pursuant to the Plan, the Company issued 3,501,881 stock options in 2014 which vest over a five-year period. The Company estimated the fair value of stock option awards at grant using the Black-Scholes valuation model with the following assumptions:

	<u>Assumptions</u>
Expected life (in years)	6
Weighted-average risk free interest rate	1.91%
Expected volatility	35%
Dividend yield	2.72%
Weighted-average fair value at grant date	\$ 6.70

The Company paid special dividends of \$8.30, in aggregate, through June 30, 2019. As required under Section 5 of the Company's 2014 Omnibus Incentive Plan, the Compensation Committee of the Company's Board of Directors equitably reduced the exercise price of the Company's outstanding options to purchase common stock by \$8.30 from \$25.00 per share to \$16.70 per share.

The following table summarizes activity related to stock options for the six months ended June 30, 2019 and 2018.

	<u>Stock Options Outstanding</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Number</u> <u>Outstanding</u>	<u>Weighted</u> <u>Average</u> <u>Exercise Price</u> <u>Per Share</u>	<u>Number</u> <u>Outstanding</u>	<u>Weighted</u> <u>Average</u> <u>Exercise Price</u> <u>Per Share</u>
Outstanding at January 1,	2,017,067	\$ 16.70	2,436,232	\$ 16.70
Exercises	(351,101)	16.70	(343,780)	16.70
Forfeitures or expirations	(3,000)	16.70	(60,035)	16.70
Outstanding at June 30,	<u>1,662,966</u>	<u>\$ 16.70</u>	<u>2,032,417</u>	<u>\$ 16.70</u>

For the three months ended June 30, 2019 and 2018, the Company recognized expenses of \$111 and \$295, respectively, and \$606 and \$900 for the six months ended June 30, 2019 and 2018, respectively, in relation to these stock options. As of June 30, 2019, all stock options are fully vested.

9. STOCKHOLDERS EQUITY

Class A Common Stock

In April 2014, the Company issued 15,263,653 shares of Class A common stock in connection with the IPO and reorganization. Since its IPO, the Company has conducted several offerings of Class A common stock in order to facilitate organized liquidity and increase the public float of its Class A common stock. The details of these offerings are displayed below. The Company did not retain any proceeds from the sale of its Class A common stock.

<u>Date of Offering</u>	<u>Total Shares</u> <u>Offered</u>	<u>Total Increase in</u> <u>Shares Outstanding</u>
November, 2014	6,325,000	4,511,058
January, 2017	5,750,000	5,356,876
July, 2017	6,000,000	5,680,903
March, 2018	5,000,000	4,689,295
August, 2018	5,000,000	4,685,217
Total	<u>28,075,000</u>	<u>24,923,349</u>

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As of June 30, 2019, 51,629,289 shares of Class A common stock were issued and 49,231,339 shares were outstanding, and as of December 31, 2018, 47,031,095 shares of Class A common stock were issued and 45,604,980 shares were outstanding. The changes in Class A common stock are due primarily to the IPO and offering transactions described above, in addition to the vesting of restricted stock units in connection with the Company's annual compensation process and ongoing hiring process.

Class B Common Stock

In conjunction with Moelis & Company's IPO of its Class A common stock, the Company issued 36,158,698 shares of Class B common stock. Moelis & Company Partner Holdings LP ("Partner Holdings") holds all shares of Class B common stock, enabling it initially to exercise majority voting control over the Company. The economic rights of Class B common stock are based on the ratio of the Class B subscription price to the initial public offering price of shares of Class A common stock (.00055 to 1). Shares of Class B common stock are generally not transferrable and, if transferred other than in the limited circumstances set forth in Moelis & Company's Amended and Restated Certificate of Incorporation, such shares shall automatically convert into a number of shares of Class A common stock, or dollar equivalent. Each share of Class B common stock may also be converted to a number of Class A shares at the option of the holder. Holders of shares of Class B common stock are entitled to receive dividends of the same type as any dividends payable on outstanding shares of Class A common stock at a ratio of .00055 to 1.

Date of Offering	Class B Stock Purchased / Surrendered	Purchase Cost (in thousands)
November, 2014	4,507,453	\$ 28
January, 2017	5,356,876	101
July, 2017	5,680,903	128
March, 2018	4,689,295	135
August, 2018	4,685,217	158
Total	24,919,744	\$ 550

As of June 30, 2019, and December 31, 2018, 10,431,422 and 10,493,358 shares of Class B common stock were issued and outstanding, respectively, due primarily to the IPO, offering transactions, and Class B conversions described above.

Treasury Stock

During the six months ended June 30, 2019 and 2018, the Company repurchased 971,835 and 475,169 shares, respectively, pursuant to the Company's share repurchase program, shares repurchased from its employees for the purpose of settling tax liabilities incurred upon the vesting of RSUs and exercise of stock options. The result of the repurchases was an increase of \$39,610 and \$24,172, in the treasury stock balance on the Company's condensed consolidated statements of changes in equity as of June 30, 2019 and 2018, respectively.

Noncontrolling Interests

A Group LP Class A partnership unit (not held by Moelis & Company or its subsidiaries) is exchangeable into one share of Moelis & Company Class A common stock and represents the Company's noncontrolling interests (non-redeemable). As of June 30, 2019 and December 31, 2018, partners held 12,991,529 and 13,053,465 Group LP partnership units, respectively, representing a 21% and 22% noncontrolling interest in Moelis & Company, respectively.

Controlling Interests

Moelis & Company operates and controls all of the business and affairs of Group LP and its operating entity subsidiaries indirectly through its equity interest in Group GP, and thus the 49,231,339 shares of Class A common stock outstanding at June 30, 2019 (45,604,980 as of December 31, 2018), represents the controlling interest.

10. RELATED-PARTY TRANSACTIONS

Aircraft Lease— On August 30, 2014, a related party, Moelis & Company Manager LLC ("Manager"), acquired an aircraft with funds received solely from its managing member (Mr. Moelis). The aircraft is used and operated by the Company pursuant to a dry lease with Manager. The terms of the dry lease are comparable to the market rates of leasing from an independent third party. Pursuant to this dry lease arrangement, the lessee is obligated to bear its share of the costs of operating the aircraft. For the three months ended June 30, 2019 and 2018, the Company incurred \$468 and \$468 in aircraft lease costs to be paid to Manager, respectively, and \$936 and \$936 for the six months ended June 30, 2019 and 2018, respectively. In addition, Mr. Moelis is the other lessee of the aircraft and shares the operating and related costs of the plane in proportion to his respective use pursuant to a cost sharing and operating agreement. In July 2019, the Company terminated its dry lease with Manager and entered into a new dry lease with Manager. See Note 16 for further information.

Promissory Notes —As of June 30, 2019, there were \$189 of unsecured promissory notes from employees held by the Company (December 31, 2018: \$189). Any outstanding balances are reflected in accrued and other receivables on the condensed consolidated statements of financial condition. The notes held as of June 30, 2019 and December 31, 2018 bear a fixed interest rate of 4.00%. During the six months ended June 30, 2019 and 2018, the Company received \$0 and \$193 of principal repayments and recognized interest income of \$4 and \$13, respectively, on such notes, which is included in other income and expenses on the condensed consolidated statements of operations.

Services Agreement —In connection with the Company's IPO, the Company entered into a services agreement with a related party, Moelis Asset Management LP, whereby the Company provides certain administrative services, technology, and office space to Moelis Asset Management LP for a fee. This fee totaled \$66 and \$152 for the three months ended June 30, 2019 and 2018, respectively, and \$128 and \$309 for the six months ended June 30, 2019 and 2018, respectively. The amount of the fee is based upon the estimated usage and related expense of all shared services between the Company and Moelis Asset Management LP during the relevant period, and will be assessed periodically by Management as per the terms of the agreement. As of June 30, 2019 and December 31, 2018, there were no balances due from Moelis Asset Management LP.

Moelis Australia —As of June 30, 2019 and December 31, 2018, the Company had no balance and \$1,673 due to Moelis Australia, respectively, which are reflected in accrued and other receivables on the condensed consolidated statements of financial condition. These balances consist of amounts due to or from Moelis Australia for advisory services performed as well as billable expenses incurred by the Company on behalf of Moelis Australia during the period. The relationship between the Company and Moelis Australia is governed by a services agreement.

Revenues —From time to time, the Company enters into advisory transactions with Moelis Asset Management LP and its affiliates. The Company earned revenues associated with such transactions of \$9 and \$242 for the three months ended June 30, 2019 and 2018, respectively, and \$210 and \$242 for the six months ended June 30, 2019 and 2018, respectively.

11. REGULATORY REQUIREMENTS

Under the SEC Uniform Net Capital Rule (SEC Rule 15c3-1) Alternative Standard under Section (a)(1)(ii), the minimum net capital requirement is \$250. At June 30, 2019, Moelis U.S. had net capital of \$41,145, which was \$40,895 in excess of its required net capital. At December 31, 2018, Moelis U.S. had net capital of \$63,099 which was \$62,849 in excess of its required net capital.

Moelis U.S. does not carry customer accounts and does not otherwise hold funds or securities for, or owe money or securities to, customers and accordingly is exempt under Section (k)(2)(ii) of SEC Rule 15c3-3.

At June 30, 2019, the aggregate regulatory net capital of Moelis UK was \$8,818 which exceeded the minimum requirement by \$8,763. At December 31, 2018, the aggregate regulatory net capital of Moelis UK was \$23,041, which exceeded the minimum requirement by \$22,984.

12. COMMITMENTS AND CONTINGENCIES

Bank Line of Credit — In June 2019, the Company renewed its revolving credit facility which extended the maturity date to June 30, 2020. In May 2018, the facility was revised and the commitment amount increased to \$65,000.

Borrowings on the facility bear interest at the greater of a fixed rate of 3.50% per annum or at the borrower's option of (i) LIBOR plus 1% or (ii) Prime minus 1.50%. As of June 30, 2019 and December 31, 2018, the Company had no borrowings under the credit facility.

As of June 30, 2019, the Company's available credit under this facility was \$60,030 as a result of the issuance of an aggregate amount of \$4,970 of various standby letters of credit, which were required in connection with certain office lease and other agreements. The Company incurs a 1% per annum fee on the outstanding balance of issued letters of credit.

Leases —The Company maintains operating leases for corporate offices and an aircraft with various expiration dates, some of which extend through 2029. Some leases include options to terminate or to extend the lease terms. The Company records lease liabilities measured at the present value of anticipated lease payments over the lease term, including options to extend or terminate the lease when it is reasonably certain such options will be exercised. The implicit discount rates used to determine the present value of the Company's leases are not readily determinable, thus the Company uses its borrowing rate, which was determined with reference to our available credit line. See below for additional information about the Company's leases.

(\$ in thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Supplemental Income Statement Information:		
Operating lease cost	\$ 4,167	\$ 8,300
Supplemental Cash Flow Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,969	\$ 9,837
Other Information		
Weighted-average remaining lease term - operating leases	5.10 years	5.10 years
Weighted-average discount rate - operating leases	4.00 %	4.00 %
Right-of-use assets obtained in exchange for lease obligations (e.g. new leases commenced during the period):	\$ —	\$ 1,172

The Company incurred expense relating to its operating leases of \$3,964 and \$7,901 for the three and six months ended June 30, 2018, respectively.

The future minimum rental payments required under the operating leases in place at June 30, 2019, are as follows:

Fiscal year ended	Operating Leases	Sublease Income	Net Minimum Payments
2019	\$ 9,638	\$ (318)	\$ 9,320
2020	13,844	(849)	12,995
2021	8,687	(849)	7,838
2022	8,476	(849)	7,627
2023	7,092	(849)	6,243
Thereafter	12,329	(1,274)	11,055
Total Payments	<u>\$ 60,066</u>	<u>\$ (4,988)</u>	<u>\$ 55,078</u>
Present Value Adjustment	<u>\$ 5,793</u>		
Total	<u>\$ 54,273</u>		

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During the first quarter of 2019, the Company entered into a lease agreement related to its headquarters in New York. The new lease expands our current workspace at 399 Park Ave in New York and has an initial term that expires in 2036. Depending on when we gain access to the floor currently occupied by another tenant will drive when we begin recognizing the incremental space and new lease terms. Commencement of the lease is anticipated to occur in late 2019.

In accordance with ASC 840, the future minimum rental payments under the operating leases in place at December 31, 2018 are as follows:

<u>Fiscal year ended</u>	<u>Operating Leases</u>	<u>Sublease Income</u>	<u>Net Minimum Payments</u>
2019	\$ 19,742	\$ (530)	\$ 19,212
2020	13,836	(849)	12,987
2021	8,682	(849)	7,833
2022	8,471	(849)	7,622
2023	7,090	(849)	6,241
Thereafter	12,349	(1,273)	11,076
Total	\$ 70,170	\$ (5,199)	\$ 64,971

Contractual Arrangements —In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide indemnification for specified losses, including certain indemnification of certain officers, directors and employees.

Legal —In the ordinary course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, government agencies and self-regulatory organizations conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, compliance, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company.

13. EMPLOYEE BENEFIT PLANS

The Company covers substantially all U.S. salaried employees with a defined contribution 401(k) plan. Each salaried employee of the Company who has attained the age of 21 is eligible to participate in the 401(k) plan on their first day of employment. Any employer contributions to the 401(k) plan are entirely at the discretion of the Company. The Company accrued expenses relating to employer matching contributions to the 401(k) plan for the three months ended June 30, 2019 and 2018, in the amounts of \$685 and \$569, respectively, and \$1,368 and \$1,164 for the six months ended June 30, 2019 and 2018, respectively.

14. INCOME TAXES

The Company's operations are comprised of entities that are organized as limited liability companies and limited partnerships. For U.S. federal income tax purposes, taxes related to income earned by these entities represent obligations of their interest holders, except for the New York City unincorporated business tax ("UBT") and certain other foreign, state, and local taxes. In connection with the Company's reorganization and IPO, the Company became subject to U.S. corporate federal, state, and local income tax on its allocable share of results of operations from Group LP.

The Company's provision for income taxes and effective tax rate were \$1,234 and 3%, and \$6,027 and 10%, for the three months ended June 30, 2019 and 2018, respectively. For the six months ended June 30, 2019 and 2018, the Company's provision for income taxes and effective tax rate were a benefit of \$3,224 and (6%) and an expense of \$8,590 and 7%, respectively. The income tax provision for the aforementioned periods primarily reflects the Company's allocable share of earnings from Group LP at the prevailing U.S. federal, state, and local corporate income tax rates and the effect of the excess tax benefit recognized in connection with the delivery of equity-based compensation. The excess tax benefits for the three months ended June 30, 2019 and 2018 were \$6,745 and \$5,387, respectively, and \$13,567 and \$12,805 for the six months ended June 30, 2019 and 2018, respectively.

15. REVENUES AND BUSINESS INFORMATION

The Company's activities as an investment banking advisory firm constitute a single business segment offering clients, including corporations, governments and financial sponsors, a range of advisory services with expertise across all major industries in mergers and acquisitions, recapitalizations and restructurings, capital markets and other corporate finance matters.

Since the financial markets are global in nature, the Company generally manages its business based on the operating results of the enterprise taken as whole, not by geographic region. The following table disaggregates the revenues and assets based on the location of the office that generates the revenues or holds the assets, and therefore may not be reflective of the geography in which our clients are located.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
United States	\$ 132,246	\$ 193,557	\$ 254,926	\$ 372,239
Europe	16,005	13,896	22,721	37,332
Rest of World	5,272	12,952	13,659	30,252
Total	<u>\$ 153,523</u>	<u>\$ 220,405</u>	<u>\$ 291,306</u>	<u>\$ 439,823</u>

	June 30,	December 31,
	2019	2018
Assets:		
United States	\$ 591,860	\$ 756,053
Europe	34,376	55,064
Rest of World	88,533	103,258
Total	<u>\$ 714,769</u>	<u>\$ 914,375</u>

As of June 30, 2019, and December 31, 2018, the Company had deferred revenues of \$11,443 and \$7,074, respectively. These amounts primarily consist of upfront fees and retainers for our services. During the six months ended June 30, 2019, \$4,598 of revenues were recognized from the opening balance of deferred revenues.

Due to the factors that may delay or terminate a transaction (see Note 2), the Company does not estimate constrained transaction fees for revenue recognition. In accordance with ASC 606-10-50-14A, quantitative disclosures of constrained variable consideration are not provided for remaining performance obligations. In addition, remaining performance obligations related to retainers, upfront fees and announcement fees are typically associated with contracts that have durations of one year or less. In accordance with ASC 606-10-50-14, the Company does not disclose the expected timing and amount of revenues remaining related to such contracts.

16. SUBSEQUENT EVENTS

On July 29, 2019, the Board of Directors of Moelis & Company declared a dividend of \$0.50 per share to be paid on September 27, 2019 to shareholders of record as of August 9, 2019.

On July 12, 2019, the Company terminated its aircraft dry lease with Manager, the lessor, and Mr. Moelis, the other lessee (the "Old Lease") and the related cost sharing agreement with Mr. Moelis, which were set to expire by their terms on December 31, 2019, and entered into a new dry lease with Manager, the lessor, and Mr. Moelis, the other lessee (the "New Lease") and cost sharing agreement with Mr. Moelis, which terminate on December 31, 2022. The terms of the New Lease are comparable to the market rates of leasing from an independent third party. Mr. Moelis, as the other lessee of the aircraft, will share the operating and related costs of the plane with the Company in proportion to his respective use pursuant to the new cost sharing agreement. The terms of the New Lease and new cost sharing agreement are substantially similar to the Old Lease and related cost sharing agreement. See Note 10 for further information regarding the Old Lease.

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Forward-Looking Statements and Certain Factors that May Affect Our Business

The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes that appear elsewhere in this Form 10-Q. We have made statements in this discussion that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined under “Risk Factors” in our Annual Report on Form 10-K and in this Form 10-Q.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as a prediction of future events. We are under no duty to and we do not undertake any obligation to update or review any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations whether as a result of new information, future developments or otherwise.

Executive Overview

Moelis & Company is a leading global independent investment bank that provides innovative strategic advice and solutions to a diverse client base, including corporations, governments and financial sponsors. We assist our clients in achieving their strategic goals by offering comprehensive integrated financial advisory services across all major industry sectors. With 19 geographical locations in the Americas, Europe, the Middle East, Asia and Australia, we advise clients around the world on their most critical decisions, including mergers and acquisitions, recapitalizations and restructurings, capital markets and other corporate finance matters. Our ability to provide confidential, independent advisory services to our clients across sectors and regions and through all phases of the business cycle has led to long-term client relationships and a diversified revenue base.

As of June 30, 2019, we served our clients globally with 562 advisory bankers. We continue to grow our firm organically through internal promotions and hiring highly talented Managing Directors who all help to expand our sector, regional and product expertise.

We generate revenues primarily from providing advisory services on transactions that are subject to individually negotiated engagement letters which set forth our fees. We generally generate fees at key transaction milestones, such as closing, the timing of which is outside of our control. As a result, revenues and net income in any period may not be indicative of full year results or the results of any other period and may vary significantly from year to year and quarter to quarter. The performance of our business depends on the ability of our professionals to build relationships with clients over many years by providing trusted advice and exceptional transaction execution.

Business Environment and Outlook

Economic and global financial conditions can materially affect our operational and financial performance. See “Risk Factors” in our Form 10-K for a discussion of some of the factors that can affect our performance. The M&A market data for announced and completed transactions during the three and six months ended June 30, 2019 and 2018, referenced throughout this Form 10-Q was obtained from Thomson Financial as of July 3, 2019, and July 3, 2018.

For the first half of 2019, we earned revenues of \$291.3 million, a decrease of 34% from the \$439.8 million earned during the same period in 2018. This compares with a 16% decrease in the number of global completed M&A transactions greater than \$100 million and a 9% decrease in volume for the same period. The decrease in revenues was primarily driven by fewer transaction completions compared to the prior year period.

In the U.S., which has been a particularly strong driver of our revenues, we are observing many companies pursue M&A as they seek to obtain a competitive advantage in their business models. In addition, based on historical experience, we believe the current economic backdrop (technological disruption, shareholder activism, record pools of capital being deployed by private equity firms and sovereign wealth funds, high corporate cash balances, relatively low interest rates and availability of credit), provides a solid foundation for sustained M&A activity. However in the first half of 2019, the M&A market slowed with completions down 16% versus the prior year period. In Europe, we continue to see slower activity, partially attributable to geo-political issues such as the U.K.’s exit from the EU. Lastly, restructuring activity continues to be a steady contributor to our business despite the low default environment.

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Our team of investment banking professionals continues to gain traction and we expect global collaboration among them to deepen and the advice provided to resonate with clients. Our current conversations with clients remain strong, and we continue to experience demand for independent advice as clients evaluate their strategic alternatives.

Results of Operations

The following is a discussion of our results of operations for the three and six months ended June 30, 2019 and 2018.

(\$ in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Revenues	\$ 153,523	\$ 220,405	-30%	\$ 291,306	\$ 439,823	-34%
Expenses:						
Compensation and benefits	84,485	128,109	-34%	174,646	255,286	-32%
Non-compensation expenses	35,159	36,651	-4%	73,152	73,823	-1%
Total operating expenses	119,644	164,760	-27%	247,798	329,109	-25%
Operating income (loss)	33,879	55,645	-39%	43,508	110,714	-61%
Other income and (expenses)	4,303	1,286	235%	5,680	1,873	203%
Income (loss) from equity method investments	719	2,226	-68%	1,432	3,114	-54%
Income (loss) before income taxes	38,901	59,157	-34%	50,620	115,701	-56%
Provision (benefit) for income taxes	1,234	6,027	-80%	(3,224)	8,590	N/M
Net income (loss)	\$ 37,667	\$ 53,130	-29%	\$ 53,844	\$ 107,111	-50%

N/M = Not meaningful

Revenues

We operate in a highly competitive environment. Each revenue-generating engagement is separately solicited, awarded and negotiated, and there are usually no long-term contracted sources of revenue. As a consequence, our fee-paying client engagements are not predictable, and high levels of revenues in one quarter are not necessarily predictive of continued high levels of revenues in future periods. To develop new business, our professionals maintain an active business dialogue with a large number of existing and potential clients. We add new clients each year as our bankers continue to expand their relationships, as we hire senior bankers who bring their client relationships and as we receive introductions from our relationship network of senior executives, board members, attorneys and other third parties. We also lose clients each year as a result of the sale or merger of clients, changes in clients' senior management, competition from other financial services firms and other causes.

We earn substantially all of our revenues from advisory engagements, and, in many cases, we are not paid until the completion of an underlying transaction. The vast majority of our advisory revenues are recognized over time, although the recognition of our transaction fees are constrained until the engagement is substantially complete.

Complications that may terminate or delay a transaction include failure to agree upon final terms with the counterparty, failure to obtain required regulatory consents, failure to obtain board or stockholder approvals, failure to secure financing, adverse market conditions or unexpected operating or financial problems related to either party to the transaction. In these circumstances, we often do not receive advisory fees that would have been received if the transaction had been completed, despite the fact that we may have devoted considerable time and resources to the transaction. Barriers to the completion of a restructuring transaction may include a lack of anticipated bidders for the assets of our client, or the inability of our client to restructure its operations, or indebtedness due to a failure to reach agreement with its creditors. In these circumstances, our fees are generally limited to monthly retainer fees and reimbursement of certain out-of-pocket expenses.

We do not allocate our revenue by the type of advice we provide because of the complexity of the transactions on which we may earn revenue and our holistic approach to client service. For example, a restructuring engagement may evolve to require a sale of all or a portion of the client, M&A assignments can develop from relationships established on prior restructuring engagements, and capital markets expertise can be instrumental on both M&A and restructuring assignments.

Three Months Ended June 30, 2019 versus 2018

Revenues were \$153.5 million for the three months ended June 30, 2019 as compared with \$220.4 million for the same period in 2018, representing a decrease of 30%. The decrease in revenues was primarily driven by fewer transaction completions compared to the prior year period.

For the three months ended June 30, 2019 and 2018 we earned revenues from 105 and 129 clients, respectively, and the number of clients who paid fees equal to or greater than \$1 million decreased to 38 clients from 52 clients for the same period of 2018.

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Six Months Ended June 30, 2019 versus 2018

Revenues were \$291.3 million for the six months ended June 30, 2019 as compared with \$439.8 million for the same period in 2018, representing a decrease of 34%. The decrease in revenues was primarily driven by fewer transaction completions during the period.

For the six months ended June 30, 2019 and 2018 we earned revenues from 146 and 190 clients, respectively, and the number of clients who paid fees equal to or greater than \$1 million decreased to 69 clients from 103 clients for the same period of 2018.

Operating Expenses

The following table sets forth information relating to our operating expenses:

(\$ in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Expenses:						
Compensation and benefits	\$ 84,485	\$ 128,109	-34%	\$ 174,646	\$ 255,286	-32%
% of revenues	55%	58%		60%	58%	
Non-compensation expenses	\$ 35,159	\$ 36,651	-4%	\$ 73,152	\$ 73,823	-1%
% of revenues	23%	17%		25%	17%	
Total operating expenses	\$ 119,644	\$ 164,760	-27%	\$ 247,798	\$ 329,109	-25%
% of revenues	78%	75%		85%	75%	

Our operating expenses are classified as compensation and benefits expenses and non-compensation expenses, and headcount is the primary driver of the level of our expenses. Compensation and benefits expenses account for the majority of our operating expenses. Non-compensation expenses, which include the costs of professional fees, travel and related expenses, communication, technology and information services, occupancy, depreciation and other expenses, generally have been less significant in comparison with compensation and benefits expenses.

Three Months Ended June 30, 2019 versus 2018

Operating expenses were \$119.6 million for the three months ended June 30, 2019 and represent 78% of revenues, compared with \$164.8 million for the same period in 2018 which represented 75% of revenues. The decrease in operating expenses was primarily driven by lower compensation expense due to decreased revenues as compared to the prior year period.

Six Months Ended June 30, 2019 versus 2018

Operating expenses were \$247.8 million for the six months ended June 30, 2019 and represented 85% of revenues, compared with \$329.1 million for the same period in 2018 which represented 75% of revenues. The decrease in operating expenses was primarily driven by lower compensation expense due to decreased revenues as compared to the prior year period.

Compensation and Benefits Expenses

Our compensation and benefits expenses are determined by management based on revenues earned, the competitiveness of the prevailing labor market and anticipated compensation requirements for our employees, the level of recruitment of new Managing Directors, the amount of compensation expenses amortized for equity awards and other relevant factors.

Our compensation expenses consist of base salary and benefits, annual incentive compensation payable as cash bonus awards, including certain amounts subject to clawback and contingent upon a required period of service (“contingent cash awards”) and amortization of equity-based compensation awards. Base salary and benefits are paid ratably throughout the year. Equity awards are amortized into compensation expenses on a graded basis (based upon the fair value of the award at the time of grant) during the service period over which the award vests, which is typically four or five years. The awards are recorded within equity as they are expensed. Contingent cash awards are amortized into compensation expenses over the required service period. Cash bonuses, which are accrued each quarter, are discretionary and dependent upon a number of factors including the performance of the Company and are generally paid during the first two months of each calendar year with respect to prior year performance. The equity component of the annual incentive award is determined with reference to the Company’s estimate of grant date fair value, which in turn determines the number of equity awards granted subject to a vesting schedule.

Our compensation expenses are primarily based upon revenues, prevailing labor market conditions and other factors that can fluctuate, including headcount, and as a result, our compensation expenses may fluctuate materially in any particular period. Accordingly, the amount of compensation expenses recognized in any particular period may not be consistent with prior periods or indicative of future periods.

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Three Months Ended June 30, 2019 versus 2018

For the three months ended June 30, 2019, compensation-related expenses of \$84.5 million represented 55% of revenues, compared with \$128.1 million of compensation-related expenses which represented 58% of revenues in the prior year period. The decrease in compensation expenses was primarily driven by decreased revenues which resulted in lower accrued bonus expense.

Our fixed compensation costs, which are primarily the sum of base salaries, payroll taxes and benefits and the amortization of previously issued equity and contingent cash awards, were \$79.2 million and \$72.5 million for the three months ended June 30, 2019 and 2018, respectively. The increase in fixed compensation costs relates to increased headcount and higher equity amortization as compared to the prior year period. The aggregate amount of discretionary cash bonus expenses, which generally represents the excess amount of total compensation over base compensation and amortization of equity and contingent cash awards, was \$5.3 million and \$55.6 million for the three months ended June 30, 2019 and 2018, respectively. The combination of the discretionary and fixed compensation expenses represents the overall compensation expense pool. The decrease in discretionary cash bonus expense is primarily related to lower revenues earned during the three months ended June 30, 2019 compared to the same period in 2018.

Six Months Ended June 30, 2019 versus 2018

For the six months ended June 30, 2019, compensation related expenses of \$174.6 million and represent 60% of revenues, compared with \$255.3 million which represented 58% of revenues in the prior year period. The decrease in compensation expenses was primarily driven by decreased revenues which resulted in lower bonus expense. This decrease was partially offset by higher equity amortization during the first half of 2019 compared to the same period in the prior year.

Our fixed compensation costs, which are primarily the sum of base salaries, payroll taxes and benefits and the amortization of previously issued equity and contingent cash awards, were \$169.3 million and \$154.3 million for the six months ended June 30, 2019 and 2018, respectively. The increase in fixed compensation costs relates increased headcount and higher equity amortization as compared to the prior year. The aggregate amount of discretionary cash bonus expenses, which generally represents the excess amount of total compensation over base compensation and amortization of equity and contingent cash awards, was \$5.3 million and \$101.0 million for the six months ended June 30, 2019 and 2018, respectively. The combination of the discretionary and fixed compensation expenses represents the overall compensation expense pool. The decrease in discretionary cash bonus expense is primarily related to lower revenues earned during the first half of 2019 compared to the same period in 2018.

Non-Compensation Expenses

Our non-compensation expenses include the costs of occupancy, professional fees, communication, technology and information services, travel and related expenses, depreciation and other expenses. Historically, our non-compensation expenses associated with business development have increased as we have increased headcount and the related non-compensation support costs which results from growing our business. This trend may continue as we expand into new sectors, geographies and products to serve our clients' growing needs.

Three Months Ended June 30, 2019 versus 2018

For the three months ended June 30, 2019, non-compensation expenses of \$35.2 million represented 23% of revenues, compared with \$36.7 million which represented 17% of revenues in the prior year period. The increase in non-compensation expense as a percentage of revenues is primarily the result of a decline in revenues for the period. The decrease in non-compensation expense was primarily related to decreased travel and related expenses incurred during the period.

Six Months Ended June 30, 2019 versus 2018

For the six months ended June 30, 2019, non-compensation expenses of \$73.2 million represented 25% of revenues, compared with \$73.8 million which represented 17% of revenues in the prior year period. Non-compensation expenses decreased marginally compared with the same period of 2018, but increased as a percentage of revenues primarily as a result of a decline in revenues for the period.

Income (Loss) From Equity Method Investments

The Company accounts for its equity method investments under the equity method of accounting as the Company does not control these entities but has the ability to exercise significant influence. The amounts recorded on the condensed consolidated statements of financial condition reflect the Company's share of contributions made to, distributions received from, and the equity earnings and losses of, the investments. The Company reflects its share of gains and losses of the investment in income (loss) from equity method investments in the condensed consolidated statements of operations. Certain adjustments have been made to account for the Company's equity method investment in Moelis Australia under US GAAP as Moelis Australia follows local accounting principles under Australian Accounting Standards.

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Moelis Australia

On April 1, 2010, we entered into a joint venture in Moelis Australia, investing a combination of cash and certain net assets in exchange for a 50% interest in the venture. On April 10, 2017, Moelis Australia Holdings PTY Limited consummated their initial public offering and became listed on the Australian Securities Exchange as Moelis Australia Limited (ASX: MOE). As a result of the offering, the Company's ownership interest in Moelis Australia was diluted and continues to be accounted for under the equity method of accounting. Certain estimates and adjustments have been made to account for the Company's equity method investment in Moelis Australia under US GAAP as Moelis Australia follows local accounting principles under Australian Accounting Standards. Please see Note 4 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information.

Three Months Ended June 30, 2019 versus 2018

Income (loss) from equity method investments related to our share of gains and losses of Moelis Australia was income of \$0.7 million and \$2.2 million for the three months ended June 30, 2019 and 2018, respectively.

Six Months Ended June 30, 2019 versus 2018

Income (loss) from equity method investments related to our share of gains and losses of Moelis Australia was income of \$1.4 million and \$3.1 million for the six months ended June 30, 2019 and 2018, respectively.

Provision for Income Taxes

The Company's operations are comprised of entities that are organized as limited liability companies and limited partnerships. For U.S. federal income tax purposes, taxes related to income earned by these entities represent obligations of their interest holders, except for New York City UBT and certain other foreign, state, and local income taxes. In connection with the Company's reorganization and IPO, the Company became subject to U.S. corporate, federal, state, and local income tax on its allocable share of results of operations from Group LP.

Three Months Ended June 30, 2019 versus 2018

The Company's provision for income taxes and effective tax rates were an expense of \$1.2 million and 3%, and \$6.0 million and 10%, for the three months ended June 30, 2019 and 2018, respectively. The income tax provision and effective tax rate for the aforementioned periods primarily reflect the Company's allocable share of earnings from Group LP at the prevailing U.S. federal, state, and local corporate income tax rate and the excess tax benefit recognized in connection with equity-based compensation delivered at a price above the grant date price.

Six Months Ended June 30, 2019 versus 2018

The Company's provision for income taxes and effective tax rates were a benefit of \$3.2 million and (6%), and an expense of \$8.6 million and 7%, for the six months ended June 30, 2019 and 2018, respectively. The income tax provision and effective tax rate for the aforementioned periods primarily reflect the Company's allocable share of earnings from Group LP at the prevailing U.S. federal, state, and local corporate income tax rate and the excess tax benefit recognized in connection with equity-based compensation delivered at a price above the grant date price.

Liquidity and Capital Resources

Our current assets have historically comprised cash, short-term liquid investments and receivables related to fees earned from providing advisory services. Our current liabilities are primarily comprised of accrued expenses, including accrued employee compensation. We pay a significant portion of incentive compensation during the first two months of each calendar year with respect to the prior year's results. We also distribute estimated partner tax payments primarily in the first quarter of each year in respect of the prior year's operating results. Therefore, levels of cash generally decline during the first quarter of each year after incentive compensation has been paid to our employees and estimated tax payments have been distributed to partners. Cash before dividends and share buybacks then typically builds over the remainder of the year.

We evaluate our cash needs on a regular basis in light of current market conditions. 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. As of June 30, 2019 and December 31, 2018, the Company had cash equivalents of \$60.3 million and \$201.4 million, respectively, invested in U.S. Treasury instruments and government securities money market. Additionally, as of June 30, 2019 and December 31, 2018, the Company had cash of \$48.1 million and \$59.7 million, respectively, maintained in U.S. and non-U.S. bank accounts, of which most bank account balances exceeded the U.S. Federal Deposit Insurance Corporation ("FDIC") and U.K. Financial Services Compensation Scheme ("FSCS") coverage limits.

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In addition to cash and cash equivalents, we hold various types of government debt securities that are classified as investments on our condensed consolidated statements of financial condition as they have original maturities of three months or more from the date of purchase. As of June 30, 2019 and December 31, 2018, the Company held \$0.0 million and \$80.5 million of government debt securities classified as investments, respectively.

Our liquidity is highly dependent upon cash receipts from clients which generally requires the successful completion of transactions. The timing of receivable collections typically occurs within 60 days of billing. As of June 30, 2019 and December 31, 2018 accounts receivable were \$42.8 million and \$54.4 million, respectively, net of allowances of \$3.9 million and \$2.0 million, respectively. Included in the accounts receivable balances at June 30, 2019 and December 31, 2018 were \$23.6 million and \$26.7 million of long term receivables related to private funds advisory capital raising engagements, which are generally paid in installments over a period of three to four years.

To provide for additional working capital and other general corporate purposes, we maintain a \$65.0 million revolving credit facility that matures on June 30, 2020. Advances on the facility bear interest at the greater of a fixed rate of 3.50% per annum or at the Company's option of (i) LIBOR plus 1% or (ii) Prime minus 1.50%. As of June 30, 2019, the Company had no borrowings under the credit facility.

As of June 30, 2019, the Company's available credit under this facility was \$60.0 million as a result of the issuance of an aggregate amount of \$5.0 million of various standby letters of credit, which were required in connection with certain office leases and other agreements. The Company incurs a 1% per annum fee on the outstanding balances of issued letters of credit.

The Board of Directors of Moelis & Company declared a dividend of \$0.50 per share to be paid on September 27, 2019 to shareholders of record on August 9, 2019. During the six months ended June 30, 2019 the Company paid aggregate dividends of \$2.25 per share, which included a special dividend of \$1.25 per share and two regular quarterly dividends of \$0.50 per share.

In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. This new authorization replaced the former repurchase program and the remaining authorization under the program was eliminated. During the six months ended June 30, 2019 and 2018, the Company repurchased 971,835 and 475,169 shares, respectively, pursuant to the Company's share repurchase program and shares repurchased from its employees for the purpose of settling tax liabilities incurred upon the vesting of RSUs and exercise of stock options. The remaining balance of shares authorized for repurchase under the program was \$95.0 million as of June 30, 2019.

Regulatory Capital

We actively monitor our regulatory capital base. Our principal subsidiaries are subject to regulatory requirements in their respective jurisdictions to ensure general financial soundness and liquidity. This requires, among other things, that we comply with certain minimum capital requirements, record-keeping, 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 11 of the condensed consolidated financial statements as of June 30, 2019 for further information. These regulations differ in the United States, United Kingdom, Hong Kong and other countries in which we operate a registered broker-dealer. The license under which we operate in each such country is meant to be appropriate to conduct an advisory business. We believe that we provide each of our subsidiaries with sufficient capital and liquidity, consistent with their business and regulatory requirements.

Tax Receivable Agreement

In connection with the IPO in April 2014, we entered into a tax receivable agreement with our eligible Managing Directors that provides for the payment to eligible Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that we realize as a result of (a) the increases in tax basis attributable to exchanges by our eligible Managing Directors and (b) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement. The Company expects to benefit from the remaining 15% of income tax cash savings, if any, that we realize.

For purposes of the tax receivable agreement, income tax cash savings will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of Group LP as a result of the exchanges and had we not entered into the tax receivable agreement. The term of the tax receivable agreement commenced upon consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement.

Payments made under the tax receivable agreement are required to be made within 225 days of the filing of our tax returns. Because we generally expect to receive the tax savings prior to making the cash payments to the eligible selling holders of Group LP partnership units, we do not expect the cash payments to have a material impact on our liquidity.

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In addition, the tax receivable agreement provides that, upon a merger, asset sale, or other form of business combination or certain other changes of control or if, at any time, we elect an early termination of the tax receivable agreement, our (or our successor's) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control or early termination) will be based on certain assumptions, including that we would 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 units that have not been exchanged are deemed exchanged for the market value of the Class A common stock at the time of termination. Consequently, it is possible, in these circumstances, that the actual cash tax savings realized by us may be significantly less than the corresponding tax receivable agreement payments.

Cash Flows

Our operating cash flows are primarily influenced by the amount and timing of receipt of advisory fees, which are generally collected within 60 days of billing, and the payment of operating expenses, including payments of incentive compensation to our employees. We pay a significant portion of incentive compensation during the first two months of each calendar year with respect to the prior year's results. Our investing and financing cash flows are primarily influenced by activities to fund investments and payments of dividends and estimated partner taxes. A summary of our operating, investing and financing cash flows is as follows:

(\$ in thousands)	Six Months Ended	
	2019	2018
Cash Provided By (Used In)		
Operating Activities:		
Net income (loss)	\$ 53,844	\$ 107,111
Non-cash charges	63,964	70,840
Other operating activities	(168,239)	(107,956)
Total operating activities	(50,431)	69,995
Investing Activities	76,027	33,891
Financing Activities	(179,283)	(184,757)
Effect of exchange rate changes	958	401
Net increase (decrease) in cash	(152,729)	(80,470)
Cash, cash equivalents, and restricted cash, beginning of period	261,771	213,894
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 109,042</u>	<u>\$ 133,424</u>

Six months ended June 30, 2019

Cash, cash equivalents and restricted cash were \$109.0 million at June 30, 2019, a decrease of \$152.8 million from \$261.8 million at December 31, 2018. Operating activities resulted in a net outflow of \$50.4 million primarily attributable to cash operating expenses including discretionary bonuses paid during the period, partially offset by cash collected from clients. Investing activities resulted in a net inflow of \$76.0 million primarily attributable to net sales of investments. Financing activities resulted in a net outflow of \$179.3 million primarily related to the payment of dividends and tax distributions.

Six months ended June 30, 2018

Cash, cash equivalents and restricted cash were \$133.4 million at June 30, 2018, a decrease of \$80.5 million from \$213.9 million at December 31, 2017. Operating activities resulted in a net inflow of \$70.0 million primarily attributable to cash collected from clients net of cash operating expenses, including discretionary bonuses paid during the period. Investing activities resulted in a net inflow of \$33.9 million primarily attributable to sales of investments. Financing activities resulted in a net outflow of \$184.8 million primarily related to the payment of dividends and tax distributions.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of June 30, 2019:

(\$ in thousands)	Payment Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating leases (net of \$4,988 of committed sublease income) (1)	\$ 55,078	\$ 17,949	\$ 16,054	\$ 12,571	\$ 8,504
Amount due pursuant to Tax Receivable Agreement	311,432	13,235	39,876	47,166	211,155
Total	\$ 366,510	\$ 31,184	\$ 55,930	\$ 59,737	\$ 219,659

- (1) The above table excludes payments for a lease agreement related to the Company’s headquarters in New York. The new lease expands our current workspace at 399 Park Ave in New York and has an initial term that expires in 2036. Depending on when we gain access to the floor currently occupied by another tenant will drive when we begin recognizing the incremental space and new lease terms. Commencement of the lease is anticipated to occur in late 2019.

As of June 30, 2019, the Company has a total payable of \$311.4 million due pursuant to the tax receivable agreement in the condensed consolidated financial statements which represents management’s best estimate of the amounts currently expected to be owed under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 225 days of the filing of our tax returns. Because we generally expect to receive the tax savings prior to making the cash payments to the eligible selling holders of Group LP partnership units, we do not expect the cash payments to have a material impact on our liquidity. There were no payments made pursuant to the tax receivable agreement during the first half of 2019.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our condensed consolidated financial statements except for those described under “Contractual Obligations” above.

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 Short-Term Investments

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. We invest most of our cash in highly-rated municipal bonds, U.S. government agency debt securities and U.S. treasury instruments. Cash is maintained in U.S. and non-U.S. bank accounts. Most U.S. and U.K. account balances exceed the FDIC and FSCS coverage limits. In addition to cash and cash equivalents, we hold various types of government debt securities that are classified as investments on our consolidated statement of financial condition as they have original maturities of three months or more (but less than twelve months) from the date of purchase. We believe our cash and short-term investments 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 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. See “—Critical Accounting Policies—Accounts Receivable and Allowance for Doubtful Accounts.”

Exchange Rate Risk

The Company is 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 the Company's non-U.S. dollar denominated assets and liabilities. Non-functional currency-related transaction gains and losses are recorded in the condensed consolidated statements of operations. In addition, the reported amounts of our revenues may be affected by movements in the rate of exchange between the pound sterling, euro, Brazilian real, Hong Kong dollar, rupee and the U.S. dollar, in which our financial statements are denominated. For the three months ended June 30, 2019 and 2018, the net impact of the fluctuation of foreign currencies in other comprehensive income (loss) in the condensed statements of comprehensive income were losses of \$0.1 million and \$1.8 million, respectively, and a gain of \$0.5 million and a loss of \$0.2 million for the six months ended June 30, 2019 and 2018, respectively. We have not entered into any transactions to hedge our exposure to these foreign currency fluctuations through the use of derivative instruments or other methods.

Critical Accounting Policies

We believe that the critical accounting policies included below represent those that are most important to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgment.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period for which they are determined to be necessary.

All intercompany balances and transactions within the Company have been eliminated.

Revenue and Expense Recognition

We earn substantially all of our revenues from advisory engagements, and, in many cases, we are not paid until the completion of an underlying transaction. The Company recognizes revenues from providing advisory services when or as our obligations are fulfilled and collection is reasonably assured. The vast majority of our advisory revenues, which include reimbursements for certain out-of-pocket expenses, are recognized over time; however, a small number of transactions may be recognized at a point in time. We provide our advisory service on an ongoing basis which, for example, may include evaluating and selecting one of multiple strategies. During such engagements, our clients are continuously benefitting from our counsel and the over time recognition matches the transfer of such benefits. However, the recognition of transaction fees is constrained until substantially all services have been provided, specified conditions have been met and it is probable that a revenue reversal will not occur in a future period. Upfront fees and retainers specified in our engagement letters that meet the over time criteria will be recognized on a systematic basis over the estimated period where the related services are performed. Revenues may be recognized at a point in time if the engagement represents a singular objective that does not transfer any notable value until formally completed, such as when issuing a fairness opinion. In these instances, the point in time recognition appropriately matches the transfer and consumption of our services.

Incremental costs of obtaining a contract are expensed as incurred since such costs are generally not recoverable and the typical duration of our advisory contracts is less than one year (as allowed per ASC 340-40-25-1). Costs to fulfill contracts consist of out-of-pocket expenses that are part of performing our advisory services and are typically expensed as incurred, except where the transfer and consumption of our services occurs at a point in time. For engagements recognized at a point in time, out-of-pocket expenses are capitalized and subsequently expensed in the condensed consolidated statement of operations upon completion of the engagement. The Company records deferred revenues when it receives fees from clients that have not yet been earned (e.g. an upfront fee) or when the Company has an unconditional right to consideration before all performance obligations are complete (e.g. upon satisfying conditions to earn an announcement fee, but before the transaction is consummated).

Accounts Receivable and Allowance for Doubtful Accounts

The accompanying condensed consolidated statements of financial condition present accounts receivable balances net of allowance for doubtful accounts based on the Company's assessment of the collectability of customer accounts.

The Company maintains an allowance for doubtful accounts that, in management's opinion, provides for an adequate reserve to cover losses that may be incurred. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable, and the current economic conditions that may affect a customer's ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable is no longer collectible, the Company will charge-off the receivable. This is determined based on several factors including the age of the accounts receivable and the credit worthiness of the customer. This has the effect of reducing both the gross receivable and the allowance for doubtful accounts.

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Equity-based Compensation

The Company recognizes the cost of employee services received in exchange for an equity instrument award. The cost is based on its grant-date fair value based on quoted market prices at the time of grant amortized over the service period required by the award's vesting terms.

For the purposes of calculating diluted net income (loss) per share to holders of Class A common stock, unvested service-based awards are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method.

The Company has a retirement plan whereby a retiring employee generally will not forfeit certain qualifying incentive RSUs granted during employment if at retirement the employee meets certain requirements. For qualifying awards issued prior to December 1, 2016, the employee must (i) be at least 54 years old and (ii) have provided at least 8 consecutive years of service to the Company. For qualifying awards issued on or after December 1, 2016, (i) the employee must be at least 56 years old, (ii) the employee must have provided at least 5 consecutive years of service to the Company and (iii) the total of (i) and (ii) must be equal to at least 65 years. Any such RSUs will continue to vest on their applicable vesting schedule, subject to noncompetition and other terms. Over time a greater number of employees may become retirement eligible and the related requisite service period over which we will expense these awards will be shorter than the stated vesting period. Any unvested RSUs prior to meeting the stated requisite service period or retirement eligibility date are eligible to receive dividends in kind; however, the right to dividends in kind will be forfeited if the underlying award does not vest.

Equity Method Investments

The Company accounts for its equity method investments under the equity method of accounting as the Company does not control these entities but has the ability to exercise significant influence. The amounts recorded on the condensed consolidated statements of financial condition reflect the Company's share of contributions made to, distributions received from, and the equity earnings and losses of, the investments. The Company reflects its share of gains and losses of the investment in income (loss) from equity method investments in the condensed consolidated statements of operations. Certain adjustments have been made to account for the Company's equity method investment in Moelis Australia under US GAAP as Moelis Australia follows local accounting principles under Australian Accounting Standards.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "Accounting for Income Taxes" ("ASC 740"), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's condensed consolidated statements of financial condition as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

ASC 740 prescribes a two step approach for the recognition and measurement of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the financial statements. The Company has reviewed and will continue to review the conclusions reached regarding uncertain tax positions, which may be subject to review and adjustment at a later date based on ongoing analyses of tax laws, regulations and interpretations thereof. For the six months ended June 30, 2019 and 2018, no unrecognized tax benefit was recorded. To the extent that the Company's assessment of the conclusions reached regarding uncertain tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. The Company reports income tax related interest and penalties relating to uncertain tax positions, if applicable, as a component of income tax expense. For the six months ended June 30, 2019 and 2018, no such amounts were recorded.

Leases

The Company maintains operating leases for corporate offices and an aircraft. The Company determines if a contract contains a lease at inception. Operating leases are recorded as right-of-use ("ROU") assets and lease liabilities on the condensed consolidated statements of financial condition. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease liabilities are recognized at the lease commencement date and are measured at the present value of anticipated lease payments over the lease term. The operating lease ROU assets are equal to the lease liabilities, adjusted for certain lease incentives, accrued rents, and prepaid rents. Typically, our borrowing rate is used to determine the present value of lease payments because the implicit rate is not readily determinable. Our lease terms may include options to extend or terminate the lease. These options are factored into our present value calculations when it is reasonably certain that such options will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

Recent Accounting Developments

For a discussion of recently issued accounting developments and their impact or potential impact on our financial statements, see Note 3—Recent Accounting Pronouncements, of the condensed consolidated financial statements included in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls

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

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

In the ordinary course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, government agencies and self-regulatory organizations conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, compliance, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the Risk Factors described in Part I "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission ("SEC").

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

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan Or Programs(2)
April 1 - April 30	20,960	\$ 37.71	20,960	\$ 99.2 million
May 1 - May 31	266,027	35.99	68,575	97.0 million
June 1 - June 30	68,052	33.13	60,374	95.0 million
Total	355,039	\$ 35.55	149,909	\$ 95.0 million

- (1) Includes treasury transactions arising from net settlement of equity awards to satisfy minimum tax obligations.
- (2) In February 2019, the Board of Directors authorized the repurchase of up to \$100 million of shares of Class A common stock and/or Class A partnership units of Group LP with no expiration date. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will be opportunistic and measured in nature and will depend on a variety of factors, including price and market conditions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)</u>
3.2	<u>Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on April 22, 2014)</u>
10.1	<u>Master Services Agreement by and between Moelis & Company Group LP, Moelis Asset Management LP and certain subsidiaries of Moelis Asset Management LP (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K filed on February 27, 2019)</u>
10.2	<u>Cost Sharing and Operating Agreement, dated July 12, 2019, between Kenneth Moelis and Moelis & Company Group LP</u>
10.3	<u>Aircraft Dry Lease Agreement, dated July 12, 2019, among Moelis & Company Manager LLC, Kenneth Moelis and Moelis & Company Group LP</u>
10.4	<u>Second Amendment to the Amended and Restated Agreement of Limited Partnership of Moelis & Company Group LP, dated July 31, 2019</u>
31.1	<u>Rule 13a-14(a) Certification of Chief Executive Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Rule 13a-14(a) Certification of Chief Financial Officer of the Registrant in accordance with Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Section 1350 Certification of Chief Executive Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Section 1350 Certification of Chief Financial Officer of the Registrant in accordance with Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Registrant's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934 irrespective of any general incorporation language contained in any such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this 31st day of July, 2019.

MOELIS & COMPANY

/s/ Kenneth Moelis

Kenneth Moelis
Chief Executive Officer

/s/ Joseph Simon

Joseph Simon
Chief Financial Officer

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Section 2: EX-10.2 (EX-10.2)

Exhibit 10.2

COST SHARING AND OPERATING AGREEMENT

THIS COST SHARING AND OPERATING AGREEMENT (this “**Agreement**”) is made and entered into as of July 12, 2019 (“**Effective Date**”) by and between Kenneth D. Moelis (“**Mr. Moelis**”), a citizen of the United States and a resident of the State of California, and Moelis & Company Group LP (“**Group LP**”), a Delaware limited partnership. Mr. Moelis and Group LP are hereinafter also individually referred to as “**Party**” and collectively as “**Parties**”.

W I T N E S S E T H:

WHEREAS, the Parties, as lessees, have entered into that certain Aircraft Dry Lease Agreement of even date hereof (the “**Lease**”) with Moelis & Company Manager LLC (“**Lessor**”), a Delaware limited liability company, with respect to the Bombardier Inc. model BD-700-1A10 (also known by its trade name Global 6000) aircraft bearing manufacturer’s serial number 9587 and United States Federal Aviation Administration (“**FAA**”) Registration Number N99ZM, together with its two (2) Rolls-Royce Deutschland Ltd. & Co. KG model BR700-710A2-20 aircraft engines bearing manufacturer’s serial numbers 22305 and 22304, one (1) Honeywell model RE220[GX] auxiliary power unit bearing manufacturer’s serial number P-719, and the avionics, instruments, equipment, components, parts, accessories, appliances, and furnishings installed in or attached or appurtenant thereto, and related aircraft log books, maintenance and flight manuals and records (collectively, the “**Aircraft**”);

WHEREAS, there is substantial variation among the Parties in their respective contemplated use of the Aircraft; and

WHEREAS, the Parties wish to memorialize their agreement regarding their utilization of the Aircraft and their sharing and allocation of the lease and operating costs of the Aircraft.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements contained herein, the Parties agree as follow:

1. Use and Operation of the Aircraft.

The Parties agree that each Party shall, from time to time, on a noncontinuous basis, have exclusive use of the Aircraft pursuant to the Lease. The Parties shall coordinate their respective utilization of the Aircraft by giving advance notice to the Service Provider (as defined in Section 4), by telephone, e-mail and/or facsimile, of any proposed use of the Aircraft, including commencing and ending dates of flights and projected destinations. The Party who first gives notice to the Service Provider of a proposed flight shall have the right to use the Aircraft for such noticed flight (*i.e.*, on a first-come, first-serve basis). In the event a

scheduling conflict should arise, which the Parties cannot mutually resolve after consulting with each other, the Party who first reserved the use of the Aircraft for the particular flight shall have priority. The Parties shall estimate their respective flight hours utilization of the Aircraft during the first twelve (12) consecutive calendar months of this Agreement and shall prepare with the Service Provider an Aircraft budget of the estimated operational expenses for such period. For the purpose of this Agreement, flight hours, or any fraction thereof to the nearest 1/10 hour, shall be measured as recorded by the Flight Management System of the Aircraft.

2. Operational Control of the Aircraft.

Each Party acknowledges and agrees that the Aircraft shall be operated exclusively under Part 91 of the Federal Aviation Regulations (“**FARs**”). Either Mr. Moelis or Group LP, as the case may be, when in possession of and using the Aircraft, shall have and retain operational control of the Aircraft as defined in the applicable FARs (FARs § 1.1 General Definitions: *Operational control*, with respect to a flight, means the exercise of authority over initiating, conducting or terminating a flight) during the period of such possession and use by such Party. Likewise, for federal tax purposes, including applicable provisions of the United States Internal Revenue Code, as amended, and the Regulations and rulings promulgated thereunder, either Mr. Moelis or Group LP, when in possession of and using the Aircraft, shall have and retain “possession, command and control” of the Aircraft during the period of such possession and use by such Party.

Mr. Moelis and Group LP acknowledge and agree that each Party, when operating the Aircraft, shall obtain and utilize duly-qualified, current and type-rated pilots, whose licenses are in good standing, who meet the requirements established and specified by the insurance policies required under the Lease and by the FAA, and who have attended and successfully completed Bombardier's approved training course for the Aircraft. Mr. Moelis or Group LP further expressly acknowledge that, with respect to each Party's utilization of the Aircraft, solely that Party utilizing the Aircraft (i) shall have the sole discretion and power to designate which pilots fly the Aircraft; (ii) shall have exclusive control and direction over said pilots; and (iii) shall have the power to substitute or otherwise terminate the pilots proposed or supplied by the Service Provider, for and on behalf and at the request of each such Party, and cause other competent duly qualified, current and type rated pilots, who conform to the requirements set forth hereinabove, to be hired for that Party's respective flights of the Aircraft.

Mr. Moelis and Group LP acknowledge and agree that, in accordance with the applicable FARs, the flight crew provided by the Service Provider, for and on behalf and at the request of each Party, and accepted by each such Party or otherwise hired or assigned by each of the Parties in connection with their respective flights, shall have full and exclusive authority to exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. Each Party specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take any other such action which, in the considered judgment of the assigned pilot in command, is necessitated by safety considerations. No such action by the pilot in command will create or support any liability for loss, injury, damage or delay to any Party or any other person. The Parties further agree that no Party will be liable for delay or failure to timely furnish or return the Aircraft pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions or acts of God.

3. Compliance with Lease.

Each Party represents to the other that they shall take no action or omit to take any action which shall result in such Party not being in compliance with the terms and conditions of the Lease.

4. Selection of Service Provider.

The Parties agree and consent to select an independent service provider (the “**Service Provider**”), mutually acceptable to the Parties, having substantial expertise and specialization in business aviation and specifically regarding the operations of executive business jet aircraft, for the purpose of providing specialized services with respect to the scheduling, operations and the maintenance of the Aircraft by the Parties during the Lease in accordance with the terms of this Agreement. The Parties shall cause the Service Provider to prepare an annual budget of the estimated costs and expenses associated with the operation of the Aircraft and related activities. Notwithstanding anything to the contrary set forth herein, each Party reserves the right to retain a separate independent service provider by giving written notice to the other Parties, whereupon such Party shall be solely responsible for the fees and expenses charged by such separate service provider.

5. Operating Costs and Allocation.

The Parties agree and accept that, for the purpose of this Agreement and the billing, allocation and payment of the costs associated with the operation of the Aircraft, such costs shall be divided into four categories and paid by the Parties as set forth hereinbelow:

5.1 Fixed Operating Costs.

5.1.1 Definition of Fixed Operating Costs. The Fixed Operating Costs shall be the cost of the following: fixed monthly rentals under the Lease (“**Fixed Rentals**”); insurance; hangar and storage rentals; flight crew personnel as employed and charged by the Service Provider and training of said flight crew personnel (initial and recurrent); a qualified mechanic as employed and charged by the Service Provider and training (initial and recurrent) of said mechanic; cabin attendant(s) as employed and charged by the Service Provider and any specialized training course of said cabin attendant(s); other professional personnel expressly required by the Parties for specialized services in connection with their flight and travel activities and related logistical arrangements; training flights; Service Provider's management or administrative fees; those scheduled maintenance costs of airframe, engines, thrust reversers and avionics that are not covered by the specific plans and programs set forth under Section 5.2.1 (*i.e.*, CorporateCare, MSP and Smart Parts as such terms are defined therein); the fees of the Computerized Maintenance Management System (“**CMMS**”) maintenance tracking system for the Aircraft; maintenance and flight manual subscriptions; software updates; database for Flight Management System; navigation chart services; publications; aeronautical registration fees; property taxes that are the responsibility of the Parties under the Lease, if any; and any other costs and expenses relating directly or indirectly, to the operation of the Aircraft, which are not expressly included under Sections 5.2.1, 5.3.1, and 5.4.1 hereof.

5.1.2 Payment of Fixed Operating Costs. The Parties agree that the Fixed Operating Costs shall be allocated to and paid by the Parties pro rata according to each Party's utilization of the Aircraft. The Parties shall cause the Service Provider to deliver to each Party, no later than the twentieth (20th) day of each month, a statement of the actual Fixed Operating Costs incurred during the previous month, together with the amount of such costs allocated to each Party based on the estimated annual utilization of the Aircraft,

which amount shall be payable by such Party in accordance with Section 6. For the purpose of the preceding sentence, the estimated utilization of the Aircraft by each Party shall be the contemplated utilization of such Party during the period from the Effective Date through December 31, 2019 as set forth in Exhibit "A" attached hereto for statements delivered prior to January 1, 2020, and such Party's actual utilization of the Aircraft during the foregoing initial period for statements delivered on or after January 1, 2020 through December 31, 2020. Thereafter, the estimated annual utilization of the Aircraft shall be made on the basis of the actual utilization during the preceding twelve (12) months ending on December 31st (by way of clarification, the foregoing shall not modify in any manner that the Fixed Operating Costs shall be allocated to and paid by the Parties pro rata according to each Party's actual utilization of the Aircraft as set forth hereinbelow).

No later than January 20th of each year during the term of this Agreement (or at such time as this Agreement is terminated), the Parties shall cause the Service Provider to deliver to each Party a statement of the aggregate amount of actual Fixed Operating Costs allocated to such Party based on the estimated utilization of the Aircraft for the preceding period (or on the termination date of this Agreement) and the aggregate amount of actual Fixed Operating Costs allocable to such Party based on the actual utilization of the Aircraft by the Parties during such preceding period (or on the termination date of this Agreement). Any excess of the amount of Fixed Operating Costs allocated over the amount of Fixed Operating Costs allocable shall be credited to such Party and any excess of Fixed Operating Costs allocable over the amount of Fixed Operating Costs allocated shall be payable by such Party in accordance with Section 6.

5.2 Direct Operating Costs.

5.2.1 Definition of Direct Operating Costs. The Direct Operating Costs, for the purposes of this Agreement, shall be the cost of the following: fuel, oil and other lubricants; the service rate per engine flying hour of the Rolls Royce CorporateCare program ("**CorporateCare**") with respect to the engines; the hourly charges of the Honeywell Maintenance Service Plan ("**MSP**") with respect to the auxiliary power unit; the hourly usage rate charges of the Bombardier Smart Parts Plus Plan ("**Smart Parts**") with respect to the airframe and its components and systems; the crew expenses for airline travel, ground transportation, lodging, meals and other similar expenses related to the crew's activities in connection with the operation of the Aircraft; compensation paid to qualified contract pilot(s) hired for specific flight(s) at the express request of the Party operating the Aircraft for such flight(s); compensation paid to contract cabin attendant(s) hired for specific flight(s) at the express request of the Party operating the Aircraft for such flight(s); compensation paid to other contract professional personnel hired to render specialized services in connection with specific flight and travel arrangements at the express request of the Party operating the Aircraft for such flight(s); weather services; flight service fees; flight planning fees; over flight fees; landing, ramp, parking, tie-down and ground handling fees; de-icing charges; storage and hangar use charges at temporary locations during Aircraft flights; airport civilian aviation charges; customs and immigration charges; supplies; catering; communication charges, in-flight telephone calls, telecopier and data transmissions; and miscellaneous flight expenses.

5.2.2 Payment of Direct Operating Costs. The Direct Operating Costs incurred with respect to an Aircraft flight shall be paid by the Party utilizing and having operational control of the Aircraft for such flight within the meaning of the FARs Part 91. The Service Provider will issue, no later than the twentieth (20th) day of each month, separate statements directly to each Party for the Direct Operating Costs attributable to that Party's utilization of the Aircraft.

5.3 Unscheduled Maintenance Costs.

5.3.1 Definition of Unscheduled Maintenance Costs. The Unscheduled Maintenance Costs, for purposes of this Agreement, shall be the cost of the following: compliance with applicable FAA Airworthiness Directives and manufacturers' Mandatory Service Bulletins, and all those items of unscheduled maintenance which are not included in CMMS and the recommended inspection program of the Aircraft.

5.3.2 Payment of Unscheduled Maintenance Costs. Any cost of Unscheduled Maintenance Costs shall be allocated to and paid by the Parties pro rata according to each Party's utilization of the Aircraft since the commencement date of this Agreement to the date such cost is incurred.

5.4 Nonrecurring Costs.

5.4.1 Definition of Nonrecurring Costs. The Nonrecurring Costs, for the purposes of this Agreement, shall be the cost of the following: customary and routine refurbishments, improvements, upgrades and similar modifications, additions and alterations to the Aircraft, its engines and avionics, as permitted in accordance with the terms and conditions of the Lease.

5.4.2 Payment of Nonrecurring Costs. Prior to incurring any Nonrecurring Costs, the Parties shall consult with each other and approve the anticipated expenditure. The cost of such Nonrecurrent Costs shall be allocated to and paid by the Parties pro rata according to each Party's utilization of the Aircraft since the commencement date of this Agreement to the date such cost is incurred.

6. Bank Account and Payments.

The Parties agree to pay all amounts shown as due in accordance with this Agreement on statements from the Service Provider within seven (7) days from receipt of such statements, by depositing such sums directly into a trust account established by the Service Provider at a bank approved by the Parties (the "**Trust Account**").

7. Operating Costs Deposit.

As a deposit toward the monthly payments of the costs and expenses associated with the operation of the Aircraft, the Parties shall deposit or cause to be deposited into the Trust Account on or around the date of the delivery of the Aircraft to the Parties, an amount determined and mutually agreed with the Service Provider (the “**Operating Costs Deposit**”), which shall be credited among the Parties pro rata based upon their respective utilization of the Aircraft during the initial period of the Effective Date through December 31, 2019. The Service Provider, within twenty days after the end of each month, shall furnish each Party with a statement detailing all credits and debits to the Trust Account for the preceding month, without consideration of the amount of the Fixed Operating Costs Deposit. Within seven days of receipt of such statement, each Party shall reimburse the Trust Account by the amount that the debits exceed the credits for such Party.

8. Indemnification.

8.1 Scope of Indemnification. Each Party shall indemnify the other Party (the “**Indemnitee**”) from and against any all claims, demands, liabilities, costs (including without limitation, attorneys' fees and costs), expenses, damages, losses, suits, proceedings and actions, whether judicial, administrative, investigative or otherwise, of any nature whatsoever, known or unknown, liquidated or unliquidated, that may be incurred by the Indemnitee or in which the Indemnitee may become involved, arising out of such Party's breach of this Agreement or operation of the Aircraft in any manner or for any purpose excepted from coverage under the insurance maintained by the Parties pursuant to the terms of the Lease.

8.2 Cumulative Rights. The right of any Indemnitee to the indemnification provided in this Section 8 shall be in addition to any rights such Indemnitee may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Indemnitee's successors, assigns and legal representatives.

9. Relationship of the Parties.

The Parties intend this Agreement to provide solely for the sharing of the costs of the lease and operation of the Aircraft. The Parties do not intend to form a partnership under any laws, including the laws of the State of California or the United States of America, any of its states, or the laws of any other jurisdiction. Nothing contained in this Agreement shall in any way create any association, partnership, joint venture, or principal and agent relationship between or among the Parties hereto or be construed to evidence the intention of the Parties to constitute such.

10. Termination.

This Agreement shall terminate and all rights and obligations of the Parties under this Agreement shall cease upon the termination of the Lease or upon the written consent of the parties, subject, however, to each of the Parties promptly settling any outstanding amounts due or receiving reimbursement of any amounts to be credited pursuant to the provisions of Section 5.

11. Miscellaneous.

11.1 Section Headings. Section and other headings and captions contained in this Agreement are for reference purposes only and are in no way intended to interpret, define, or limit the scope, extent, or intent of this Agreement or any provision hereof.

11.2 Counterpart Originals. This Agreement and any amendment hereto may be executed in any number of counterparts with the same effect as if the Parties hereto had signed the same document; provided, however, that the counterparts in the aggregate shall have been executed by all of the Parties hereto. All counterparts shall be construed together and shall constitute one and the same instrument. The Parties may exchange executed copies transmitted by telecopier or PDF e-mail, provided the executed originals are forwarded by mail or courier.

11.3 Agreement Negotiated. The Parties to this Agreement are sophisticated and have been represented or had the opportunity to be represented in connection with the negotiation and performance of this Agreement. The Parties agree that no presumptions relating to the interpretation of contracts against the drafter of any particular clause should or may be applied in this case and, therefore, waive their effects.

11.4 Governing Law. The Parties agree that the provisions of this Agreement shall be construed and enforced according to the laws of California regardless of the choice of laws provisions of California or any other jurisdiction.

11.5 Arbitration. Any dispute, claim or controversy of whatever nature arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles, California before one neutral arbitrator. Such arbitrator shall be an attorney licensed to practice law in the United States, actively engaged in the practice of law for at least ten years and having at least five years of experience with and knowledge of business aviation. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rule & Procedures. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction, or injunctive relief.

11.6 Severability. If any provision in this Agreement is found by a court of competent jurisdiction to be illegal, invalid, unlawful, void, or unenforceable, then such provision shall be enforced to the extent that it is not illegal, invalid, unlawful, void or unenforceable, and the remainder of this Agreement shall continue in full force and effect.

11.7 Prior Agreements. This Agreement contains all of the agreements of the Parties hereto with respect to any matter covered or mentioned in this Agreement, and no prior agreement or understanding, oral or written, express or implied, pertaining to any such matter shall be effective for any purpose. The Parties acknowledge that all such prior agreements, representations and negotiations are deemed superseded by the execution of this Agreement to the extent they are not incorporated herein.

11.8 Modifications. This Agreement may only be modified if the modification is in writing and is signed by the Party against whom enforcement is sought.

11.9 Remedies Cumulative. Each right, power and remedy provided for in this Agreement or now or hereafter existing at law, in equity, by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or now or hereafter existing at law, in equity, by statute or otherwise, and the exercise or beginning of the exercise of the forbearance of exercise by any Party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such Party of any or all of such other rights, powers or remedies.

11.10 Waiver. No consent or waiver, express or implied, by any Party to or of any breach or default by any other Party in the performance of obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such party. Failure on the part of any Party to complain of any act or failure to act by any other Party or to declare any other Party in default, irrespective of how long such failure continues, shall not constitute a waiver by any Party of its rights under this Agreement.

11.11 Notices. All notices or other communications, which shall or may be given pursuant to this Agreement, shall be in writing and shall be delivered by certified mail or registered mail with postage prepaid, return receipt requested, by facsimile transmission or by e-mail or by hand. Such communication shall be deemed given and received upon dispatch, if sent by facsimile (provided confirmation of successful transmission is received by the sending facsimile machine at the time of transmission) or e-mail (provided a transmission error message is not received by sender), or upon delivery if hand delivered, or within three (3) days of mailing, if sent by certified or registered mail, at the addresses of the parties as set forth in Exhibit "B" attached hereto. Any address for notice to a party may be changed at any time by written notice to the other parties.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Cost Sharing and Operating Agreement as of the day and year first above written.

KENNETH D. MOELIS

/s/ Kenneth D. Moelis

MOELIS & COMPANY GROUP LP

By: /s/ Joseph Simon

Name: Joseph Simon

Title: CFO

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Section 3: EX-10.3 (EX-10.3)

Exhibit 10.3

AIRCRAFT DRY LEASE AGREEMENT

(Part 91 Operations)

Dated as of the 12th day of July, 2019

by and among

MOELIS & COMPANY MANAGER LLC

as Lessor,

and

KENNETH D. MOELIS,

as Lessee,

and

MOELIS & COMPANY GROUP LP

as Lessee

and collectively, as Lessees,

concerning one (1) Bombardier Inc. model BD-700-1A10 aircraft bearing

U.S. Registration Number N99ZM,

and

Manufacturer's Serial Number 9587

**INSTRUCTIONS FOR COMPLIANCE WITH
"TRUTH IN LEASING" REQUIREMENTS UNDER FAR § 91.23**

Within 24 hours after execution of this Aircraft Lease Agreement:

mail a copy of the executed document, without Exhibit "C" or with Exhibit "C" redacted, to the following address via certified mail, return receipt requested:

Federal Aviation Administration
Aircraft Registration Branch
ATTN: Technical Section
P.O. Box 25724

At least 48 hours prior to the first flight to be conducted under this Agreement:

Notify the FAA Flight Standards District Office located nearest the departure airport, by telephone or in person, of the location of the airport of departure and proposed time of departure of said first flight

Carry a copy of this Aircraft Dry Lease Agreement in the Aircraft at all times.

* * *

Exhibit "C" contains only economic rental data and is intentionally omitted or redacted for FAA submission purposes.

THIS AIRCRAFT DRY LEASE AGREEMENT (this “**Lease**”) is made and entered into as of July 12, 2019 (“**Effective Date**”), by and among Moelis & Company Manager LLC (“**Lessor**”), a Delaware limited liability company, on the one hand, and Kenneth D. Moelis (“**Mr. Moelis**”), a citizen of the United States and a resident of the State of California, and Moelis & Company Group LP (“**Group LP**”), a Delaware limited partnership. Mr. Moelis and Group LP are hereinafter also individually referred to as “**Lessee**” and collectively as “**Lessees**”.

W I T N E S S E T H:

WHEREAS, Lessor is the owner of the Aircraft described and referred to herein;

WHEREAS, Lessor desires to lease the Aircraft to Lessees and Lessees desire to lease the Aircraft from Lessor, upon and subject to the terms and conditions of this Lease; and

WHEREAS, each Lessee intends to operate the Aircraft under FAR Part 91 within the scope of and incidental to its own business or for personal use, as the case may be.

NOW THEREFORE, for and in consideration of the foregoing recitals, the mutual promises, covenants, agreements, representations and warranties contained in this Lease, the parties agree as follows:

1. Definitions.

“**Aircraft**” means the Bombardier Inc. model BD-700-1A10 (also known by its trade name Global 6000) aircraft bearing manufacturer’s serial number 9587 and FAA Registration Number N99ZM, together with its two (2) Rolls-Royce Deutschland Ltd. & Co. KG model BR700-710A2-20 aircraft engines bearing manufacturer’s serial numbers 22305 and 22304, one (1) Honeywell model RE220[GX] auxiliary power unit bearing manufacturer’s serial number P-719, and the avionics, instruments, equipment, components, parts, accessories, appliances, and furnishings installed in or attached or appurtenant thereto, and related aircraft log books, maintenance and flight manuals and records.

“**DOT**” means the United States Department of Transportation or any successor agency.

“**FAA**” means the Federal Aviation Administration or any successor agency.

“**FAR**” means collectively the Aeronautics Regulations of the FA and the DOT, as codified at Title 14, Parts 1 to 399 of the United States Code of Federal Regulations.

“**Fixed Rental**” and “**Fixed Rentals**” have the same meaning given to such terms in Section 9.

“**Lease Term**” means the entire period from the Effective Date through the date this Lease is terminated pursuant to Section 3.

“**Operating Base**” means Van Nuys Airport (KVNY), Van Nuys, California.

“**Operational Control**” has the same meaning given to the term in FAR §1.1 (as described in Section 11 hereof).

2. Lease of Aircraft. Subject to the terms and conditions contained herein, Lessor agrees to lease the Aircraft to Lessees and Lessees agree to lease the Aircraft from Lessor, for the Lease Term.

3. Lease Term. The term of this Lease (the “**Lease Term**”) shall commence on the Effective Date and end on December 31, 2022, unless otherwise extended by exercise of each Renewal Option (as defined under Section 22) by Lessees or cancelled or terminated pursuant to Section 25 or pursuant to a Termination Event (as defined below) in accordance with the following sentence. Notwithstanding anything to the contrary set forth herein, each of Group LP and Lessor shall have the option to terminate this Lease upon (i) the death of Mr. Moelis, or (ii) with respect to Mr. Moelis, upon the entry of an order of incompetence or of insanity, or permanent physical incapacity (each a “**Termination Event**”). Each of Group LP and Lessor shall have ninety (90) days from the date of a Termination Event to provide notice of termination to the other parties. Such termination shall become effective within sixty (60) days of such notice.

4. Operating Base. Lessor and Lessees acknowledge and accept that the Aircraft shall be primarily based at the Operating Base.

5. Delivery to Lessees. Lessor or its designated representative shall deliver on the date hereof to Lessees or to their designated representative(s) the Aircraft at the Operating Base or such other location within the continental United States as Lessor and Lessees may agree to in writing.

6. Lessees’ Inspection and Acknowledgement of Delivery. Lessees, through their designated representative(s), shall inspect the Aircraft, and shall note their acceptance of the Aircraft and any discrepancies or exceptions on the Aircraft Delivery and Acceptance Receipt substantially in the form of Exhibit “A” attached hereto.

7. Redelivery to Lessor. On the date of termination of this Lease, Lessees, at their own expense, shall make the Aircraft available for inspection by Lessor or its designated agent and shall redeliver to Lessor the Aircraft and all applicable records, including but not limited to log books, manuals, maintenance and inspection reports, programs, computer printouts and data, and all inspection, modification and overhaul records required to be maintained with respect to the Aircraft, at the Operating Base or such other location in the continental United States as Lessor and Lessees may agree to in writing. Lessees shall return the Aircraft to Lessor in a flight ready status, in compliance with all the requirements set forth under Section 13(a) through (e) and in the same condition as received, normal wear and tear excepted. Upon redelivery, each fuel tank shall contain approximately the same quantity of fuel as was contained in the fuel tanks when the Aircraft was delivered to Lessees (or, in the case of differences in such quantity, an appropriate adjustment will be made by payment at the then current fair market price of fuel).

8. Lessor’s Inspection and Acknowledgment of Redelivery. Lessor or its designated representative shall inspect the Aircraft and shall acknowledge redelivery of the Aircraft in the condition required under this Lease by executing the Aircraft Redelivery and Acceptance Receipt, substantially in the form of Exhibit “B” attached hereto, subject to any discrepancies or exceptions noted therein.

9. Rent. Lessees shall pay to Lessor for the use of the Aircraft, a fixed monthly rental (individually “**Fixed Rental**,” collectively “**Fixed Rentals**”) in the amount set forth in Exhibit “C” attached hereto, payable in advance on the first day of each and every month (“**Rental Payment Date**”), except that if the Effective Date is not the first day of the month, solely for the period from and including the Effective Date through the end of the month of the Effective Date (the “**Interim**

Period”), Lessor agrees that Lessees shall pay to Lessor as rent an amount equal to the Fixed Rental, divided by thirty (30), multiplied by the number of days in the Interim Period (the “**Interim Rent**”). Lessees shall pay the Interim Rent on the Effective Date. All payments by Lessees shall be made by bank wire transfer in immediately available funds, free of any transmission charges or other charges of any sort, to the bank account designated by Lessor and in accordance with the instructions Lessor shall provide from time to time to Lessees.

In the event Lessees fail to pay any Fixed Rental within ten (10) days after their due date, Lessees shall pay, as a late payment charge, in addition to the amount of such Fixed Rental, interest thereon at the maximum lawful rate or one half of one percent (.5%) per month, whichever is less, from the date the Fixed Rental was originally due, until paid.

Lessees acknowledge that this is a net lease and agree that Lessees are obligated to pay all Fixed Rentals hereunder, and that said obligations and the rights of Lessor in and to such Fixed Rentals, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counter-claim or recoupment, except as otherwise expressly provided in this Lease.

10. Log Books and Records. Lessees shall, at all times during the Lease Term, maintain or cause to be maintained and be responsible for all logs, books, manuals and records (including any computerized maintenance records and programs) pertaining to the Aircraft, engines, auxiliary power unit, and other major components and their maintenance during the Lease Term in accordance with FAA rules and regulations and Lessees shall, at the end of the Lease Term, deliver such records in legible form to Lessor.

11. Use of Aircraft and Operational Control. Each Lessee acknowledges and agrees that the Aircraft shall be operated exclusively under FAR Part 91. Each Lessee, when in possession of and using the Aircraft, shall have and retain operational control of the Aircraft as defined in the applicable FAR (FAR § 1.1 General Definitions: *Operational control*, with respect to a flight, means the exercise of authority over initiating, conducting or terminating a flight) during the period of such possession and use by such Lessee. Likewise, for federal tax purposes, including applicable provisions of the United States Internal Revenue Code, as amended, and the Regulations and rulings promulgated thereunder, each Lessee, when in possession of and using the Aircraft, shall have and retain “possession, command and control” of the Aircraft during the period of such possession and use by such Lessee. Each Lessee acknowledges and agrees that it shall supply duly-qualified, current and properly rated pilots, whose licenses are in good standing and who meet the requirements established and specified by the insurance policies required hereunder and by the FAA, and who have attended and successfully completed Bombardier’s approved training course for the Aircraft. The pilots shall be under the exclusive command, control and direction of each Lessee in all phases of each such Lessee’s flights.

12. Authority of Pilot in Command. The parties acknowledge that pursuant to FAR §91.3, the Pilot in Command of such flight is responsible for, and is obligated and entitled to exercise final authority over the safe operation of, the flight, and the parties agree that the Pilot in Command may, in the exercise of such authority, refuse to commence such flight, terminate such flight, or take any other flight-related action that, in the judgment of the Pilot in Command, is required to ensure the safety of the Aircraft, the flight crew, the passengers, and any other persons and/or property.

13. Operation and Maintenance Responsibilities of Lessees. Lessees shall each bear their share (based upon their respective utilization of the Aircraft) of all the operating costs, fixed and direct/variable, including, but not limited to, fuel, insurance premiums, hangar and storage charges, all the maintenance costs, scheduled and unscheduled, of the Aircraft and customary and routine refurbishing and modernization costs, if any. Without limitation to the generality of the foregoing, Lessees shall arrange and pay for all maintenance, work, repairs and inspections, as are required by Bombardier, by Rolls-Royce Deutschland Ltd. & Co. KG (the engine manufacturer) and by the FAA, and in connection with the intended use and operations of the Aircraft; and Lessees shall supply or cause to be supplied to Lessor evidence of their compliance with the maintenance, overhaul and inspection requirements as submitted to the FAA, pursuant to its regulations, together with copies of reports of all inspections and periodic summaries of the total airframe hours, number of landings, total engine hours and cycles. Lessees, at their sole cost and expense, further agree to keep the Aircraft: (a) fully operational, duly certified and in airworthy condition at all times, and maintained in accordance with Bombardier's recommended inspection program [FAR § 91.409(e) and (f)]; (b) in compliance with all the required inspections pursuant to the manufacturers' maintenance manuals and programs for the Aircraft and its engines and components, including compliance with the Computerized Maintenance Management System ("CMMS") maintenance tracking system for the Aircraft; (c) in compliance with all FAA Airworthiness Directives and manufacturers' Mandatory Service Bulletins; (d) in mechanical condition adequate to comply with all regulations of the FAA and any other Federal, state or local governing body, domestic or foreign, having jurisdiction over the maintenance, use or operation of the Aircraft; and (e) current and fully paid up under the Rolls Royce CorporateCare program ("CorporateCare") with respects to the engines, the Honeywell Maintenance Service Plan ("MSP") with respect to the auxiliary power unit, the Bombardier Smart Parts Plus Plan program ("Smart Parts") with respect to the airframe and its components and systems, and the CMMS.

14. Additions and Alterations. Lessor consents and agrees that Lessees shall have the right to make, or cause to be made, customary and routine upgrades, improvements and similar modifications to the Aircraft and/or its engines or avionics, provided such upgrades, improvements and similar modifications, as well as any additional accessories, devices or equipment as may be available from time to time, shall be at Lessees' sole cost and expense and in conformity with the specifications and inspections required or recommended by the manufacturers and the applicable FAA regulations and directives. Except for the foregoing, Lessees shall not in any way alter or modify, or cause to be made alterations or modifications to the Aircraft, including its engines and avionics, without the prior written consent of Lessor.

15. Inspection and Reports. Lessor shall have the right, but not the duty, to inspect the Aircraft at any reasonable time, wherever located. Lessees shall, at any reasonable time, make the Aircraft and Lessees' records pertaining to the Aircraft available to Lessor for inspection. All such inspections made by Lessor shall be at its sole cost and expense; provided, however, that, upon the occurrence and continuation of an Event of Default (as defined in Section 25), Lessees shall be responsible for the cost and expense of Lessor of any inspection and Lessees shall pay Lessor such amount promptly upon demand.

16. Liens. Lessees will not directly or indirectly create, incur, assume or suffer to exist any liens on or with respect to (a) the Aircraft or any part thereof; (b) Lessor's title thereto; or (c) any interest of Lessor (and Lessees will promptly, at their own expense, take such action as may be necessary to discharge any such lien), except (i) the respective rights Lessor and Lessees as herein provided, and (ii) liens created by or caused to be created by Lessor.

17. Taxes and Tax Indemnities. Lessees shall pay to and indemnify Lessor and its members, managers, officers, employees and agents (collectively, "**Indemnitees**") for, and hold each Indemnatee harmless from and against, any sales, use, excise or aircraft property taxes (except for the annual property tax assessed by the Los Angeles County Tax Collector with respect to the Aircraft as a result of the Operating Base of the Aircraft, the payment of which shall be the sole and exclusive responsibility of Lessor), any *ad valorem*, value added, leasing, stamp, landing, airport use or other taxes, levies, imposts, duties, customs, charges, fees or withholdings of any nature, together with any penalties, fines, or interest thereon ("**Impositions**") arising out of the transactions contemplated by this Lease or the use of the Aircraft by Lessees and imposed against any Indemnatee, Lessees or the Aircraft or any part thereof by any Federal or foreign government, any state, municipal or local subdivision, any agency or instrumentality thereof or other taxing authority upon or with respect to the Aircraft or any part thereof or upon the ownership, delivery, leasing, possession, use, operation, maintenance, storage, return, transfer or release thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease. Lessees specifically acknowledge and accept that should any taxing jurisdiction or authority assess or levy any sales, use, excise, property or similar taxes as a result of the lease of the Aircraft to Lessees, the payments of the Fixed Rentals under this Lease or Lessees' use of the Aircraft, Lessees shall remit to Lessor all such taxes together with each Fixed Rental; provided, however, that if such taxes shall be due and payable at an earlier time as a matter of applicable laws, rules, regulations, orders, directives, licenses or permits of any governmental body, instrumentality, agency or authority, Lessees shall remit such taxes to Lessor at the required time. Except for the foregoing, in all other cases Lessees shall have the right to contest any Impositions, provided that (a) Lessees shall have given to Lessor written notice of any such Impositions, which notice shall state that such Impositions are being contested by Lessees in good faith with due diligence and by appropriate proceedings and that Lessees have agreed to indemnify each Indemnatee against any cost, expense, liability or loss (including, without limitation, reasonable attorneys' fees) arising from or in connection with such contest; (b) in Lessor's sole judgment, Lessor has received adequate assurances of payment of such contested Impositions; and (c) counsel for Lessor shall have determined that the nonpayment of any such Impositions or the contest of any such payment in such proceedings does not, in the sole opinion of such counsel, adversely affect the title, property or rights of Lessor. In case any report or return is required to be made with respect to any Impositions, Lessees will either (after notice to Lessor) make such report or return in such manner as will show the ownership of the Aircraft in Lessor, and send a copy of such report or return to Lessor or will notify Lessor of such requirement and make such report or return in such manner as shall be satisfactory to Lessor. Lessor agrees to cooperate fully with Lessees in the preparation of any such report or return.

18. Insurance. Lessees shall secure and maintain in full force and effect, at their sole cost and expense, throughout the Lease Term insurance policies containing such provisions and with insurance companies of recognized responsibility, as shall be reasonably satisfactory to Lessor. Without limitation to the generality of the foregoing, Lessees shall procure and maintain (a) aviation liability insurance covering public liability, property damage and including passenger legal liability, in an amount not less than Four Hundred Million Dollars (US\$400,000,000) for any single occurrence; (b) all-risk aircraft hull and engine insurance (including, without limitation, foreign object damage insurance) in an amount not less than Thirty One Million Dollars (US\$31,000,000); (c) breach of warranty insurance; and (d) war risk and allied perils insurance (including confiscation, appropriation, expropriation, terrorism and hijacking insurance) in the amounts set forth hereinabove. The coverage territory for all the foregoing policies shall be worldwide. All insurance policies shall name Lessor, and each Lessee as the named insureds, with Lessor (as the owner of the Aircraft) as loss payee, and shall provide that any cancellation or

substantial change in coverage shall not be effective as to Lessor, for thirty (30) days after receipt by Lessor of written notice from such insurer(s) of such cancellation or change. All insurance shall insure Lessor's interest, regardless of any breach or violation by Lessees of any warranties, declarations or conditions in such policies, shall include a severability of interest clause providing that such policy shall operate in the same manner if there were a separate policy covering each insured, shall waive any right of set-off against Lessees or Lessor, and shall waive any rights of subrogation against Lessor. Such insurance shall be primary and not be subject to any offset by any other insurance carried by Lessor or any of Lessees. Each Lessee hereby appoints Lessor as each Lessee's attorney-in-fact to make proof of loss and claim for and to receive payment of and to execute or endorse all documents, checks or drafts in connection with all policies of insurance in respect of the Aircraft. Any expense of adjusting or collecting insurance proceeds shall be borne by Lessees. Lessor may, at its option, apply proceeds of insurance, in whole or in part, to (i) repair or replace the Aircraft or any part thereof, or (ii) satisfy any obligation of Lessees to Lessor hereunder. Any balance remaining shall be retained by Lessor.

Annually on the anniversary of the Effective Date, Lessees shall furnish to Lessor, a report describing in reasonable detail the insurance then carried and maintained on the Aircraft and certifying that such insurance complies with the terms hereof and a certificate of the insurer as to such insurance. Lessees shall advise Lessor in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessees which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. In the event Lessees shall fail to maintain insurance as herein provided, Lessor may, at its option, provide such insurance, and Lessees shall, upon demand, reimburse forthwith Lessor for the cost thereof.

19. Loss or Damage. Lessees shall bear all risk of loss, theft, confiscation, damage to or destruction of the Aircraft from any cause whatsoever. Lessees shall promptly report any of the foregoing occurrences to the appropriate insurance company or companies, to Lessor, and to all concerned Federal, state, local or other governmental agencies, and shall furnish such information and execute such documents as may be necessary or required for Lessor, and under applicable laws. Lessees shall cooperate fully in any investigation of any claim or loss processed by Lessor under the Aircraft insurance policies.

Except as otherwise specifically provided hereinbelow, this Lease shall not terminate and the obligations of Lessees shall not be affected by reason of any damage to the Aircraft. Lessees shall be responsible for any expense of adjusting or collecting insurance proceeds and for the deductible, if any, associated with the damage, loss and destruction of the Aircraft, including but not limited to expenses resulting from foreign object damage.

In the event of total loss or destruction of all or substantially all of the Aircraft, or damage to the Aircraft which causes it to be irreparable in the opinion of the insurance carrier providing hull coverage pursuant to Section 18, or in the event of confiscation or seizure of the Aircraft, upon payment of such claims by the insurance company or companies to Lessor, as the case may be, no further payments of Fixes Rentals shall be due by Lessees and this Lease shall automatically terminate.

20. Indemnification. Lessees shall indemnify and save harmless Lessor, its successors and assigns, from and against any and all loss (including Lessees' own loss of use), claims (including, without limitation, claims involving strict or absolute liability in tort, damage, injury, death, liability and third party claims), demands, costs and expenses of every nature, including reasonable attorneys' fees, arising directly or indirectly from or in connection with the possession, use, operation, maintenance or storage of the Aircraft, except when arising from the material

default, willful misconduct or gross negligence of Lessor. Claims attributable to acts or events occurring before or after the Lease Term or after the Aircraft has been redelivered to Lessor in accordance with Sections 7 and 8, shall be excluded from Lessees' agreement to indemnify under this Section 20. Lessees' obligations under this Section 20 shall survive termination of this Lease and shall remain in effect until all required indemnity payments have been made by Lessees to Lessor.

21. Representations, Warranties and Agreements of Lessor. Lessor represents, warrants and agrees as follows:

(a) Manufacturers Warranties and Programs. In connection with Lessees' operation and maintenance of the Aircraft during the Lease Term, Lessor shall allow Lessees to use and benefit from (i) all of Bombardier's applicable warranties (including the engine manufacturer's warranties and other manufacturers' applicable warranties thereunder), as provided to Lessor and to assist and process any claims under such warranties, and (ii) the enrollments on CorporateCare, MSP, Smart Parts and CMMS (all of which shall be the responsibility of Lessees to keep current and paid up).

(b) No Adverse Proceedings. No action, suit, or proceeding is currently pending or threatened against Lessor which shall in any material way affect Lessor's financial status as of the date hereof, or impair the execution, delivery, or performance by Lessor of this Lease.

(c) Quiet Enjoyment. During the Lease Term, Lessor covenants that it shall not, through its own actions or inactions, interfere in Lessees' quiet enjoyment of the Aircraft so long as no Event of Default on the part of Lessees shall have occurred and be continuing.

(d) Company Authorization. Lessor is a limited liability company, duly organized, validly existing and in good standing under the laws of Delaware, has all necessary powers to enter into the transaction contemplated in this Lease and has authorized and approved the lease of the Aircraft to Lessees.

22. Representations, Warranties and Agreements of Lessees.

Each Lessee represents, warrants and agrees as follows:

(a) Government Approvals. No consent or approval of, giving notice to, registration with, or taking of any other action in respect of or by, any Federal, state or local governmental authority or agency (including without limitation, the FAA), or other person is required with respect to the execution, delivery and performance by each Lessee of this Lease or the consummation of any of the transactions by each Lessee contemplated hereby or thereby, or if any such approval, notice, registration or action is required, it has been duly given or obtained.

(b) Lawful Use. The Aircraft will not be used, operated, maintained or stored in violation of any law or any rule, regulation or order of any government authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft or its use, or in violation or breach of any representation or warranty made with respect to obtaining insurance on the Aircraft or any term or condition of such insurance policy. During the Lease Term, each Lessee shall operate the Aircraft solely under FAR Part 91.

(c) Aircraft Location. The Aircraft will not be operated or located in any area excluded from coverage by the terms of insurance or in any recognized or threatened area of hostilities, unless fully covered to Lessor's satisfaction by war risk insurance.

(d) FAA Filings. Each Lessee shall take all steps necessary to preserve and protect Lessor's U.S. Registration of the Aircraft. Lessees shall file or caused to be filed a copy of this Lease with the appropriate FAA office, in compliance with all applicable laws and regulations.

(e) Identification. A legible copy of the Lease shall be kept in the Aircraft at all times.

(f) No Adverse Proceedings. No action, suit, or proceeding is currently pending or threatened against Lessees, which shall in any material way affect the financial status of Lessees as of the date hereof, or impair the execution, delivery, or performance by Lessees of this Lease.

(g) Authorizations. Each Lessee has all the necessary powers to enter into the transaction contemplated in this Lease and each has authorized and approved the lease of the Aircraft from Lessor.

23. Disclaimer of Warranties. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, THE AIRCRAFT IS BEING LEASED BY LESSOR TO LESSEES HEREUNDER ON AN "AS IS" AND "WHERE IS" BASIS AND WITHOUT ANY REPRESENTATION, GUARANTEE OR WARRANTY, EXPRESSED OR IMPLIED, OF ANY KIND BEING MADE OR GIVEN BY LESSOR, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. EACH LESSEE HEREBY WAIVES ANY CLAIMS, RIGHTS AND REMEDIES (INCLUDING, WITHOUT LIMITATION, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGE) CAUSED BY THE AIRCRAFT OR BY THE LOSS OF USE THEREOF BY EACH SUCH LESSEE.

24. Options to Extend. Provided Lessees are not in breach of the terms and conditions of this Lease, each Lessee shall have the option to extend the term at the end of the initial period for an additional period of one (1) year, and thereafter for a subsequent additional period of one (1) year, subject to such Lessee giving written notice to Lessor of the exercise of each such extension no more than six (6) months and no less than three (3) months prior to the expiration date of each such period (each a "**Renewal Option**"). All of the terms and conditions of this Lease shall apply to each of the foregoing extensions. In the event that a Renewal Option is not exercised, Lessees expressly acknowledges, consents and agrees that Lessor shall have the right to market the Aircraft for sale during the last three (3) months of the relevant period and Lessees shall cooperate with Lessor to schedule showings, inspections and/or demonstration flights of the Aircraft, provided that the intended use of the Aircraft by each Lessee shall always have priority over said rights of Lessor, the intention being that such rights shall be exercised solely at times and places that will not interfere with use or scheduled use of the Aircraft by each Lessee.

25. Events of Default. The term "**Event of Default**", wherever used herein shall mean any of the following:

(a) Lessees shall have failed to make payment of a Fixed Rental within ten (10) days after the same shall become due;

(b) Lessees shall have failed to maintain at all times the insurance coverages as required by Section 18;

(c) Lessees shall have breached any of their representations and warranties and shall have failed to cure same or commence curing same in good faith following the expiration of thirty (30) days written notice thereof from Lessor to Lessees;

(d) Lessees shall have failed to perform or observe (or cause to be performed and observed) any other obligation, covenant or agreement required to be performed under this Lease and such failure shall continue for thirty (30) days after written notice thereof from Lessor to Lessee; or

(e) Any of the Lessees becomes insolvent or fails to pay their debts when due or makes any assignment for the benefit of creditors, or seeks relief under any bankruptcy law or similar law for the protection of debtors, or suffers a petition of bankruptcy to be filed against it or a receiver or trustee appointed for substantially all of their assets, and such is not removed within sixty (60) days.

26. Lessor's Remedies.

(a) Upon the occurrence of any Event of Default, Lessor may, at its option, exercise any or all remedies available at law or in equity, including, without limitation, any or all of the following remedies, as Lessor in its sole discretion shall elect:

(i) By notice in writing cancel or terminate this Lease, whereupon all rights of Lessees to the use of the Aircraft or any part thereof shall absolutely cease and terminate but Lessees shall remain liable as hereinafter provided; and thereupon Lessees, if so requested by Lessor, shall at Lessees' expense promptly return the Aircraft to Lessor as required by Section 5, or Lessor, at its option, may enter upon the premises where the Aircraft is located and take immediate possession of and remove the Aircraft by summary proceedings or otherwise. Lessees specifically authorize Lessor's entry upon any premises where the Aircraft may be located for the purpose of a peaceful retaking of the Aircraft, and Lessees shall waive any cause of action Lessees may have arising therefrom and shall forthwith pay to Lessor an amount equal to the total accrued and unpaid Fixed Rentals and all other accrued and unpaid amounts due hereunder, plus any and all losses and damages incurred or sustained by Lessor by reason of any default by Lessees under this Lease.

(ii) Perform or cause to be performed any obligation, covenant or agreement of Lessees hereunder. Lessees agree to pay all costs and expenses incurred by Lessor for such performance as additional Fixed Rental hereunder and acknowledge that such performance by Lessor shall not be deemed to cure said Event of Default.

(b) Lessees shall be liable for all costs, charges and expenses, including reasonable attorneys' fees and disbursements, incurred by Lessor by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. No express or implied waiver by Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of Lessor in exercising any rights granted to it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

27. General Provisions.

(a) Broker/Finder Fees. Each party represents that it has dealt with no broker or finder in connection with the transaction contemplated by this Lease and that no broker or other person is entitled to any commission or finder's fee in connection therewith. Lessor and Lessees each agree to indemnify and hold harmless one another against any loss, liability, damage, cost, claim or expense incurred by reason of any brokerage commission or finder's fee alleged to be payable because of any act, omission or statement of the indemnifying party.

(b) Costs. Each party shall pay all of its own costs and expenses incurred or to be incurred by it in negotiating and preparing this Lease.

(c) Headings. Sections and other headings and captions of this Lease are included for convenience only and shall not affect the construction or interpretation of any of its provisions.

(d) Entire Agreement. This Lease constitutes the entire agreement among the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Lease shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Lease shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

(e) Counterparts. This Lease may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties may exchange executed copies transmitted by telecopier or PDF e-mail, provided the executed originals are forwarded by mail or courier.

(f) Successors and Assigns. Lessees shall not sell, transfer, assign, encumber or, except with Lessor's prior written consent, sublet or part with possession of the Aircraft or any of Lessees' rights under this Lease. This Lease shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and assigns; provided, however, that Lessees may not assign any of their rights under this Lease.

(g) No Third Party Rights. Nothing in this Lease whether express or implied, is intended to confer any rights or remedies under or by reason of this Lease on any persons other than the parties to it and their respective successors and assigns, nor is anything in this Lease intended to relieve or discharge the obligation or liability of any third persons to any party to this Lease, nor shall any provision give any third persons any right of subrogation or action over against any party to this Lease.

(h) Survival. All representations, warranties, covenants and agreements of the parties contained in this Lease, or in any instrument, certificate, exhibit, schedule, or other writing provided for in it, shall survive the Lease Term.

(i) Notices. All notices or other communications, which shall or may be given pursuant to this Lease, shall be in writing and shall be delivered by certified mail or registered mail with postage prepaid, return receipt requested, by facsimile transmission or by e-mail or by hand. Such communication shall be deemed given and received upon dispatch, if sent by facsimile (provided confirmation of successful transmission is received by the sending facsimile machine at the time of transmission) or e-mail (provided a transmission error message is not received by sender), or upon delivery if hand delivered, or within three (3) days of mailing, if sent by certified or registered mail, at the addresses of the parties as set forth in Exhibit "D" attached hereto. Any address for notice to a party may be changed at any time by written notice to the other parties.

(j) Agreement Negotiated. The parties to this Lease are sophisticated and have been represented or had the opportunity to be represented in connection with the negotiation and performance of this Lease. The parties agree that no presumptions relating to the interpretation of contracts against the drafter of any particular clause should or may be applied in this case and, therefore, waive their effects.

(k) Governing Law. The validity of this Lease and the interpretation and performance of all its terms shall be construed and enforced in accordance with the laws of the State of California, as apply to contracts that are executed and performed entirely in California.

(l) Arbitration. Any dispute, claim or controversy of whatever nature arising out of or relating to this Lease or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles, California before one neutral arbitrator. Such arbitrator shall be an attorney licensed to practice law in the United States, actively engaged in the practice of law for at least ten years and having at least five years of experience with and knowledge of business aviation. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rule & Procedures. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid or arbitration from a court of appropriate jurisdiction, or injunctive relief.

(m) Partial Invalidity. If any provision of this Lease is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the parties that all other provisions of this Lease be construed to remain fully valid, enforceable and binding on the parties.

28. TRUTH-IN-LEASING.

(a) THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER PART 91 OF THE FEDERAL AVIATION REGULATIONS DURING THE TWELVE MONTHS PERIOD (OR PORTION THEREOF DURING WHICH THE AIRCRAFT HAS BEEN SUBJECT TO U.S. REGISTRATION) PRECEDING THE DATE OF EXECUTION OF THIS LEASE AND PRESENTLY COMPLIES WITH APPLICABLE FAA MAINTENANCE AND INSPECTION REQUIREMENTS IN ACCORDANCE WITH FAR §91.409(f)(3) FOR OPERATION TO BE CONDUCTED UNDER THIS LEASE.

(b) EACH LESSEE CERTIFIES THAT EACH LESSEE, AND NOT LESSOR, IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT WHEN SUCH LESSEE UTILIZES THE AIRCRAFT UNDER THIS LEASE DURING THE LEASE TERM. EACH LESSEE FURTHER CERTIFIES THAT EACH LESSEE UNDERSTANDS HIS OR ITS RESPONSIBILITY FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(c) EACH LESSEE CERTIFIES THAT THE AIRCRAFT WILL CONTINUE TO BE MAINTAINED AND INSPECTED UNDER PART 91 OF THE FEDERAL AVIATION REGULATIONS FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE. EACH LESSEE UNDERSTANDS THAT AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

(d) THE PARTIES HERETO CERTIFY THAT A TRUE COPY OF THIS AGREEMENT SHALL BE CARRIED ON THE AIRCRAFT AT ALL TIMES, AND SHALL BE MADE AVAILABLE FOR INSPECTION UPON REQUEST BY AN APPROPRIATELY CONSTITUTED IDENTIFIED REPRESENTATIVE OF THE ADMINISTRATOR OF THE FAA.

(e) THE ADDRESS OF KENNETH D. MOELIS AND MOELIS & COMPANY GROUP LP IS 1999 AVENUE OF THE STARS, LOS ANGELES, CA 90067.

[Signature pages on following page]

IN WITNESS WHEREOF, the parties hereto have each caused this Aircraft Dry Lease Agreement to be duly executed as of the day and year first written above.

LESSOR:

MOELIS & COMPANY MANAGER LLC

By: /s/ Kenneth D. Moelis
Name: Ken Moelis
Title: Managing Member

LESSEE:

KENNETH D. MOELIS

/s/ Kenneth D. Moelis

LESSEE:

MOELIS & COMPANY GROUP LP

By: /s/ Joseph Simon
Name: Joseph Simon
Title: CFO

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Section 4: EX-10.4 (EX-10.4)

Exhibit 10.4

SECOND AMENDMENT TO THE
AMENDED AND RESTATED AGREEMENT
OF LIMITED PARTNERSHIP
OF
MOELIS & COMPANY GROUP LP
a Delaware limited partnership

This SECOND AMENDMENT (this "Amendment") is made by the undersigned as of July 31, 2019 to amend the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") of Moelis & Company Group LP, a Delaware limited partnership (the "Partnership"), dated as of April 15, 2014, by and among Moelis & Company Group GP LLC, a Delaware limited liability company, as the sole general partner (the "General Partner"), Moelis & Company, a Delaware corporation (the "Special Limited Partner"), and the Limited Partners (as defined therein) (the "Limited Partners" and, together with the General Partner, the "Partners") as amended by the First Amendment to the Partnership Agreement, dated November 7, 2014.

WITNESSETH:

WHEREAS, pursuant to Section 6.1 of the Partnership Agreement, the General Partner may, without the written consent of any Limited Partner, amend this Agreement as may be required to satisfy any requirements, conditions or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law;

WHEREAS, the General Partner has determined to amend the Partnership Agreement to address certain new audit rules set forth in the Bipartisan Budget Act of 2015, which went into effect on January 1, 2018 and certain other recent state tax rule changes;

WHEREAS, except to the extent expressly further amended by this Amendment, the Partnership Agreement remains in full force and effect.

NOW, THEREFORE, in consideration of the mutual promises and obligations contained herein, the Partners, intending to be legally bound, hereby agree as follows:

ARTICLE 1. DEFINITIONS

Capitalized terms that are used but not defined in this Amendment shall have the meanings ascribed to such terms in the Partnership Agreement.

ARTICLE 2. AMENDMENT

1. Section 1.1 The following definitions shall be added to Section 1.1:

“New Partnership Audit Procedures” means Subchapter C of Chapter 63 of the Code, as modified by Section 1101 of the Bipartisan Budget Act of 2015, Pub. L. No. 114-74, any amended or successor version, Treasury Regulations promulgated thereunder, official interpretations thereof, related notices, or other related administrative guidance.

“Partnership Representative” has the meaning set forth in Section 9.3.

“Tax Matters Partner” means the Person designated as such in Section 9.3.

2. Article IX, Tax Matters. Article IX of the Partnership Agreement shall be deleted in its entirety and the following shall be inserted in lieu thereof:

Section 9.1 Preparation of Tax Returns. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable effort to furnish, within one

hundred and eighty (180) days of the close of each taxable year, the tax information reasonably required by Limited Partners and for federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Assets, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 9.2 Tax Elections. The General Partner shall file (or cause to be filed) an election pursuant to Code section 754 for the Partnership for its first Fiscal Year and shall maintain and keep such election in effect at all times. Except as otherwise provided herein, the General Partner shall determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code section 754. The General Partner shall have the right to seek to revoke any such election (including any election under Code section 754).

Section 9.3 Tax Matters and Partnership Representative.

(a) The General Partner shall be the Tax Matters Partner and the Partnership Representative (as defined in the Code) of the Partnership. The Tax Matters Partner shall receive no compensation for its services. All third-party costs and expenses incurred by the Tax Matters Partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 6.2. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the Tax Matters Partner in discharging its duties hereunder. At the request of any Limited Partner, the General Partner agrees to inform such Limited Partner regarding the preparation and filing of any returns and with respect to any subsequent audit or litigation relating to such returns; provided, however, that the General Partner shall have the exclusive power to determine whether to file, and the content of, such returns. Except as otherwise set forth below, the Tax Matters Partner shall be authorized to take any action on behalf of the Partnership or the Partners or any of them in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

(b) The Partnership Representative is authorized:

(i) to enter into any settlement with the IRS under the New Partnership Audit Procedures with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a person who was a Partner in the reviewed year for income tax purposes (such administrative proceedings being referred to as a “tax audit” and such judicial proceedings being referred to as “judicial review”), and in the settlement agreement the Partnership Representative may expressly state that such agreement shall bind all Partners;

(ii) to make an election under the New Partnership Audit Procedures or otherwise take any legally permissible action so that, to the greatest extent possible, no Person shall bear liability for taxes, interest, or penalties imposed on the Company under Section 6225 of the New Partnership Audit Procedures that such Person would not have borne if the law in effect prior to the effective date of the New Partnership Audit Procedures continued to remain effective and Section 6225 were not effective; and

(iii) to allocate any taxes (and related interest, penalties, claims, liabilities and expenses) imposed on the Partnership pursuant to the New Partnership Audit Procedures among the Partners in accordance with the principles of (b)(ii) of this section and may withhold (pursuant to Section 9.4) any such amounts from distributions made to any such Partner. To the extent that the Partnership is required or elects to withhold or otherwise pays over to any taxing authority any amounts allocated to a Partner with respect to the New Partnership Audit Procedures, such Partner shall indemnify and hold harmless the Partnership and the Partnership Representative for such amounts, which indemnity obligation shall survive the exchange or assignment of Units and the termination of this Agreement.

The taking of any action and the incurring of any expense by the Tax Matters Partner or the Partnership Representative in connection with any proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the Tax Matters Partner or the Partnership Representative, respectively, and the provisions relating to indemnification of the General Partner set forth in Section 6.6 shall be fully applicable to the Tax Matters Partner and the Partnership Representative in their capacity as such.

Section 9.4 **Withholding.** Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local, foreign taxes, or related amount that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including but not limited to, any taxes required to be withheld or paid by the Partnership pursuant to Code section 1441, Code section 1442, Code section 1445 or Code section 1446. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 9.4. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 9.4 when due, the General Partner may elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus four (4) percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

Section 9.5 **Organizational Expenses.** The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Code section 709.

Section 9.6 **Other Taxes.** In any case where a tax, fee or other similar amount is levied upon the Partnership by a relevant tax authority, including any additional tax resulting from any election, the amount of which is determined in whole or in part by the status or identity of the Partners, with the Partnership bearing such tax, fee or similar amount as a Partnership-level expense, the General Partner may allocate such expense or a reasonable estimate of such expense to the applicable Partners to the extent permitted by applicable law or regulations.

ARTICLE 3. EFFECTIVENESS OF AMENDMENT

This Amendment shall be effective upon execution by the General Partner. From and after the date hereof, each reference to the Partnership Agreement in any other instrument or document shall be deemed a reference to the Partnership Agreement as amended hereby unless the context otherwise requires.

ARTICLE 4. EFFECTIVENESS OF AMENDMENT

4.1 **No Other Amendments.** The Partnership Agreement has not been amended other than by this Amendment and, as amended by this Amendment, the Partnership Agreement is and remains in full force and effect. In the event of any conflict between this Amendment and the Partnership Agreement, the terms of this Amendment shall prevail.

4.2 **Governing Law.** This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware (without regard to principles of conflicts of laws) to the extent not preempted by applicable Federal law.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be duly executed as of the date first set forth above.

Moelis & Company Group GP LLC

By: Moelis & Company, its sole member

By: /s/ Osamu Watanabe

Name: Osamu Watanabe

Title: General Counsel

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Section 5: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth Moelis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending June 30, 2019, of Moelis & Company as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the above registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the registrant's board of directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Chief Executive Officer

July 31, 2019

/s/ Kenneth Moelis

Kenneth Moelis

Chief Executive Officer

Section 6: EX-31.2 (EX-31.2)

Exhibit 31.2

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Simon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending June 30, 2019, of Moelis & Company as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the above registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the registrant's board of directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Chief Financial Officer

July 31, 2019

/s/ Joseph Simon

Joseph Simon

Chief Financial Officer

Section 7: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Kenneth Moelis, Chief Executive Officer of Moelis & Company (the "Company"), certifies with respect to the Quarterly Report of the Company on Form 10-Q for the quarterly period ended June 30, 2019 (the "Report") that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Chief Executive Officer

July 31, 2019

/s/ Kenneth Moelis

Kenneth Moelis

Chief Executive Officer

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Section 8: EX-32.2 (EX-32.2)

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Joseph Simon, Chief Financial Officer of Moelis & Company (the “Company”), certifies with respect to the Quarterly Report of the Company on Form 10-Q for the quarterly period ended June 30, 2019 (the “Report”) that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Chief Financial Officer

July 31, 2019

/s/ Joseph Simon

Joseph Simon

Chief Financial Officer

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