GREENHILL & CO INC
Form 10-K
February 28, 2011

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

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission file number 001-32147

GREENHILL & CO., INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**51-0500737** (I.R.S. Employer Identification No.)
300 Park Avenue **New York, New York** (Address of Principal Executive Offices)	**10022** (ZIP Code)

Registrant s telephone number, including area code: (212) 389-1500
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

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

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

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

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

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

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

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant s most recently completed second fiscal quarter, June 30, 2010, was approximately $1.652 million. The registrant has no non-voting stock.

As of February 23, 2011, 29,658,014 shares of the Registrant s common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement to be delivered to stockholders in connection with the 2011 annual meeting of stockholders to be held on April 20, 2011 are incorporated by reference in response to Part III of this Report.

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PART I

When we use the terms Greenhill , we , us , our , the company , and the firm , we mean Greenhill & Co., Inc., a Delaware corporation, and its consolidated subsidiaries. Our principal financial advisory subsidiaries are Greenhill & Co., LLC, a registered broker-dealer regulated by the Securities and Exchange Commission which provides investment banking and capital advisory services in North America; Greenhill & Co. International LLP, which provides investment banking and capital advisory services in Europe and is regulated by the United Kingdom Financial Services Authority; Greenhill & Co. Europe LLP which provides investment banking services in Europe and is regulated by the United Kingdom Financial Services Authority; Greenhill Caliburn Pty Limited, which provides investment banking services in Australia and is regulated by the Australian Securities and Investment Commission, and Greenhill & Co. Canada Ltd. and Greenhill & Co. Japan Ltd., each of which provides investment banking services in Canada and Japan, respectively. Our principal merchant banking subsidiaries are Greenhill Capital Partners, LLC and Greenhill Venture Partners, LLC, each of which is a registered investment adviser regulated by the Securities and Exchange Commission through which we conducted our North American merchant banking business; and Greenhill Capital Partners Europe LLP, an investment adviser regulated by the United Kingdom Financial Services Authority though which we conducted our European merchant banking business.

Item 1. Business

Overview

Greenhill is a leading independent investment bank focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raising to corporations, partnerships, institutions and governments. We act for clients located throughout the world from our offices in New York, London, Frankfurt, Sydney, Tokyo, Toronto, Chicago, Dallas, Houston, Los Angeles, Melbourne and San Francisco.

We were established in 1996 by Robert F. Greenhill, the former President of Morgan Stanley and former Chairman and Chief Executive Officer of Smith Barney. Since our founding, Greenhill has grown steadily, recruiting a number of managing directors from major investment banks (as well as senior professionals from other institutions), with a range of geographic, industry and transaction specialties as well as different sets of corporate management and other relationships. As part of this expansion, we opened a London office in 1998, opened a Frankfurt office in 2000 and began offering financial restructuring advice in 2001. On May 11, 2004, we converted from a limited liability company to a corporation, and completed an initial public offering of our common stock. We opened our Dallas office in 2005 and our Toronto office in 2006. In 2008, we opened offices in Chicago, San Francisco and Tokyo, and we entered the private capital advisory business, which provides capital raising and related services to private equity and real estate funds. We opened our Houston and Los Angeles offices in 2009. In 2010, we acquired Caliburn Partnership Pty Limited (Caliburn or Greenhill Caliburn), with offices in Sydney and Melbourne.

Prior to 2011, we also managed merchant banking funds and similar vehicles. We raised our first private equity fund in 2000, our first venture capital fund in 2006 and our first European merchant banking fund in 2007. We completed the initial public offering of our special purpose acquisition company, GHL Acquisition Corp., in 2008, and that entity merged with Iridium Communications, Inc. (Iridium) in 2009. Following our exit from this business in 2010, we retain our historical principal investments in the merchant banking funds and Iridium and intend to liquidate those investments over time.

As of December 31, 2010, we had 323 employees globally, including 65 managing directors and 11 senior advisors who were all dedicated to our financial advisory business.

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Principal Sources of Revenue

Our principal sources of revenues are financial advisory and, historically, merchant banking.

	For the Year Ended December 31,				
	2010	2009	2008 (In millions)	2007	2006
Financial advisory fees	$ 252.2	$ 216.0	$ 218.2	$ 366.7	$ 209.8
Merchant banking and other revenues[(1)(2)]	26.1	82.6	3.7	33.7	80.8
Total revenues	$ 278.3	$ 298.6	$ 221.9	$ 400.4	$ 290.6

(1) Effective at the close of business on December 31, 2010, we completed our separation from the historic merchant banking business and we ceased earning management fees. We retained our existing portfolio of investments and consequently we will continue to recognize gains and losses on those investments until liquidated.

(2) In addition to management fees, merchant banking and other revenues includes (i) unrealized gains from our investment in Iridium (formerly GHL Acquisition Corp.) of $5.0 million, $42.2 million and $2.6 million in 2010, 2009 and 2008, respectively, (ii) gains of $1.1 million and $21.8 million in 2010 and 2009, respectively, from the sale of certain assets of the merchant banking business, and (iii) interest income of $0.4 million, $0.3 million, $3.6 million, $5.4 million, and $3.1 million in 2010, 2009, 2008, 2007, and 2006 respectively. See Management Discussion and Analysis of Financial Condition and Results of Operations Results of Operations- Merchant Banking and Other Investment Revenues .

Financial Advisory

We provide financial advisory services in connection with mergers and acquisitions, financings, restructurings, and capital raisings. For all of our financial advisory services, we draw on the extensive experience, corporate relationships and industry expertise of our managing directors and senior advisors.

On mergers and acquisitions engagements, we provide a broad range of advice to global clients in relation to domestic and cross-border mergers, acquisitions, and similar corporate finance matters and are generally involved at each stage of these transactions, from initial structuring to final execution. Our focus is on providing high-quality advice to senior executive management and boards of directors of prominent large and mid-cap companies and governments in transactions that typically are of the highest strategic and financial importance to those organizations. We advise clients on strategic matters, including acquisitions, divestitures, defensive tactics, special committee projects and other important corporate events. We provide advice on valuation, tactics, industry dynamics, structuring alternatives, timing and pricing of transactions, and financing alternatives. Where requested to do so, we may provide an opinion regarding the fairness of a transaction.

In our financing advisory and restructuring practice, we advise debtors, creditors and companies experiencing financial distress as well as potential acquirers of distressed companies and assets. We provide advice on valuation, restructuring alternatives, capital structures, and sales or recapitalizations. We also assist those clients who seek court-assisted reorganizations by developing and seeking approval for plans of reorganization as well as the implementation of such plans.

In our private capital and real estate capital advisory business we assist fund managers and sponsors in raising capital for new funds and provide related advisory services to private equity and real estate funds and other organizations globally.

Financial advisory revenues accounted for 91% and 72% of our total revenues in 2010 and 2009, respectively. Non-U.S. clients are a significant part of our business, generating 46% and 38% of our financial advisory revenues in 2010 and 2009, respectively. We generate revenues from our financial advisory services by charging our clients fees consisting principally of fees paid upon the commencement of an engagement, fees paid upon the announcement of a transaction, fees paid upon the successful conclusion of a transaction or closing of a fund (which generally represent the largest portion of our advisory fees) and, in connection principally with restructuring assignments, monthly retainer fees.

Merchant Banking and Other Investments

We exited the merchant banking business on December 31, 2010. Prior to that time, our merchant banking activities consisted primarily of management of and investment in Greenhill s merchant banking funds, Greenhill Capital Partners I (or GCP I), Greenhill Capital Partners II (or GCP II , and collectively with GCP I, Greenhill Capital Partners or GCP), Greenhill SAV Partners (or GSAVP) and Greenhill Capital Partners Europe (or GCP Europe), which are families of merchant banking funds. Merchant banking funds are private investment funds raised from contributions by qualified institutional investors and financially sophisticated individuals that generally make investments in non-public companies, typically with a view toward divesting within 3 to 5 years. At the time of our exit, GCP Capital Partners Holdings LLC (GCP Capital), an entity which is independent from the firm, took over the management of our merchant banking funds. The firm retained its investments in the merchant banking funds and Iridium.

Merchant banking and other investment revenues accounted for 9% and 28% of our revenues in 2010 and 2009, respectively. In the past, we generated merchant banking revenue from (i) management fees paid by the funds we managed, (ii) gains (or losses) on our investments in the merchant banking funds and other investments, principally Iridium, and (iii) merchant banking profit overrides. Beginning in 2011, we no longer generate management fees; however, we will continue to generate investment revenue principally from gains (or losses) on the existing investments in the merchant banking funds and Iridium until these investments are liquidated.

Employees

Our managing directors and senior advisors have an average of 25 years of relevant experience, which they use to advise on mergers and acquisitions, financing advisory and restructuring transactions, and capital raising. We spend significant amounts of time training and mentoring our junior professionals. We generally provide our junior professionals with exposure to mergers and acquisitions and financing advisory and restructurings to varying degrees, which provides us with the flexibility to allocate resources depending on the economic environment, and provides our bankers consistent transactional experience and a wide variety of experiences to assist in the development of business and financial judgment.

As of December 31, 2010, Greenhill employed a total of 323 people (including our managing directors and senior advisors) in our financial advisory business, of which 180 were located in our North American offices, 85 were based in our European offices, 45 in our Australian offices, and 13 in our Japanese office. In addition, during 2010 we had 28 employees dedicated to our merchant banking activities, one of whom remains a senior advisor to Greenhill, and the remainder of whom ceased to be our employees on January 1, 2011. The vast majority of our accounting, operational and administrative employees are located in the United States. We strive to maintain a work environment that fosters professionalism, excellence, diversity, and cooperation among our employees worldwide. We utilize a comprehensive evaluation process at the end of each year to measure performance, determine compensation and provide guidance on opportunities for improved performance.

Competition

As an investment bank providing financial advisory services we operate in a highly competitive environment where there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately awarded and negotiated. Our list of clients with whom there is an active revenue-generating engagement changes continually. To develop new client relationships, and to develop new engagements from historic client relationships, we maintain a business dialogue with a

large number of clients and potential clients, as well as with their financial and legal advisors, on an ongoing basis. We have gained a significant number of new clients each year through our business development initiatives, through recruiting additional senior investment banking professionals who bring with them client relationships and expertise in certain industry sectors and through referrals from members of boards of directors, attorneys and other parties with whom we have relationships. At the same time, we lose clients each year as a result of the sale or merger of a client, a change in a client s senior management, competition from other investment banks and other causes.

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are global universal banking firms, mid-sized full service financial firms and specialized financial advisory firms. We compete with some of our competitors globally and with others on a regional, product or niche basis. We compete on the basis of a number of factors, including transaction execution skills, our range of products and services, innovation, reputation and price.

Over the years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support their investment banking operations with commercial banking, insurance and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our businesses. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors. In addition to our larger competitors, over the last few years, a number of new, smaller independent boutique investment banks have emerged which offer independent advisory services on a model similar to ours and some of these firms have grown rapidly.

We believe our primary competitors in securing mergers and acquisitions and financing advisory and restructuring engagements are diversified financial institutions including Bank of America Corporation, Barclays Bank PLC, Citigroup Inc., Credit Suisse, Deutsche Bank AG, Goldman Sachs Group, Inc., JPMorgan Chase & Co., Morgan Stanley, UBS A.G. as well as other investment banking firms such as Blackstone Group, Evercore Partners Inc., Jefferies Group, Inc., Lazard Ltd. and many closely held independent firms. We believe our primary competitors in securing private capital advisory engagements are Credit Suisse, Lazard Ltd., Park Hill, and UBS A.G.

Competition is also intense for the hiring and retention of qualified employees. Our ability to continue to compete effectively in our business will depend upon our ability to attract new employees and retain and motivate our existing employees.

Regulation

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States, Europe, Australia and elsewhere. As a matter of public policy, regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the United States, the Securities and Exchange Commission (SEC) is the federal agency responsible for the administration of the federal securities laws. Greenhill & Co., LLC, a wholly-owned subsidiary of Greenhill through which we conduct our U.S. financial advisory business, is registered as a broker-dealer with the SEC and the Financial Industry Regulatory Authority (FINRA), and is licensed in all 50 states and the District of Columbia. Greenhill & Co., LLC is subject to regulation and oversight by the SEC. In addition, FINRA, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including Greenhill & Co., LLC. State and local securities regulators also have regulatory or oversight authority over Greenhill & Co., LLC. Greenhill & Co.

LLC is also registered as a municipal advisor with the SEC and the Municipal Securities Rulemaking Board.

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Similarly, Greenhill & Co. International LLP and Greenhill & Co. Europe LLP, our controlled affiliated partnerships with offices in the United Kingdom and Germany, respectively, through which we conduct our European financial advisory business, are licensed by and also subject to regulation by the United Kingdom s Financial Services Authority (FSA). Greenhill Caliburn, our Australian subsidiary, is licensed and subject to regulation by the Australian Securities and Investment Commission (ASIC). Our business may also be subject to regulation by other governmental and regulatory bodies and self-regulatory authorities in other countries where Greenhill operates.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers funds and securities, capital structure, record-keeping, the financing of customers purchases and the conduct and qualifications of directors, officers and employees. Additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect the mode of operation and profitability of Greenhill.

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

In addition, Greenhill Capital Partners, LLC and Greenhill Venture Partners, LLC, our wholly owned affiliates, which operated as and will continue to operate as general partners of GCP I, GCP II, and GSAVP, are registered investment advisers under the Investment Advisers Act of 1940. As such, they are subject to regulation and periodic examinations by the SEC. Greenhill Capital Partners Europe LLP is licensed by and subject to regulation by the FSA.

Where You Can Find Additional Information

Greenhill & Co., Inc. files current, annual and quarterly reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the Exchange Act), with the SEC. You may read and copy any document the company files at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The firm s SEC filings are also available to the public from the SEC s internet site at http://www.sec.gov. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A.

Our public internet site is http://www.greenhill.com. We make available free of charge through our internet site, via a link to the SEC s internet site at http://www.sec.gov, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the Corporate Governance section, and available in print upon request of any stockholder to our Investor Relations Department, are charters for our Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee, our Corporate Governance Guidelines, Related Party Transaction Policy and Code of Business Conduct & Ethics governing our directors, officers and employees. You may need to have Adobe Acrobat Reader software installed on your computer to view these documents, which are in PDF format.

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Item 1A. Risk Factors

Our ability to retain our senior managing directors is critical to the success of our business

The success of our business depends upon the personal reputation, judgment, business generation capabilities and project execution skills of our managing directors and senior advisors, particularly our senior managing directors. Founded in 1996, our business has a more limited operating history than many of our competitors and, as a result, our managing directors personal reputations and relationships with our clients are a critical element in obtaining and maintaining client engagements, and forming and investing merchant banking funds. Accordingly, the retention of our managing directors is particularly crucial to our future success. The departure or other loss of Mr. Greenhill, our founder and Chairman, Scott L. Bok, our Chief Executive Officer, the regional heads of businesses in North America, Europe, Australia, or Japan, or the departure or other loss of other senior managing directors, each of whom manages substantial client relationships and possesses substantial experience and expertise, could materially adversely affect our ability to secure and successfully complete engagements, which would materially adversely affect our results of operations.

In addition, if any of our managing directors were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of our services. There is no guarantee that the compensation arrangements and non-competition agreements we have entered into with our managing directors are sufficiently broad or effective to prevent our managing directors from resigning to join our competitors or that the non-competition agreements would be upheld if we were to seek to enforce our rights under these agreements.

A significant portion of our revenues are derived from financial advisory fees

We have historically earned a significant portion of our revenues from financial advisory fees paid to us by our clients, in large part upon the successful completion of the client s transaction, restructuring or fund raising. Financial advisory revenues represented 91% and 72% of our total revenues in 2010 and 2009, respectively. Unlike diversified investment banks, which generate revenues from securities trading and underwriting, our only other source of revenue is gains or losses which we may generate from our investments in merchant banking funds or Iridium, which will decline over time as we liquidate our investments. As a result, a decline in our financial advisory engagements or the market for advisory services generally would have a material adverse effect on our business and results of operations.

We generate a significant portion of our revenues from our services in connection with mergers and acquisitions and we have not historically been able to offset a decline in revenues from merger and acquisition services with revenues from our financing advisory and restructuring services

During a period when mergers and acquisitions activity declines and debt defaults increase, we increasingly rely on financing advisory and restructuring and bankruptcy services as a source of new business. We provide various restructuring and restructuring-related advice to companies in financial distress or their creditors or other stakeholders. A number of factors affect demand for these advisory services, including general economic conditions and the availability and cost of debt and equity financing. Presently, our financing advisory and restructuring business is significantly smaller than our mergers and acquisitions advisory business, and we have been unable to offset declines in mergers and acquisitions revenue with revenue generated from financing advisory and restructuring assignments and expect that we will be unlikely to do so in the foreseeable future. Despite adverse market conditions, the number of debt defaults has remained limited, diminishing our ability to generate revenue from financing advisory and restructuring activities. To the extent that there is limited debt default activity our ability to generate revenue from financing advisory and restructuring activities may be adversely affected.

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Our business has been adversely affected by difficult market conditions and may continue to be adversely affected by market uncertainty, disruptions in the credit markets and other unfavorable economic, geopolitical or market conditions

Adverse market or economic conditions would likely affect the number, size and timing of transactions on which we provide mergers and acquisitions advice and therefore adversely affect our financial advisory fees. As demonstrated over the past few years, economic uncertainty, slow economic growth and weak financial markets negatively impact merger and acquisition activity. Our clients engaging in mergers and acquisitions often rely on access to the credit markets to finance their transactions. The lack of available credit and the increased cost of credit can adversely affect the size, volume, timing and ability of our clients to successfully complete merger and acquisition transactions and adversely affect our financial advisory business. Furthermore, market volatility also affects our clients ability and willingness to engage in stock-for-stock transactions.

While we operate in North America, Europe, Australia, and Asia our operations in the United States and Europe historically have provided most of our revenues and earnings. Consequently, our revenues and profitability are particularly affected by economic conditions in these locations.

Adverse market or economic conditions, including continuing volatility in the commodities markets, limited access to credit as well as a slowdown of economic activity could also adversely affect the business operations of those companies in which we have investments, and therefore, our earnings. In addition, during a market downturn, there may be fewer opportunities to exit and realize value from our investments in merchant banking funds and Iridium.

Our private capital and real estate capital advisory business is dependent on the availability of private capital for deployment in illiquid asset classes such as private equity and real estate funds

In our private capital and real estate capital advisory business we assist fund managers and sponsors in raising capital for new funds. Our ability to find suitable engagements and earn fees in this business depends on the availability of private and public capital for investments in illiquid assets such as private equity and real estate funds. Following the onset of the current financial crisis, there has been a shortage of such capital, and far fewer new funds are being raised today than in the period preceding the crisis. In addition, new funds raised in the current environment generally obtain smaller aggregate capital commitments than in earlier years. To the extent private and public capital focused on illiquid investment opportunities remains limited, our ability to earn fees in the private capital advisory business may be adversely affected.

Our engagements are singular in nature and do not provide for subsequent engagements

Our clients generally retain us on a non-exclusive, short-term, engagement-by-engagement basis in connection with specific merger or acquisition transactions, financing advisory and restructuring projects, or private equity or real estate capital raising assignment, rather than under long-term contracts covering potential additional future services. As these transactions are singular in nature and our engagements are not likely to recur, we must seek out new engagements when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in the next-succeeding or any other period. In addition, when an engagement is terminated, whether due to the cancellation of a transaction due to market reasons or otherwise, we may earn limited or no fees and may not be able to recoup the costs that we incurred prior to that termination.

A high percentage of our financial advisory revenues are derived from a few clients and the termination of any one financial advisory engagement could reduce our revenues and harm our operating results

Each year, we advise a limited number of clients. Our top ten client engagements accounted for 36% of our total revenues in 2010 and 41% of our total revenues in 2009. In 2010, we did not have

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any client engagements that accounted for 10% or more of our total revenue. In 2009, our single largest client engagement (advice to Roche Holdings Ltd. in connection with its acquisition of the outstanding publicly held interest in Genentech, Inc.) accounted for approximately 10% of our 2009 total revenues. We earned $1 million or more from 57 clients in 2010, compared to 43 in 2009, of which 44% of the clients were new to the firm in 2010. While the composition of the group comprising our largest clients varies significantly from year to year, we expect that our financial advisory engagements will continue to be limited to a relatively small number of clients and that an even smaller number of those clients will account for a high percentage of revenues in any particular year. As a result, the adverse impact on our results of operation of one lost engagement or the failure of one transaction or restructuring on which we are advising to be completed can be significant.

Investment gains from merchant banking funds and Iridium vary from period to period; these gains may not recur and may not be replaced by other gains; our investments may lose money

We retain certain principal investments in merchant banking funds (which in turn have a limited number of investments in portfolio companies) and Iridium. The fair value of these investments may appreciate (or depreciate) at different rates based on a variety of factors, including changes in the fair value of such investments. Historically, gains (or losses) from investments have been significantly impacted by market factors, specific industry conditions and other factors beyond our control, and we cannot predict the timing or size of any such gains (or losses) in future periods. The lack of investment gains (and any losses which may be attributable to the investments in the merchant banking funds or in Iridium) and the volatility of changes in investment values may adversely affect our results of operations and our stock price. There were no gains (or losses) from any single investment that accounted for more than 10% of total revenues in 2010. In 2009, the firm recognized a net gain from our investment in Iridium that accounted for more than 10% of total revenues.

Our investment in Iridium was valued at $80.9 million at December 31, 2010. Since September 2009, when Iridium became publicly traded after the business combination with GHL Acquisition Corp., its share price has ranged from a high of $11.55 and a low of $6.36. Iridium s share price was $8.25 at December 31, 2010. A significant decline in the market value of Iridium can give rise to significant losses and adversely affect our revenue and earnings.

There will not be a consistent pattern in our financial results from quarter to quarter, which may result in increased volatility of our stock price

We can experience significant variations in revenues and profits during each quarterly period. These variations can generally be attributed to the fact that our revenues are usually earned in large amounts throughout the year upon the successful completion of a transaction or restructuring or closing of a fund, the timing of which is uncertain and is not subject to our control. Moreover, the timing of our recognition of gains or losses from our investment portfolio may vary significantly from period to period and depends on a number of factors beyond our control, including most notably market and general economic conditions.

Compared to our larger, more diversified competitors in the financial services industry, we generally experience even greater variations in our revenues and profits. This is due to our dependence on a relatively small number of transactions for most of our revenues, with the result that our earnings can be significantly affected if any particular transaction is not completed successfully, and to the fact that we lack other, more stable sources of revenue in material amounts, such as brokerage and asset management fees, which could moderate some of the volatility in financial advisory revenues. In addition, we report the value of our portfolio of investments at estimated fair value at the end of each quarter. The value of our investments may increase or decrease significantly depending upon market factors that are beyond our control. As a result, it may be difficult for us to achieve steady earnings growth on a quarterly basis, which could adversely affect our stock price.

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In many cases we are not paid for financial advisory engagements that do not result in the successful consummation of a transaction or restructuring or closing of a fund. As a result, our business is highly dependent on market conditions and the decisions and actions of our clients and interested third parties. For example, a client could delay or terminate a transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or shareholder approvals, failure to secure necessary financing, or adverse market conditions. Anticipated bidders for assets of a client during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness due to a failure to reach agreement with its principal creditors. Our clients may not raise sufficient capital to start a new fund because anticipated investors may decline to invest in such fund due to lack of liquidity, change in strategic direction of the investor, or other factors. In these circumstances, we may not receive any financial advisory fees, other than the reimbursement of certain out-of-pocket expenses. The failure of the parties to complete a transaction on which we are advising, and the consequent loss of revenue to us, could lead to large adverse movements in our stock price.

Our investment portfolio contains investments in high-risk, illiquid assets

Given the nature of our investments, there is a significant risk that we will be unable to realize our investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the company in which the investment is made, changes in technology, changes in national or international economic conditions or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

lsMerchant banking funds will typically invest in securities of a class that are not publicly-traded. In many cases they may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise be restricted from disposing of such securities. The ability of such funds to dispose of investments is heavily dependent on the merger and acquisition environment and the initial public offering market, which fluctuate in terms of both the volume of transactions as well as the types of companies which are able to access the market. Furthermore, the types of investments made may require a substantial length of time to liquidate. We will generally not be able to sell our investments in merchant banking funds or control the disposition of securities in those funds.

Moreover, in the case of Iridium, we may be further limited in our ability to sell such securities as we sit on the board of directors of the company.

Our investments are reported at estimated fair value at the end of each quarter and our allocable share of these gains or losses will affect our revenue, which could increase the volatility of our quarterly earnings, even if such gains or losses may have no cash impact. It generally takes a substantial period of time to realize the cash value of our principal investments. Even if an investment proves to be profitable, it may be several years or longer before any profits can be realized in cash from such investment.

We value our investment portfolio each quarter using a fair value methodology, which could result in gains or losses to the firm; the fair value methodology may over- or under-state the ultimate value we will realize

As of December 31, 2010, the value of the firm s portfolio of investments, including its investments in merchant banking funds and Iridium, was $160.9 million. The value of our investment in Iridium common stock is recorded at its publicly traded market value. The value of our investments in Iridium warrants and the merchant banking funds is recorded at estimated fair value and is determined on a quarterly basis after giving consideration to the cost of the security, the pricing of other sales of securities by the portfolio company, the price of securities of other companies comparable to the portfolio company, purchase multiples paid in other comparable third party transactions, the original purchase price multiple, market conditions, liquidity, operating results and other quantitative and qualitative factors, and in the case of publicly traded securities, the closing price of the security on the last day of

the relevant period discounted for any legal or contractual restrictions on sale. Significant changes in the public equity markets and/or the operating results of the portfolio companies of the merchant banking funds and other principal investments may have a material effect on the fair value of our principal investments and therefore on our revenues and profitability during any reporting period. The estimated fair value at which the principal investments are carried on our books may vary significantly from period to period depending on a number of factors beyond our control. It may not be possible to sell these investments at the estimated fair values attributed to them in our financial statements.

A significant deterioration in the credit markets or the failure of one or more banking institutions could adversely affect our liquidity

A significant portion of our assets consist of cash and cash equivalents. We have invested these assets in instruments which we believe are highly liquid, and monitor developments relating to the liquidity of these investments on a regular basis. In the event of a significant deterioration of the credit markets or the failure of one or more banking institutions, there can be no assurance that we will be able to liquidate these assets or access our cash. Our inability to access our cash investments could have a material adverse effect on our liquidity and result in a charge to our earnings which could have a material adverse effect on the value of our stock.

We have a $75.0 million revolving loan facility from a U.S. commercial bank which currently expires on April 30, 2011. At December 31, 2010 we had $67.0 million drawn down from the facility. We utilize the revolving loan facility primarily to provide for our domestic cash needs, which include dividend payments, share repurchases, and working capital needs.

We generally roll over the maturity date of our revolving loan facility annually. Our inability to extend the maturity date of the loan or renew the facility on acceptable terms with the existing lender could require us to repay all or a portion of the loan balance outstanding at maturity. There is no assurance, if our credit facility is not renewed with the current lender, that we would be able to obtain a new credit facility of a similar size from a different lender. In order to repay the outstanding balance of our credit facility, we could be required to repatriate funds to the U.S., liquidate some of our principal investments or issue debt or equity securities in the public or private markets, in each case on terms which may not be favorable to us. Our inability to refinance the loan facility could have a material adverse effect on our liquidity and result in our inability to meet our obligations, which could have a material adverse effect on our stock price.

We face strong competition from far larger firms and other independent firms

The investment banking industry is intensely competitive and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our advice and service, innovation, reputation and price. We believe we may experience pricing pressures in our areas of operation in the future as some of our competitors seek to obtain market share by reducing prices. We are a relatively small investment bank, with 323 employees (including managing directors and senior advisors) as of December 31, 2010 and total revenues of $278.3 million for the year ended December 31, 2010. Most of our competitors in the investment banking industry have a far greater range of products and services, greater financial and marketing resources, larger customer bases, greater name recognition, more managing directors to serve their clients needs, greater global reach and more established relationships with their customers than we have. These larger and better capitalized competitors may be better able to respond to changes in the investment banking market, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally.

The scale of our competitors has increased over the years as a result of substantial consolidation among companies in the investment banking industry. In addition, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired financial advisory practices and broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking with commercial banking, insurance and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our businesses. In particular, the ability to provide financing as well as advisory services has become an important advantage for some of our larger competitors, and because we are unable to provide such financing we may be unable to compete for advisory clients in a significant part of the advisory market.

In addition to our larger competitors, over the last few years, a number of new, smaller independent boutique investment banks have emerged which offer independent advisory services on a model similar to ours and some of these firms have grown rapidly. As these independent firms seek to gain market share there could be pricing pressure, which would adversely affect our revenues and earnings.

Strategic investments, acquisitions and joint ventures, or foreign expansion may result in additional risks and uncertainties in our business

We intend to grow our core business through both recruiting and internal expansion and through strategic investments, acquisitions or joint ventures. In the event we make strategic investments or acquisitions or enter into joint ventures, such as our recent investment in Caliburn, we face numerous risks and uncertainties combining or integrating the relevant businesses and systems, including the need to combine accounting and data processing systems and management controls. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. In addition, conflicts or disagreements between us and our joint venture partners may negatively impact our business.

To the extent that we pursue business opportunities outside the United States, we will be subject to political, economic, legal, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities. In many countries, the laws and regulations applicable to the financial services industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. Our inability to remain in compliance with local laws in a particular foreign market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally. To fund our growth we may consider a range of financing alternatives. If we expand by recruiting new managing directors, we will incur compensation, occupancy, integration and business development costs. Depending upon the extent of our recruiting, such costs may be funded from cash from operations or other financing alternatives. If we expand by strategic investment, acquisition or joint venture, depending upon the size of the acquisition we may fund such expansion through internally generated cash flow, proceeds from bank or other borrowings, or the issuance of equity. There can be no assurance that the firm will be able to generate or obtain sufficient capital on acceptable terms to fund its expansion needs which would limit the future growth of the business and adversely affect our share price.

Expansion of our business may increase our operating costs and funding requirements in advance of, or in excess of, increases in revenues

Since our establishment we have grown our business steadily. Over the past five years we have increased our headcount from 151 to 323 employees. During that period we have expanded our operations in the United States with the addition of four new offices as well as overseas with the addition of offices in Canada and Japan and two offices in Australia. This expansion has increased our total operating expenses from $131.2 million in 2005 to $219.4 million in 2010. During that same period our total revenues increased from $221.2 million in 2005 to $278.3 million in 2010. We fund our operating costs through cash generated from operations and the revolving loan facility. We generate cash from operations principally from the successful completion of a transaction or realized proceeds from the sale of all or a portion of one of our principal investments. The size and timing of increases in revenues may lag behind the increases in costs associated with such expansion. Because we lack a diversified base of revenues there can be no assurance that the revenues we earn from our financial advisory services will generate sufficient cash flow from operations to fund our operating needs. In the event our cash generated from operations were insufficient to meet our operating needs we would be required to fund such shortfall by borrowing additional amounts from our revolving loan facility, liquidating our principal investments in the merchant banking funds or Iridium, or accessing the debt or equity markets. On a longer term basis we might be required to reduce our cost structure by closing office locations and reducing headcount.

Greenhill s employees own a significant portion of the common stock of the firm and their interests may differ from those of our public shareholders

Our employees and their affiliated entities collectively own approximately 14% of the total shares of common stock outstanding at December 31, 2010. In addition, we have issued restricted stock units to our employees which, if fully vested as of December 31, 2010, would have resulted in our employees and their affiliates owning approximately 22% of our shares of common stock.

As a result of these shareholdings, our employees currently are able to exercise significant influence over the election of our entire board of directors, the management and policies of Greenhill and the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of the assets of Greenhill.

Employee misconduct could harm Greenhill and is difficult to detect and deter

There have been a number of highly publicized cases involving fraud, insider trading or other misconduct by employees in the financial services industry in recent years and we run the risk that employee misconduct could occur at our firm. For example, misconduct by employees could involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm. Our financial advisory business often requires that we deal with client confidences of the greatest significance to our clients, improper use of which may have a material adverse impact on our clients. Any breach of our clients confidences as a result of employee misconduct may impair our ability to attract and retain advisory clients. It is not always possible to deter employee misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases.

MATERIAL OFF-BALANCE SHEET ARRANGEMENTS

None.

CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses, and the related disclosures of contingent liabilities. We base our estimates on historical experience and other assumptions that we believe are reasonable in the circumstances. Actual results may differ from these estimates.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

Revenue Recognition

We recognize revenue in accordance with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 985-605, *Revenue Recognition*. Accordingly, revenue is recognized when there is persuasive evidence of an arrangement, delivery to the customer has occurred, the fee is fixed and determinable, and collectability is considered probable.

The majority of our revenue is generated from digital media distribution service. The service is billed on usage which is based on the volume and size of distributions provided on a monthly basis. All revenues are recognized on a monthly basis as the services are delivered to customers, except where extended payment terms exist. Such revenues are only recognized when the extended payment term expires.

At present, the Company does not have a standard business practice for contracts that contain extended payment terms, and therefore recognizes revenue from such contracts when the payment terms lapse and all other revenue criteria have been met.

Significant management judgments and estimates must be made in connection with determination of the revenue to be recognized in any accounting period. If we made different judgments or utilized different estimates for any period material differences in the amount and timing of revenue recognized could result.

Stock-Based Compensation

We recognize the costs of employee services received in share-based payment transactions according to the fair value provisions of the current share-based payment guidance. The fair value of employee services received in stock-based payment transactions is estimated at the grant date and recognized over the requisite service period. Determining the appropriate fair value model and calculating the fair value of stock-based awards requires judgment, including estimating stock price volatility, forfeiture rates and expected life.

We selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value of our share-based awards. The Black-Scholes model requires the use of highly subjective and complex assumptions which determine the fair value of share-based awards, including the option's expected term and the price volatility of the underlying stock. Our current estimate of volatility is based on historical and market-based implied volatilities of our stock price. To the extent volatility of our stock price increases in the future, our estimates of the fair value of options granted in the future could increase, thereby increasing stock-based compensation cost recognized in future periods. We derive the expected term assumption primarily based on our historical settlement experience, while giving consideration to options that have not yet completed a full life cycle. Stock-based compensation cost is recognized only for awards ultimately expected to vest. Our estimate of the forfeiture rate is based primarily on our historical experience. To the extent we revise this estimate in the future, our share-based compensation cost could be materially impacted in the quarter of revision, as well as in the following quarters. In the future, as empirical evidence regarding these input estimates is available to provide more directionally predictive results, we may change or refine our approach of deriving these input estimates.

Research and Development Expense for Software Products

Research and development expense includes costs incurred to develop intellectual property. The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. We have determined that technological feasibility is established at the time a working model of software is completed. Because we believe our current process for developing software will be essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

Significant management judgments and estimates must be made in connection with determination of any amounts identified for capitalization as software development costs in any accounting period. If we made different judgments or utilized different estimates for any period material differences in the amount and timing of capitalized development costs could occur.

Accounts Receivable and Allowance for Doubtful Accounts

We extend credit to our customers based on evaluation of an individual customer's financial condition and collateral is generally not required. Accounts outstanding beyond the contractual payment terms are considered past due. We determine our allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are beyond the contractual payment terms, our previous loss history, and a customer's current ability to pay its obligation to us. We write-off accounts receivable when they are identified as uncollectible. All outstanding accounts receivable accounts are periodically reviewed for collectability on an individual basis.

Income Taxes

Deferred income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates by tax jurisdiction at each balance sheet date. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate all available evidence, such as recent and expected future operating results by tax jurisdiction, and current and enacted tax legislation and other temporary differences between book and tax accounting to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. There is a risk that management estimates for operating results could vary significantly from actual results, which could materially affect the valuation of the future income tax asset. Although the Company has tax loss carry-forwards and other deferred income tax assets, management has determined certain of these deferred tax assets do not meet the more likely than not criteria, and accordingly, these deferred income tax asset amounts have been completely offset by a valuation allowance as disclosed in Note 6 of our consolidated financial statements.

If management's estimates of the cash flows or operating results do not materialize due to errors in estimates or unforeseen changes to the economic conditions affecting the Company, it could result in an impairment adjustment in future periods.

Contingencies

As discussed under “Item 3. Legal Proceedings” and in Note 9 “Contingencies” in Notes to Consolidated Financial Statements, the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In accordance with US GAAP, the Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In management's opinion, the Company does not have a potential liability related to any current legal proceedings and claims that would individually or in the aggregate materially adversely affect its financial condition or operating results. However, the outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. Should the Company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

Impairment of Long-Lived Assets

We evaluate the recoverability of our long-lived assets including tangible assets in accordance with authoritative guidance. When events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, we recognize such impairment in the event the carrying amount of such assets exceeds the future undiscounted cash flows attributable to such assets. We have not recorded any impairment losses to date.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14") in August 2015. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Further to ASU 2014-09 and ASU 2015-14, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08") in March 2016, ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10") in April 2016, and ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), respectively. The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations, including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. ASU 2016-10 clarifies guideline related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The updates in ASU 2016-10 include targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. It seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. ASU 2016-12 addresses narrow-scope improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition. Additionally, the amendments in this ASU provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The effective date and transition requirements for ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as ASU 2014-09. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. We are currently evaluating the impact of the adoption of this new standard on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). Topic 740, Income Taxes, requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in ASU 2015-17 require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of ASU 2015-17 to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The amendments in this update create Topic 842, Leases, and supersede the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between Topic 842 and Topic 840 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under Topic 840. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Early application of the amendments in ASU 2016-02 is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). Financial Instruments Credit Losses (Topic 326) amends guideline on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign Exchange Risk

Our revenues are primarily in United States dollars and Euros while our operating expenses are primarily in Canadian dollars. Thus, operating expenses and the results of operations are impacted, to the extent they are not hedged, by the rise and fall of the relative values of the Canadian dollar to these currencies. During the year, as a result of fluctuations in the Euro, and the Australian, Canadian, and US dollars, the Company realized an overall positive impact on net income through favorable impacts on expenses outweighing negative impacts on total revenue.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Audited Consolidated Financial Statements for the Years Ended August 31, 2016 and 2015:

Consolidated Financial Statements

Destiny Media Technologies Inc.

August 31, 2016 and 2015

(Expressed in United States dollars)

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600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Destiny Media Technologies Inc.
Vancouver, Canada

We have audited the accompanying consolidated balance sheets of Destiny Media Technologies Inc. as of August 31, 2016 and 2015 and the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Destiny Media Technologies at August 31, 2016 and 2015, and the consolidated results of its operations and its consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO CANADA LLP

Chartered Professional Accountants

Vancouver, Canada
November 28, 2016

Destiny Media Technologies Inc.

CONSOLIDATED BALANCE SHEETS

As at August 31, (Expressed in United States dollars)

	2016 $	2015 $
ASSETS		
Current		
Cash and cash equivalents	**662,743**	387,316
Accounts receivable, net of allowance for doubtful accounts of $4,049 [2015 $6,058] *[note 10]*	**628,135**	399,148
Other receivables	**15,051**	15,471
Current portion of long term receivable *[note 3]*	**113,834**	98,180
Prepaid expenses	**61,525**	36,042
Total current assets	**1,481,288**	936,157
Deposits	**22,978**	32,222
Long term receivable *[note 3]*	**61,642**	167,350
Property and equipment, net *[note 4]*	**284,968**	401,461
Total assets	**1,850,876**	1,537,190
LIABILITIES AND STOCKHOLDERS EQUITY		
Current		
Accounts payable	**108,157**	139,879
Accrued liabilities	**190,077**	189,672
Deferred leasehold inducement	**28,962**	63,217
Deferred revenue	**23,563**	24,712
Obligation under capital lease current portion [*note 7*]	**5,240**	5,205
Total current liabilities	**355,999**	422,685
Obligation under capital lease long term portion [*note 7*]	**6,472**	12,071
Total liabilities	**362,471**	434,756
Commitments and contingencies *[notes 7 and 9]*		
Stockholders equity		
Common stock, par value $0.001 *[note 5]*		
Authorized: 100,000,000 shares		
Issued and outstanding: 55,013,874 shares		
[2015 issued and outstanding 52,993,874 shares]	**55,014**	52,994
Additional paid-in capital	**9,666,080**	9,122,132
Accumulated deficit	**(7,896,312)**	(7,708,061)
Accumulated other comprehensive (loss)	**(336,377)**	(364,631)
Total stockholders equity	**1,488,405**	1,102,434
Total liabilities and stockholders equity	**1,850,876**	1,537,190

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

Years ended August 31, (Expressed in United States dollars)

	2016 $	2015 $
Service revenue *[note 10]*	**3,337,813**	3,323,537
Operating expenses		
General and administrative	**802,433**	1,119,468
Sales and marketing	**1,260,384**	1,441,833
Research and development	**1,292,996**	1,376,386
Depreciation and amortization	**191,383**	182,863
	3,547,196	4,120,550
Loss from operations	**(209,383)**	(797,013)
Other income (expenses)		
Interest income	**21,132**	42,787
Other income (expenses)		(420)
Loss before provision for income taxes	**(188,251)**	(754,646)
Income tax expense - deferred *[note 6]*		(842,000)
Net loss	**(188,251)**	(1,596,646)
Foreign currency translation adjustments	**28,254**	(364,374)
Total comprehensive loss	**(159,997)**	(1,961,020)
Net loss per common share, basic and diluted	**(0.00)**	(0.03)
Weighted average common shares outstanding:		
Basic	**54,737,918**	52,993,874
Diluted	**54,737,918**	52,993,874

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Years ended August 31, (Expressed in United States dollars)

	Common stock Shares #	Common stock Amount $	Additional paid-in capital $	Accumulated Deficit $	Accumulated other comprehensive Income (loss) $	Total stockholders equity $
Balance, August 31, 2014	**52,993,874**	**52,994**	**9,061,325**	**(6,111,415)**	**(257)**	**3,002,647**
Total comprehensive income (loss)				(1,596,646)	(364,374)	(1,961,020)
Stock compensation			60,807			60,807
Balance, August 31, 2015	**52,993,874**	**52,994**	**9,122,132**	**(7,708,061)**	**(364,631)**	**1,102,434**
Total comprehensive income (loss)				(188,251)	28,254	(159,997)
Common stock issued pursuant to private placement	2,020,000	2,020	502,980			505,000
Less: share issuance costs			(8,640)			(8,640)
Stock based compensation *Note 5*			49,608			49,608
Balance, August 31, 2016	**55,013,874**	**55,014**	**9,666,080**	**(7,896,312)**	**(336,377)**	**1,488,405**

See accompanying notes

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Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (Expressed in United States dollars)

	2016	2015
	$	$
OPERATING ACTIVITIES		
Net loss	**(188,251)**	(1,596,646)
Items not involving cash:		
Depreciation and amortization	**191,383**	182,863
Stock-based compensation	**49,608**	60,807
Deferred leasehold inducement	**(34,354)**	69,244
Deferred income taxes		842,000
Unrealized foreign exchange	**(9,182)**	26,247
Changes in non-cash working capital:		
Accounts receivable	**(223,238)**	54,412
Other receivables	**537**	53,500
Prepaid expenses and deposits	**(15,517)**	89,339
Accounts payable	**(31,251)**	18,497
Accrued liabilities	**(1,496)**	24,185
Deferred revenue	**(1,328)**	6,676
Long term receivable	**100,270**	99,314
Net cash used in operating activities	**(162,819)**	(69,562)
INVESTING ACTIVITY		
Purchase of property and equipment	**(73,097)**	(338,091)
Net cash used in investing activity	**(73,097)**	(338,091)
FINANCING ACTIVITIES		
Common stock issued on private placement, net	**496,360**	
Payments under capital lease obligations	**(6,417)**	(2,240)
Net cash provided by (used in) financing activities	**489,943**	(2,240)
Effect of foreign exchange rate changes on cash	**21,400**	(192,798)
Net increase (decrease) in cash and cash equivalents during the year	**275,427**	(602,691)
Cash and cash equivalents, beginning of year	**387,316**	990,007
Cash and cash equivalents, end of year	**662,743**	387,316
Supplementary disclosure		
Interest paid		
Income taxes paid		
Equipment acquired through capital lease obligations		21,150

See accompanying notes

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Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

1. ORGANIZATION

Destiny Media Technologies Inc. (the Company) was incorporated in August 1998 under the laws of the State of Colorado and the corporate jurisdiction was changed to Nevada effective October 8, 2014. The Company develops technologies that allow for the distribution over the Internet of digital media files in either a streaming or digital download format. The technologies are proprietary. The Company operates out of Vancouver, BC, Canada and serves customers predominantly located in the United States, Europe and Australia.

The Company s stock is listed for trading under the symbol DSNY on the OTCQX U.S. in the United States, under the symbol DSY on the TSX Venture Exchange and under the symbol DME on the Berlin, Frankfurt, Xetra and Stuttgart exchanges in Germany.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of these consolidated financial statements:

Basis of presentation and fiscal year

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company s fiscal year-end is August 31.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Destiny Software Productions Inc., MPE Distribution Inc., and Sonox Digital Inc. All inter-company balances and transactions have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of net revenue and expenses in the reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, estimated useful lives for property and equipment, allowances for doubtful accounts, stock-based compensation expense, deferred income tax asset valuation allowances, uncertain tax positions, litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our original estimates. To the extent there are material differences between the estimates and actual results, our future results of operations will be affected.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

Cash and cash equivalents

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

Revenue recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) 985-605, *Revenue Recognition*. Accordingly, revenue is recognized when there is persuasive evidence of an arrangement, delivery to the customer has occurred, the fee is fixed and determinable, and collectability is considered probable.

The majority of the Company s revenue is generated from digital media distribution service. The service is billed on usage which is based on the volume and size of distributions provided on a monthly basis. All revenues are recognized on a monthly basis as the services are delivered to customers, except where extended payment terms exist. Such revenues are only recognized when the payments from customers become due.

Cash received in advance of meeting the revenue recognition criteria is recorded as deferred revenue.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

Long-lived assets

Long-lived assets held for use are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Impairment is measured by a two-step process: Step 1) the carrying amount of the asset is compared with its estimated undiscounted future cash flows expected to result from the use of the assets and its eventual disposition. If the carrying amount is lower than the undiscounted future cash-flows, no impairment loss is recognized. Step 2) if the carrying amount is higher than the undiscounted future cash-flows then an impairment loss is measured as the difference between the carrying amount and fair value which may be based on internally developed discounted cash flow estimates, quoted market prices, when available, or independent appraisals. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company s strategy, assumptions and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. As of August 31, 2016, there were no impairment indicators present.

Litigation and settlement costs

From time to time, we may be involved in disputes, litigation and other legal actions. In accordance with ASC 450, Contingencies, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated.

During the year ended August 31, 2016, the Company incurred approximately $Nil (2015: $8,000) in professional legal fees in connection with legal actions against the Company and legal actions initiated by the Company. These costs are expensed as incurred and are recorded as a component of general and administrative expenses.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts through review of open accounts, and historical collection and allowance amounts. The allowance for doubtful accounts is intended to reduce trade accounts receivable to the amount that reasonably approximates their fair value due to their short-term nature. The amount ultimately realized from trade accounts receivable may differ from the amount estimated in the consolidated financial statements based on collection experience.

Research and development costs

Research costs are expensed as incurred. Development costs are subject to capitalization beginning when a product s technological feasibility has been established and ending when a product is available for general release to customers. The Company s products are generally released soon after technological feasibility has been established and therefore costs incurred subsequent to achievement of technological feasibility are not significant and have been expensed as incurred.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization is taken over the estimated useful lives of the assets and is calculated using the following rates, and methods, commencing upon utilization of the assets:

Furniture and fixtures	20%
Computer hardware	30%
Computer software	50%
Leasehold improvements	Straight-line over lease term
Patents, trademarks and lists	Straight-line over 3 years

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

Translation of foreign currencies

The Company s functional currency is the U.S. dollar. Financial statements of foreign operations for which the functional currency is the local currency are translated into U.S. dollars with assets and liabilities translated at the rate of exchange in effect at the balance sheet date and revenue and expense items translated at the average rates for the period. Unrealized gains and losses resulting from the translation of the consolidated financial statements are deferred and accumulated in a separate component of stockholders equity as a foreign currency translation gain (loss) in accumulated other comprehensive income (loss).

Transactions denominated in foreign currencies are translated at the exchange rate in effect on the transaction date. These foreign currency gains and losses are included as a component of general and administrative expenses in the consolidated statements of operations.

The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. The Company has not entered into contracts for foreign exchange hedges.

Advertising

Advertising costs are expensed as incurred and totaled $769 and $94,346 during the years ended August 31, 2016 and 2015, respectively.

Income taxes

The Company utilizes the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes* (formerly SFAS No. 109, *Accounting for Income Taxes)*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis that give rise to the differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances we consider projected future taxable income and the availability of tax planning strategies. If in the future we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would be recorded, decreasing earnings in the period in which such determination is made.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

The Company has concluded that there are no significant uncertain tax positions requiring recognition in the Company s financial statements. The Company s evaluation was performed for the tax years ended August 31, 1999 through August 31, 2016, the tax years which remain subject to examination by major tax jurisdictions. The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to the Company s financial results. In the event the Company has received an assessment for interest and/or penalties, it has been classified in the financial statements as selling, general and administrative expense.

Investment tax credits

The Company uses the flow through method to account for investment tax credits earned on eligible scientific research and development expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense.

Stock based compensation

The Company accounts for stock-based compensation arrangements in accordance with ASC 718, Stock Compensation. Under the fair value recognition provisions of ASC 718 stock based compensation cost is estimated at the grant date based on the fair value of the awards expected to vest and recognized as expense ratably over the requisite service period of the award. The Company has used the Black-Scholes option pricing model to estimate fair value of its stock-based awards which requires various judgmental assumptions including estimating stock price volatility and expected life. Compensation expense for unvested options to non-employees is revalued at each balance sheet date and is being amortized over the vesting period of the options. The Company s computation of expected volatility is based on historical volatility. In addition, the Company considers many factors when estimating expected life, including types of awards and historical experience. If any of the assumptions used in the Black-Scholes valuation model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

As required under ASC 718-50 Employee Share Purchase Plans, compensation expense is recorded for shares committed to be released to employees based on the fair market value of those shares in the period in which they are purchased by the Company and committed to be released to the employee.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

Earnings per share

Net income (loss) per share basic is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Net income (loss) per share (diluted) is calculated by dividing net income for the period by the weighted average number of common shares outstanding during the period, plus the dilutive effect of outstanding common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. Under the treasury stock method, all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period, but only if dilutive.

	Year Ended	
	August 31, 2016	August 31, 2015
	$	$
Net income (loss)	**(188,251)**	(1,596,646)
Weighted average common shares outstanding	**54,737,918**	52,993,874
Diluted weighted average common shares outstanding	**54,737,918**	52,993,874

At August 31, 2016, the Company had 950,000 outstanding options exercisable at $0.40 and 1,010,000 outstanding warrants exercisable at $0.30. Those outstanding options and warrants were not included in the computation of diluted EPS because to do so would have been anti-dilutive due to a loss from operations.

Shares repurchased for cancellation are excluded in the calculation of earnings per share from the date they are repurchased.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income (deficit) consists only of accumulated foreign currency translation adjustments for all years presented.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

Fair value measurement

The book value of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities approximate their fair values due to the short term maturity of those instruments. The book value of the long term receivable approximates its fair value as the interest rate is comparable to the market rate. The fair value hierarchy under GAAP is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and
Level 3 assets and liabilities whose significant value drivers are unobservable by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company s long term receivable is based on level 2 inputs in the ASC 820 fair value hierarchy.

Accounting Standards Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605) , and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (ASU 2015-14) in August 2015. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Further to ASU 2014-09 and ASU 2015-14, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08) in March 2016, ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (ASU 2016-10) in April 2016, and ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients (ASU 2016-12), respectively. The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations, including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. ASU 2016-10 clarifies guideline related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The updates in ASU 2016-10 include targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. It seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. ASU 2016-12 addresses narrow-scope improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition. Additionally, the amendments in this ASU provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The effective date and transition requirements for ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as ASU 2014-09. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 on our consolidated financial statements.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). ASU 2014-15 will explicitly require management to assess an entity s ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. We are currently evaluating the impact of the adoption of this new standard on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17). Topic 740, Income Taxes, requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in ASU 2015-17 require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of ASU 2015-17 to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The amendments in this update create Topic 842, Leases, and supersede the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between Topic 842 and Topic 840 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under Topic 840. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Early application of the amendments in ASU 2016-02 is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont d.)

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). Financial Instruments Credit Losses (Topic 326) amends guideline on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, Leases. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right of-use assets. The guidance is effective for annual and interim reporting periods beginning on or after December 15, 2018. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

3. LONG TERM RECEIVABLE

In a prior year, the Company agreed to settle litigation with an unrelated party. Pursuant to a Settlement Deed dated March 5, 2012, the Company became entitled to a settlement sum of $825,000 Australian dollars (AUD) (US $858,194), receivable in monthly installments over the course of 72 months, beginning on March 31, 2012 and ending on February 28, 2018. The balance is due to be paid in equal monthly installments of $14,050AUD until the end of the obligation. The unpaid balance accrues interest of 10.25% per annum compounded monthly. The receivable is secured by a registered charge against real estate located in Australia. As of August 31, 2016, installments of US$744,266, including interest of US$218,659, have been received ($830,600AUD and $239,036AUD, respectively).

The following table summarizes the changes regarding the carrying value of the remaining receivable balance during the year ended August 31, 2016 and covering the period of September 1, 2015 to August 31, 2016:

	2016	2015
	$	**$**
Beginning balance	**265,530**	461,294
Gross installments received	**(123,442)**	(135,403)
Interest included in above	**23,172**	36,089
Foreign exchange impact	**9,946**	(96,450)
Ending balance	**175,206**	265,530

The foreign exchange impact in the above table is partially allocated into other comprehensive income (loss) and partially allocated into exchange gain (loss) on income statement.

Payments to be received over the next two fiscal years are as follows:

	Principal	**Interest**	**Total**
	$	$	$
2017	113,834	12,709	126,543
2018	61,372	1,847	63,219
	175,206	**14,556**	**189,762**

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Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

4. PROPERTY AND EQUIPMENT

	Cost $	Accumulated amortization $	Net book value $
2016			
Furniture and fixtures	**160,766**	**110,261**	**50,505**
Computer hardware	**224,278**	**165,133**	**59,145**
Computer software	**212,896**	**171,993**	**40,903**
Patents, trademarks and lists	**344,322**	**234,306**	**110,016**
Leasehold improvement	**68,316**	**43,917**	**24,399**
	1,010,578	**725,610**	**284,968**
2015			
Furniture and fixtures	159,507	96,870	62,637
Computer hardware	449,547	369,826	79,721
Computer software	211,229	130,063	81,166
Patents and trademarks	279,415	154,737	124,678
Leasehold improvement	67,781	14,522	53,259
	1,167,479	766,018	401,461

Depreciation and amortization for the year ended August 31, 2016 was $191,383 (2015: $182,863)

5. STOCKHOLDERS EQUITY

[a] Common stock issued and authorized

The Company is authorized to issue up to 100,000,000 shares of common stock, par value $0.001 per share.

2016

During the year ended August 31, 2016, the Company issued 2,020,000 Units at a price of $0.25 per Unit for gross proceeds of $505,000 pursuant to a private placement with issuance costs of $8,640.

Each Unit was comprised of one common share of the Company and one-half of one common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to purchase one additional common share at $0.30 per share for a period of two years from the date of the issuance. The Company will have the right to accelerate the expiry date of the Warrants if, at any time, the average closing price of the Company s common shares is equal to or greater than $1.25 for 20 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

5. STOCKHOLDERS EQUITY (cont d.)

2015

During the year ended August 31, 2015, no shares were issued.

[b] Stock option plans

The Company has two existing stock option plans (the Plan), namely the 2006 Stock Option Plan and the 2015 Stock Option Plan, under which up to 7,750,000 shares of the common stock, has been reserved for issuance. A total of 2,053,181 common shares remain eligible for issuance under the plan. The options generally vest over a range of periods from the date of grant, some are immediate, and others are 12 or 24 months. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the common shares underlying them are returned to the reserve. The options generally have a contractual term of five years.

Stock-Based Payment Award Activity

A summary of option activity under the Plans as of August 31, 2016 and 2015, and changes during the years ended are presented below:

Options	Shares	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value $
Outstanding at September 1, 2014	**545,000**	**0.95**	**2.55**	**67,500**
Granted	1,100,000	0.40		
Expired	(425,000)	0.74		
Outstanding at August 31, 2015	**1,220,000**	**0.53**	**2.38**	
Granted				
Forfeited	(270,000)	0.98		
Expired				
Outstanding at August 31, 2016	**950,000**	**0.40**	**1.58**	
Exercisable at August 31, 2016	**668,750**	**0.40**	**0.96**	

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company s common stock for the options that were in-the-money at August 31, 2016.

The following table summarizes information regarding the non-vested stock purchase options outstanding as of August 31, 2016:

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

5. STOCKHOLDERS EQUITY (cont d.)

	Number of Options	Weighted Average Grant Date Fair Value $
Non-vested options at August 31, 2014	**320,000**	**0.23**
Granted	1,100,000	0.08
Forfeited	(200,000)	0.22
Vested	(483,750)	0.08
Non-vested options at August 31, 2015	**736,250**	**0.09**
Granted	**-**	-
Forfeited	(80,000)	0.17
Vested	(375,000)	0.08
Non-vested options at August 31, 2016	**281,250**	**0.08**

As of August 31, 2016, there was $37,206 of total unrecognized compensation cost related to non-vested share-based compensation awards. The unrecognized compensation cost is expected to be recognized over a weighted average period of 0.73 years.

Subsequent to August 31, 2016, 100,000 stock purchase options exercisable at $0.40 were forfeited.

During the year ended August 31, 2016, the total stock-based compensation expense of $49,608 is reported in the statement of comprehensive loss as follows:

	2016 $	2015 $
Stock-based compensation		
General and administrative	**28,608**	45,387
Sales and marketing	**13,063**	12,849
Research and development	**7,937**	2,571
Total stock-based compensation	**49,608**	60,807

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Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

5. STOCKHOLDERS EQUITY (cont d.)

Valuation Assumptions

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

	2016	2015
	$	$
Expected term of stock options (years)		1.0-1.96
Expected volatility		88-97%
Risk-free interest rate		0.29%-0.66%
Dividend yields		
Weighted average grant date fair value		$ 0.08

Expected volatilities are based on historical volatility of the Company s stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the options is based on US Treasury bill rates in effect at the time of grant.

[c] Employee Stock Purchase Plan

The Company s 2011 Employee Stock Purchase Plan (the Plan) became effective on February 22, 2011. Under the Plan, employees of Destiny are able to contribute up to 5% of their annual salary into a pool which is matched equally by Destiny. Independent directors are able to contribute a maximum of $12,500 each for a combined maximum annual purchase of $25,000. The maximum annual combined contributions will be $400,000. All purchases are made through the Toronto Stock Exchange by a third party plan agent. The third party plan agent will also be responsible for the administration of the Plan on behalf of Destiny and the participants.

During the year ended August 31, 2016, the Company recognized compensation expense of $37,304 (2015: $93,569) in salaries and wages on the statement of operations in respect of the Plan, representing the Company s employee matching of cash contributions to the plan. The shares were purchased on the open market at an average price of $0.23 (2015: $0.37) . The shares are held in trust by the Company for a period of one year from the date of purchase.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

5. STOCKHOLDERS EQUITY (cont d.)

[d] Warrants

As at August 31, 2016, the Company has the following common stock warrants outstanding:

	Number of Common Shares Issuable	Exercise Price $	Date of Expiry	Aggregate Intrinsic Value $
$0.30 Warrants	1,010,000	0.30	October 20,2017	
	1,010,000			

The Company will have the right to accelerate the expiry date of all of the warrants if, at any time, the average closing price of the Company s common shares is equal to or greater than $1.25 for 20 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right.

All of the common stock warrants were issued in connection with the private placement transaction described in Note 5[a].

The warrants were classified as equity at the date of issuance. They contained no provision that would require liability classification. Accordingly, they were classified as equity at the date of issuance and included in additional paid in capital. The proceeds were not bifurcated between the value of the share and the warrant as the amount is contained within additional paid in capital. The Company applied its best judgment to estimate key assumptions in determining the fair value of the warrants on the date of issuance. The Company used historical data to estimate stock volatilities. The risk-free rates are consistent with the terms of the warrants and are based on the United States Treasury yield curve in effect at the time of issuance.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

6. INCOME TAXES

The Company is subject to United States federal and state income taxes at an approximate rate of 34.0% and to Canadian federal and British Columbia provincial taxes in Canada at an approximate rate of 26%. The reconciliation of the provision (recovery) for income taxes at the United States federal statutory rate compared to the Company s income tax expense is as follows:

	2016 $	2015 $
Tax at U.S. statutory rates	(64,000)	(257,000)
Permanent differences	2,000	2,000
Stock option compensation	17,000	21,000
Effect of lower foreign tax in Canada	18,000	46,000
Effect of research tax credits claims filed in respect of prior years	(36,000)	(175,000)
Foreign exchange and other adjustments	25,000	365,000
Change in valuation allowance	38,000	840,000
Provision for deferred income taxes		842,000

Included in other adjustments and change in valuation allowance for the year ended August 31, 2016 is $(15,000) (2015: $341,000) for the effect of changes in foreign exchange rates and $40,000 (2015: $24,000) in respect of a change in estimates and provisions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has recognized a valuation allowance for those deferred tax assets for which realization is not more likely than not to occur.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

6. INCOME TAXES (cont d.)

Significant components of the Company s deferred tax assets as of August 31 are as follows:

	2016 $	2015 $
Deferred tax assets:		
Net operating loss carryforwards	1,324,000	1,251,000
Excess of book over tax depreciation	501,000	437,000
Tax Credit Carryforwards	1,220,000	1,319,000
Total deferred tax asset	3,045,000	3,007,000
Valuation allowance	(3,045,000)	(3,007,000)
Net deferred tax asset		

Net income (loss) before income tax by geographic region is as follows:

	2016 $	2015 $
United States	**86,193**	(143,538)
Canada	**(274,444)**	(611,108)
	(188,251)	(754,646)

If not utilized to reduce future taxable income, the Company s net operating loss carryforwards will expire as follows:

	Canada $	United States $
2021 and thereafter	557,000	3,469,000
	557,000	**3,469,000**

If not utilized to reduce future taxable payable, the Company s investment tax credit carryforwards will expire as follows:

	Canada $	United States $
2028 and thereafter	1,220,000	
	1,220,000	

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

7. COMMITMENTS

In December 2014, the Company entered into a sublease agreement commencing May 1, 2015 and expiring June 29, 2017 for a new premise with free occupation from February 2015 to April 2015. In February 2015 the sublease agreement was amended to include one extra month free occupation for May 2015 with rent payment starting June 1, 2015. The Company has fiscal year payments committed as follows:

	$
2017	221,543

During the year ended August 31, 2016 the Company incurred rent expense of $222,287 (2015 - $289,917) which has been allocated between general and administrative expenses, research and development and sales and marketing on the consolidated statement of operations and comprehensive income (loss). The rent expense during the year ended August 31, 2016 has included the allocation of rental payments on a straight-line basis.

In February 2015, the Company entered into a capital lease. The Company is committed to make payments under its capital leases for 4 year terms of the leases as follows:

	$
2015	2,705
2016	7,032
2017	5,950
2018	6,708
Total lease payments	22,395
Less: Amounts paid	9,737
Total lease payable	12,658
Less: Amounts representing interest	(946)
Balance of obligation	11,712
Less: Current portion	(5,240)
Long term portion	6,472

8. RELATED PARTY TRANSACTIONS

The Company entered into a consulting agreement with a family member of a Director to provide project management service effective March 1, 2014. During the year ended August 31, 2016, the Company paid consulting fees of $Nil (2015 - $68,011) under this agreement. The family member's service terminated at the end of May 2015.

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

9. CONTINGENCIES

On November 8, 2011, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia from Noramco Capital Corporation for $100,000. The claim asserts that the Company has repudiated a subscription agreement entered into in August 2000. Management believes the claim is without merit and that the likelihood that the outcome of this matter will have a material adverse impact on its result of operations, cash flows and financial condition of the Company is remote. The Company has filed a counterclaim against Noramco and the alleged major beneficial shareholder of Noramco, R. A. Bruce McDonald, for damages arising from a proposed private placement in 2000 which did not close.

10. CONCENTRATIONS AND ECONOMIC DEPENDENCE

The Company operates solely in the digital media software segment and all revenue from its products and services are made in this segment.

Revenue from external customers, by product and location of customer, is as follows:

	2016 **$**	2015 $
Play MPE®		
United States	**1,379,240**	1,314,553
Europe	**1,628,897**	1,695,042
Australia	**274,501**	285,230
Total Play MPE® Revenue	**3,282,638**	3,294,825
Clipstream ®		
United States	**55,175**	28,712
Total Clipstream ® Revenue	**55,175**	28,712
Total Revenue	**3,337,813**	3,323,537

Revenue in the above table is based on location of the customer s billing address. Some of these customers have distribution centers located around the globe and distribute around the world. During the year ended August 31, 2016, the Company generated 42% of total revenue from one customer [2015 - one customer represented 45%].

It is in management s opinion that the Company is not exposed to significant credit risk.

As at August 31, 2016, one customer represented $354,459 (63%) of the trade receivables balance [2015 one customer represented $237,037 (59%)].

Destiny Media Technologies Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

10. CONCENTRATIONS AND ECONOMIC DEPENDENCE (cont d.)

The Company has substantially all its assets in Canada and its current and planned future operations are, and will be, located in Canada.

11. SUBSEQUENT EVENTS

In accordance with ASC 855 Subsequent Events , which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, we have evaluated all events or transactions that occurred after August 31, 2016 up through the date we issued the consolidated financial statements and has determined that there was no other material event that occurred after the date of the balance sheets included in this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company s disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of August 31, 2016.

Based on their evaluation, our management, with the participation of our principal executive officer and principal financial officer concluded that as of August 31, 2016, our disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act, 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.

Using the 1992 framework provided by the Committee of Sponsoring Organizations (COSO), the Company conducted an evaluation of the effectiveness of the internal control over financial reporting as at August 31, 2016 and concluded that our internal control over financial reporting is effective as of August 31, 2016.

This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only management s report in this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the fiscal quarter ended August 31, 2016.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the names, positions and ages of our executive officers and directors. All our directors serve until the next annual meeting of shareholders or until their successors are elected and qualify. The Board of Directors elects officers and their terms of office are, except to the extent governed by employment contract, at the discretion of the Board of Directors.

Name	Position Held with the Company	Age	Date First Elected or Appointed
Steven Vestergaard	*Chief Executive Officer and Director*	*50*	*January 1999*
Frederick Vandenberg	*Chief Financial Officer and Treasurer*	*48*	*July 2007*
Haig Bagerdjian(1)	*Director*	*60*	*January 2015*

(1) Member of our Audit Committee

Set forth below is a brief description of the background and business experience of each of our executive officers and directors for the past five years:

Steven Vestergaard. Mr. Vestergaard has been our President, Chief Executive Officer, Chairman and a Director since 1999. Mr. Vestergaard's responsibilities include strategic planning and coordinating strategic planning, marketing and product development. Mr. Vestergaard obtained a B.Sc. from the University of British Columbia in 1989. He founded Tronic Software in 1981 and Destiny Software in 1991, both as video game development companies. In 1995, Destiny changed its focus to internet technologies, going public in 1999 with streaming video and media security technology.

Fred Vandenberg, B. Comm. MBA, CPA, CA Mr. Vandenberg has been our Chief Financial Officer and Treasurer since July 2007. Mr. Vandenberg's core responsibilities include leading the accounting, treasury, strategic planning, financial controls and financial reporting functions of the Company. Mr. Vandenberg has over 17 years of public accounting experience in tax advisory services, mergers and acquisitions, and financial reporting. Mr. Vandenberg completed the Chartered Professional Accountants of Canada's "In-depth" taxation program while with Ernst & Young in 1998. Mr. Vandenberg obtained a Bachelor of Commerce from McMaster University in 1991 and a Master of Business Administration (Finance) from McMaster University in 1993. In 1996, Mr. Vandenberg was designated as a Chartered Professional Accountant in Ontario.

Haig Bagerdjian. Mr. Bagerdjian has been a director of the Company since January 2015. Currently Haig Bagerdjian is Chairman and Chief Executive Officer of Point.360 (http://www.point360.com/), a full-service audio-visual asset management and distribution company that has been serving the entertainment industry for over 30 years. He has been Chairman of Point.360 since 2001 and CEO since 2002. Prior to joining Point.360, he was Executive Vice President of Syncor International Corporation, a leading provider of radiopharmaceuticals, comprehensive nuclear pharmacy services and medical imaging services from 1991 to 2002. From 1987 to 1991, he served in several executive level positions at Calmark Holding Corporation. He also was General Counsel for American Adventure, Inc., which was a subsidiary of Calmark Holding and he is currently a director of Innodata-Isogen, Inc. Mr. Bagerdjian received a J.D. from Harvard Law School and is admitted to the State Bar of California.

ELECTION OF DIRECTORS AND OFFICERS

Our directors are elected by our shareholders at our annual general meetings. Each director holds office until our next annual general meeting or until the director resigns or is removed in accordance with our bylaws. We do not have a classified Board of Directors.

Our officers serve at the discretion of our Board of Directors.

AUDIT COMMITTEE

Our audit committee currently consists of Mr. Haig Bagerdjian. Mr. Bagerdjian is a non-employee director of the Company and is considered independent. Our Board of Directors has currently designated Mr. Bagerdjian as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. We believe that the audit committee member is capable of analyzing and evaluating our financial statements and understanding internal controls over financial reporting.

Our Board adopted a charter for the Audit Committee in November 2013, a copy of which is available on our corporate website www.dsny.com.

FAMILY RELATIONSHIPS

There are no family relationships among our officers and directors.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based on our review of the copies of such forms received by us, we believe that during the fiscal year ended August 31, 2016 all such filing requirements were complied with.

CODE OF ETHICS

The Company s code of ethics is available on our website at http://www.dsny.com/code-of-ethics

We have adopted a code of ethics that applies to our principal executive officer, principle financial and accounting officer, or persons performing similar functions.

POLICY ON NEW CANDIDATES FOR DIRECTOR

1. The Committee will accept for consideration submissions from shareholders of recommendations for the nomination of directors. Acceptance of a recommendation for consideration does not imply that the Committee will nominate the recommended candidate.
2. All shareholder nominating recommendations must be in writing, addressed to the Committee care of the Company's Corporate Secretary at the Company's principal headquarters, Suite 1110 885 West Georgia St., Vancouver, British Columbia, V6C 3E8. Submissions must be made by mail, courier or personal delivery. Submissions by e-mail will not be considered.
3. A nominating recommendation must be accompanied by the following information concerning each recommending shareholder:
    a. The name and address, including telephone number, of the recommending shareholder;
    b. The number of the Company's shares owned by the recommending shareholder and the time period for which such shares have been held;
    c. If the recommending shareholder is not a shareholder of record, a statement from the record holder of the shares (usually a broker or bank) verifying the holdings of the shareholder and a statement from the recommending shareholder of the length of time that the shares have been held. (Alternatively, the shareholder may furnish a current Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 filed with the Securities and Exchange Commission reflecting the holdings of the shareholder, together with a statement of the length of time that the shares have been held); and

d. A statement from the shareholder as to whether the shareholder has a good faith intention to continue to hold the reported shares through the date of the Company's next annual meeting of shareholders.

4. If a recommendation is submitted by a group of two or more shareholders, the information regarding recommending shareholders must be submitted with respect to each shareholder in the group.
5. A nominating recommendation must be accompanied by the following information concerning the proposed nominee:
   a. the information required by Item 401 of SEC Regulation S-K (providing for disclosure of the name, address, any arrangements or understanding regarding nomination and five year business experience of the proposed nominee, as well as information regarding certain types of legal proceedings within the past five years involving the nominee);
   b. the information required by Item 403 of SEC Regulation S-K (providing for disclosure regarding the proposed nominee's ownership of securities of the Company); and
   c. the information required by Item 404 of SEC Regulation S-K (providing for disclosure of transactions between the Company and the proposed nominee valued in excess of $120,000 and certain other types of business relationships with the Company).
   d. a description of all relationships between the proposed nominee and the recommending shareholder and any agreements or understandings between the recommending shareholder and the nominee regarding the nomination.
   e. a description of all relationships between the proposed nominee and any of the Company's competitors, customers, suppliers, labor unions or other persons with special interests regarding the Company.
6. The recommending shareholder must furnish a statement supporting its view that the proposed nominee possesses the minimum qualifications prescribed by the Committee for nominees, and briefly describing the contributions that the nominee would be expected to make to the board and to the governance of the Company.
7. The recommending shareholder must state whether, in the shareholder's view, the nominee, if elected, would represent all shareholders and not serve for the purpose of advancing or favoring any particular shareholder or other constituency of the Company.
8. The nominating recommendation must be accompanied by the consent of the proposed nominee to be interviewed by the Committee, if the Committee chooses to do so in its discretion (and the recommending shareholder must furnish the proposed nominee's contact information for this purpose), and, if nominated and elected, to serve as a director of the Company.
9. A shareholder (or group of shareholders) wishing to submit a nominating recommendation for an annual meeting of shareholders must ensure that it is received by the Secretary of the Company, as provided above, not later than the 60th day nor earlier than the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder must be so received not earlier than the 90th day prior to the annual meeting and not later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which public announcement of the date of the meeting is first made by the Company.

ITEM 11. EXECUTIVE COMPENSATION.

The particulars of compensation paid to the following persons:

(a) our principal executive officer;

(b) each of our two most highly compensated executive officers other than the principle executive officer who were serving as executive officers at the end of the year ended August 31, 2016; and

(c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the year ended August 31, 2016,

who we will collectively refer to as our named executive officers , of our company for the years ended August 31, 2016 and 2015, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officer and the Chief Financial Officer, whose total compensation does not exceed $100,000 for the respective fiscal year:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Director Fees Earned in Cash ($)(2)	Other Annual Compen-sation ($)(3)	Total ($)
Steven Vestergaard (4) President, Chief Executive Officer and Director	2016 2015	196,144 215,644	Nil Nil	Nil Nil	Nil 33,553	Nil 36,000	Nil 10,782	196,144 295,979
Frederick Vandenberg (5) Chief Financial Officer, Treasurer and Secretary	2016 2015	158,424 174,174	Nil Nil	Nil Nil	Nil 12,582	Nil Nil	7,921 8,709	166,345 195,465

(1) Option awards shown here represent the aggregate grant date fair value of all options granted
(2) On May 23, 2014, the Board of Directors set the annual compensation payable to each member of the Board of Directors at $48,000 per annum for the period from June 1, 2014 to May 31, 2015. The fees earned or paid in cash of $36,000 for Mr. Vestergaard as a Director was for the service period of September 1, 2014 to May 31, 2015 during the fiscal year ended August 31, 2015.
(3) The value of perquisites and other personal benefits, securities and property for the individuals included in the summary compensation table that does not exceed $10,000 is not reported herein. Other compensation for Mr. Vestergaard and Mr. Vandenberg includes participation in the employee share purchase plan described below under long term incentive plans.
(4) All salaries paid to Mr. Vestergaard are paid in Canadian dollars.
(5) All salaries paid to Mr. Vandenberg are paid in Canadian dollars.
(6) Compensation is stated in United States dollars. Where compensation was provided in Canadian dollars, compensation is based on an exchange rate of 0.7544 US dollars for each 1.00 Canadian dollar during the 2016 fiscal year. Compensation is stated in United States dollars and is based on an exchange rate of 0.8294 US dollars for each 1.00 Canadian dollar during the 2015 fiscal year.

EMPLOYMENT AGREEMENT WITH OUR NAMED EXECUTIVE OFFICERS

We are not party to any written employment agreement or change in control arrangements with Mr. Vestergaard. We do not have any agreements with Mr. Vestergaard regarding the payments of bonus or other performance incentives. Mr. Vestergaard is eligible to receive stock options as and when approved by our Board of Directors.

We are not party to any written employment agreement or change in control arrangements with Mr. Vandenberg. We do not have any agreements with Mr. Vandenberg regarding the payments of bonus or other performance incentives. Mr. Vandenberg is eligible to receive stock options as and when approved by our Board of Directors.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table summarizes equity awards granted to our named executive officers that were outstanding as of August 31, 2016.

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
Steven Vestergaard	250,000	150,000	N/A	0.40	(1)	N/A	N/A	N/A	N/A
Frederick Vandenberg	93,750	56,250	N/A	0.40	(2)	N/A	N/A	N/A	N/A

(1) The total of unexercised options of 400,000 including the exercisable of 250,000 and unexercisable of 150,000 is subject to equal monthly vesting over two years commencing June 25, 2015 and the expiry date is two years from the particular vesting date.

(2) The total of unexercised options of 150,000 including the exercisable of 93,750 and unexercisable of 56,250 is subject to equal monthly vesting over two years commencing June 25, 2015 and the expiry date is two years from the particular vesting date.

LONG-TERM INCENTIVE PLANS

Employees of the Company are able to contribute up to 5% of their annual salary into a pool which is matched equally by the Company. Independent directors are able to contribute a maximum of $12,500 each, for a combined maximum annual purchase of $25,000. The maximum annual combined contributions will be $400,000. Money in the pool will be used to purchase shares out of the market on a semi-monthly basis for the year ended August 31, 2016. All purchases will be made through the Exchange by a third party plan agent and no purchases will be made on the OTC or German exchanges. The third party plan agent will also be responsible for the administration of the Plan on behalf of Destiny and the participants. Additionally, we have registered stock option plans.

COMPENSATION OF DIRECTORS

Our directors are reimbursed for reasonable out-of-pocket expenses in connection with attendance at Board of Director and committee meetings. In addition, our directors are eligible for grants of options to purchase shares of our common stock at the discretion of our Board of Directors.

The following table summarizes compensation paid to all of our directors:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)[1]	Total ($)
Yoshitaro Kumagai	Nil	Nil	Nil	Nil	Nil
Haig Bagerdjian	Nil	Nil	Nil	Nil	Nil
Edward Kolic	Nil	Nil	Nil	Nil	Nil

(1) All other compensation for Mr. Bagerdjian includes participation in the employee share purchase plan described above under long term incentive plans.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of November 28, 2016 by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities, (ii) each of our directors and each of our named executive officers, and (iii) officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

Title of class	Name and address of beneficial owner	Number of Shares of Common Stock	Percentage of Common Stock[1]
DIRECTORS AND OFFICERS:			
Common Stock	Steven Vestergaard President, Chief Executive Officer and Director c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	11,569,927[2]	20.83%
Common Stock	Frederick Vandenberg Chief Financial Officer and Corporate Secretary c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	920,319[3]	1.66%
Common Stock	Haig Bagerdjian Director c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	170,632[4]	*
Common Stock	All Officers and Directors as a Group (3 persons)	12,660,878	22.79%

* Less than one percent (1%)

(1) Under Rule 13d-3 of the Exchange Act, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares:

(i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of such shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person s actual ownership or voting power with respect to the number of shares of common stock actually outstanding on November 28, 2016. As of November 28, 2016, there were 55,013,874 shares of our common stock issued and outstanding.

(2) Consists of 11,253,260 shares held by Mr. Vestergaard and 316,667 shares that are immediately acquirable upon the exercise of stock options held by Mr. Vestergaard within 60 days of November 28, 2016.

(3) Consists of 801,569 shares held by Mr. Vandenberg and 118,750 shares that are immediately acquirable upon the exercise of stock options held by Mr. Vandenberg within 60 days of November 28, 2016.

(4) Consists of 70,632 shares held by Mr. Bagerdjian and 100,000 shares that may be acquired upon the exercise of stock options held by Mr. Bagerdjian within 60 days of November 28, 2016.

EQUITY COMPENSATION PLAN INFORMATION

We have two equity compensation plans, namely our Amended 2006 Stock Option Plan and the 2015 Stock Option Plan, under which up to 7,750,000 shares of our common stock, have been authorized for issuance to our officers, directors, employees and consultants. Our plans have not been approved by the Company s stockholders. The following summary information is presented for our plans on an aggregate basis as of August 31, 2016.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Security Holders	Not Applicable	Not Applicable	Not Applicable
Equity Compensation Plans Not Approved By Security Holders	950,000 Shares of Common Stock	$0.40 per Share	2,053,181 Shares of Common Stock
Total	950,000 Shares of Common Stock		2,053,181 Shares of Common Stock

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Except as described under Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters and under Item 11. Executive Compensation , and under note 8 of the financial statements, none of the following persons has any direct or indirect material interest in any transaction to which we were or are a party during the past two years, or in any proposed transaction to which the Company proposes to be a party:

(A) any director or officer;

(B) any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our common stock; or

(C) any immediate family member of any of the foregoing persons.

SHARE ISSUANCES

None.

Mr Bagerdjian, is an independent director. Mr. Vestergaard is our Chief Executive Officer and is not viewed as an independent director of the Company.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

Our current sole principal independent registered public accountant, BDO Canada LLP, provided audit and other services during the year ended August 31, 2016 and the year ended August 31, 2015 as follows:

BDO Canada LLP		**2016**		2015
Audit Fees	**$**	**78,238**	$	84,974
Audit Related Fees		-		-
Tax Fees		**7,970**		9,667
All Other Fees		-		-
Total Fees	**$**	**86,208**	$	94,641

Audit Fees. This category includes the fees for the audit of our annual consolidated financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with SEC filings.

Audit Related Fees. There were no other audit related fees paid to BDO Canada LLP.

Tax Fees. This category includes the fees for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees. There were no other fees paid to BDO Canada LLP.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before BDO Canada LLP is engaged by the Company or its subsidiaries to render any auditing or permitted non-audit service, the engagement be:

- approved by the Company's audit committee; or
- entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities under the Exchange Act to management.

The audit committee requires advance approval of all audit, audit-related, tax, and non-audit and other services performed by the independent auditor. Unless the specific service has been previously pre-approved with respect to that year, the audit committee must approve the permitted service before the independent auditor is engaged to perform it. The audit committee has delegated to the chair of the audit committee authority to approve permitted services provided that the chair reports any decisions to the committee at its next scheduled meeting.

Of the total aggregate fees paid by us to our accountants during the fiscal years ended August 31, 2016 and 2015, 100% and 100% of the aggregate fees, respectively, were approved by the audit committee pursuant to the *de minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulations S-X.

The audit committee has considered the nature and amount of the fees billed by BDO Canada LLP, and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining BDO Canada LLP's independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES. LIST OF DOCUMENTS FILED AS PART OF THE REPORT

The following documents are filed as part of this report:

(a)(1) Financial Statements:

1. Report of Independent Registered Public Accounting Firm BDO Canada LLP;
2. Consolidated Balance Sheets;
3. Consolidated Statements of Comprehensive Income;
4. Consolidated Statements of Cash Flows;
5. Consolidated Statement of Changes in Stockholders Equity; and
6. Notes to the Consolidated Financial Statements.

(a)(2) Financial Statement Schedules:

(a)(3) Exhibits:

3.1	Amended Articles of Incorporation (incorporated by reference to Exhibit 3(I) to our Amendment No. 5 to Registration Statement on Form 10SB12G filed on April 24, 2000).

3.2	Amended and Restated Bylaws.

4.1	2006 Amended And Restated Stock Option Plan (incorporated by reference to Exhibit 4.1 to our Post-effective Amendment No. 1 to Registration Statement on Form S-8 filed on May 18, 2007)
10.1	Share Purchase Agreement among Steve Vestergaard and Euro Industries Ltd. And Destiny Software Productions Inc. dated June 15, 1999 (incorporated by reference to Exhibit 4 to our Registration Statement on Form 10SB12G filed on November 23, 1999).
10.2	Rule 506 Subscription Agreement dated February 24, 2006 between Destiny Media Technologies Inc. and Global Equity Trading & Finance Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 3, 2006).
10.3	Rule 506 Subscription Agreement dated February 3, 2006 between Destiny Media Technologies Inc. and Global Equity Trading & Finance Ltd. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on March 3, 2006).
10.4	Securities Purchase Agreement dated February 26, 2007 (incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed on March 1, 2007).
10.5	Employee Stock Purchase Plan (incorporated by reference to our Other Definitive Proxy Statements on Form DEF 14A filed on February 04, 2011).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm BDO CANADA LLP
24*	Power of Attorney (included in Signature pages)
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
100*	XBRL-Related Documents
101*	Interactive Data File

* Filed herewith
Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DESTINY MEDIA TECHNOLOGIES, INC.

By: /s/ Steven Vestergaard
Steven Vestergaard, President
Chief Executive Officer and Director
Date: November 29, 2016

/s/ Frederick Vandenberg
Frederick Vandenberg, Chief Financial Officer
Date: November 29, 2016

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Steven Vestergaard and Frederick Vandenberg, his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

By: /s/ Steven Vestergaard
Steven Vestergaard, President
Chief Executive Officer, President and Director
(Principal Executive Officer)
Date: November 29, 2016

By: /s/Frederick Vandenberg
Frederick Vandenberg, Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)
Date: November 29, 2016

By: /s/ Haig Bagerdjian
Haig Bagerdjian
Director
Date: November 29, 2016