

Evercore Partners Inc.  
Form 10-Q  
August 07, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period from            to

001-32975

(Commission File Number)

**EVERCORE PARTNERS INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**20-4748747**  
(I.R.S. Employer  
Identification No.)

**55 East 52<sup>nd</sup> Street**

**38th floor**

**New York, New York 10055**

(Address of principal executive offices)

**Registrant's telephone number: (212) 857-3100**

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

Indicate by check mark whether the registrant 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   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
(Do not check if a smaller reporting company)

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

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of August 5, 2008 was 11,674,422. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of August 5, 2008 was 51 (excluding 49 shares of Class B common stock held by a subsidiary of the registrant).

**Table of Contents****Table of Contents**

*In this report, references to Evercore, the Company, we, us, our refer to Evercore Partners Inc., a Delaware corporation, and its consolidated subsidiaries. Unless the context otherwise requires, references to (1) Evercore Partners Inc. refer solely to Evercore Partners Inc., and not to any of its consolidated subsidiaries and (2) Evercore LP refer solely to Evercore LP, a Delaware limited partnership, and not to any of its consolidated subsidiaries. References to the IPO refer to our initial public offering on August 10, 2006 of 4,542,500 shares of our Class A common stock, including shares issued to the underwriters of the IPO pursuant to their election to exercise in full their overallotment option.*

|  | <b>Page</b> |
|--|-------------|
| <b><u>Part I. Financial Information</u></b>  |             |
| Item 1. <u>Financial Statements (Unaudited)</u>  | 3           |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 22          |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 38          |
| Item 4. <u>Controls and Procedures</u>   | 38          |
| <b><u>Part II. Other Information</u></b>   |             |
| Item 1. <u>Legal Proceedings</u>   | 39          |
| Item 1A. <u>Risk Factors</u>   | 40          |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | 40          |
| Item 3. <u>Defaults Upon Senior Securities</u>   | 40          |
| Item 4. <u>Submission of Matters to a Vote of Security Holders</u>                                   | 40          |
| Item 5. <u>Other Information</u>   | 41          |
| Item 6. <u>Exhibits</u>  | 41          |
| <b><u>Signatures</u></b>   | 42          |

**Table of Contents**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**  
**Condensed Consolidated Financial Statements (Unaudited)**

|   | <b>Page</b> |
|---|-------------|
| <u>Condensed Consolidated Statements of Financial Condition as of June 30, 2008 and December 31, 2007</u>         | 4           |
| <u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2008 and 2007</u>  | 5           |
| <u>Condensed Consolidated Statement of Changes in Stockholders' Equity for the six months ended June 30, 2008</u> | 6           |
| <u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007</u>            | 7           |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>   | 8           |

**Table of Contents****EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(UNAUDITED)**

(dollars in thousands, except per share data)

|  | <b>June 30,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|--|--------------------------|------------------------------|
| <b>ASSETS</b>  |                          |                              |
| Current Assets   |                          |                              |
| Cash and Cash Equivalents  | \$ 155,102               | \$ 193,475                   |
| Trading Securities   | 4,859                    | 7,647                        |
| Financial Instruments Owned and Pledged as Collateral at Fair Value  | 260,477                  | 226,868                      |
| Securities Purchased Under Agreements to Resell  | 145,015                  | 58,834                       |
| Accounts Receivable (net of allowances of \$642 and \$591 at June 30, 2008 and December 31, 2007, respectively)  | 25,554                   | 47,720                       |
| Receivable from Employees and Related Parties  | 3,527                    | 5,003                        |
| Deferred Tax Asset - Current   | 2,400                    | 1,455                        |
| Other Current Assets   | 9,787                    | 13,992                       |
| <b>Total Current Assets</b>  | <b>606,721</b>           | <b>554,994</b>               |
| Investments  | 21,139                   | 16,283                       |
| Deferred Tax Asset - Long Term   | 58,306                   | 54,877                       |
| Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$5,901 and \$5,787 at June 30, 2008 and December 31, 2007, respectively)   | 8,603                    | 10,105                       |
| Goodwill   | 42,044                   | 42,044                       |
| Intangible Assets (net of accumulated amortization of \$18,704 and \$17,753 at June 30, 2008 and December 31, 2007, respectively)  | 8,042                    | 8,993                        |
| Other Assets   | 2,484                    | 1,800                        |
| <b>TOTAL ASSETS</b>  | <b>\$ 747,339</b>        | <b>\$ 689,096</b>            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                          |                              |
| Current Liabilities  |                          |                              |
| Accrued Compensation and Benefits  | \$ 32,988                | \$ 112,355                   |
| Accounts Payable and Accrued Expenses  | 8,356                    | 11,345                       |
| Securities Sold Under Agreements to Repurchase   | 405,933                  | 285,864                      |
| Payable to Employees and Related Parties   | 1,515                    | 4,569                        |
| Taxes Payable  | 6,599                    | 3,961                        |
| Other Current Liabilities  | 9,620                    | 1,482                        |
| <b>Total Current Liabilities</b>   | <b>465,011</b>           | <b>419,576</b>               |
| Amounts Due Pursuant to Tax Receivable Agreements  | 37,895                   | 37,575                       |
| Other Long-term Liabilities  | 8,233                    | 9,245                        |
| Deferred Tax Liability   | 5,252                    | 3,385                        |
| <b>TOTAL LIABILITIES</b>   | <b>516,391</b>           | <b>469,781</b>               |
| Commitments and Contingencies (Note 14)  |                          |                              |
| Minority Interest  | 39,303                   | 46,339                       |
| Stockholders' Equity   |                          |                              |
| Common Stock   |                          |                              |
| Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 11,801,976 and 11,261,100 issued at June 30, 2008 and December 31, 2007, respectively, and 11,514,608 and 11,229,197 outstanding at June 30, 2008 and December 31, 2007, respectively) | 118                      | 113                          |

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|   |            |            |
|---|------------|------------|
| Class B, par value \$0.01 per share (1,000,000 shares authorized, 51 issued and outstanding at June 30, 2008 and December 31, 2007) |            |            |
| Additional Paid-In-Capital  | 233,829    | 208,846    |
| Accumulated Other Comprehensive Income  | 858        | 597        |
| Retained Earnings (Deficit)   | (37,563)   | (35,612)   |
| Treasury Stock at Cost (287,368 and 31,903 shares at June 30, 2008 and December 31, 2007, respectively)                             | (5,597)    | (968)      |
| <br>  |            |            |
| TOTAL STOCKHOLDERS EQUITY   | 191,645    | 172,976    |
| <br>  |            |            |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY   | \$ 747,339 | \$ 689,096 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

(dollars in thousands, except per share data)

|   | Three Months Ended<br>June 30, |                    | Six Months Ended<br>June 30, |                    |
|---|--------------------------------|--------------------|------------------------------|--------------------|
|   | 2008                           | 2007               | 2008                         | 2007               |
| <b>REVENUES</b>   |                                |                    |                              |                    |
| Advisory Revenue  | \$ 57,731                      | \$ 56,846          | \$ 98,423                    | \$ 140,792         |
| Investment Management Revenue   | 1,790                          | 7,923              | 4,364                        | 12,526             |
| Interest Income and Other Revenue   | 7,709                          | 4,724              | 14,923                       | 8,019              |
| <b>TOTAL REVENUES</b>   | <b>67,230</b>                  | <b>69,493</b>      | <b>117,710</b>               | <b>161,337</b>     |
| Interest Expense  | 7,112                          | 3,581              | 13,104                       | 5,929              |
| <b>NET REVENUES</b>   | <b>60,118</b>                  | <b>65,912</b>      | <b>104,606</b>               | <b>155,408</b>     |
| <b>EXPENSES</b>   |                                |                    |                              |                    |
| Employee Compensation and Benefits  | 38,512                         | 151,176            | 71,767                       | 198,799            |
| Occupancy and Equipment Rental  | 3,062                          | 4,000              | 6,372                        | 5,655              |
| Professional Fees   | 3,795                          | 5,269              | 7,272                        | 12,197             |
| Travel and Related Expenses   | 2,378                          | 2,472              | 5,122                        | 4,530              |
| Communications and Information Services   | 731                            | 620                | 1,373                        | 1,068              |
| Depreciation and Amortization   | 1,055                          | 4,104              | 2,136                        | 8,785              |
| Special Charges   | 1,310                          |                    | 2,437                        |                    |
| Other Operating Expenses  | 1,406                          | 1,917              | 2,860                        | 3,924              |
| <b>TOTAL EXPENSES</b>   | <b>52,249</b>                  | <b>169,558</b>     | <b>99,339</b>                | <b>234,958</b>     |
| <b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST</b>                      |                                |                    |                              |                    |
| Provision for Income Taxes  | 7,869                          | (103,646)          | 5,267                        | (79,550)           |
| Minority Interest   | 3,352                          | (60,115)           | 2,009                        | (45,175)           |
| <b>NET INCOME (LOSS)</b>  | <b>\$ 2,056</b>                | <b>\$ (44,174)</b> | <b>\$ 1,091</b>              | <b>\$ (39,953)</b> |
| Net Income (Loss) Available to Holders of Shares of Class A Common Stock            | \$ 2,056                       | \$ (44,174)        | \$ 1,091                     | \$ (39,953)        |
| Weighted Average Shares of Class A Common Stock Outstanding:                        |                                |                    |                              |                    |
| Basic   | 12,895                         | 9,432              | 12,826                       | 8,019              |
| Diluted   | 13,171                         | 9,432              | 13,057                       | 8,019              |
| Net Income (Loss) Per Share Available to Holders of Shares of Class A Common Stock: |                                |                    |                              |                    |
| Basic   | \$ 0.16                        | \$ (4.68)          | \$ 0.09                      | \$ (4.98)          |
| Diluted   | \$ 0.16                        | \$ (4.68)          | \$ 0.08                      | \$ (4.98)          |
| Dividends Paid per Share of Class A Common Stock                                    | \$ 0.12                        | \$ 0.10            | \$ 0.24                      | \$ 0.17            |

See Notes to Unaudited Condensed Consolidated Financial Statements.



Table of Contents

## EVERCORE PARTNERS INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2008

(UNAUDITED)

(dollars in thousands, except per share data)

|   | Class A Common Stock |         | Additional Paid-In-Capital | Accumulated Other Comprehensive Income | Retained Earnings (Deficit) | Treasury Stock |            | Total Stockholders' Equity |
|---|----------------------|---------|----------------------------|--|-----------------------------|----------------|------------|----------------------------|
|   | Shares               | Dollars |                            |  |                             | Shares         | Dollars    |                            |
| <b>Balance at January 1, 2008</b>                     | 11,261,100           | \$ 113  | \$ 208,846                 | \$ 597                                 | \$ (35,612)                 | (31,903)       | \$ (968)   | \$ 172,976                 |
| Net Income  |                      |         |                            |  | 1,091                       |                |            | 1,091                      |
| Other Comprehensive Income:                           |                      |         |                            |  |                             |                |            |                            |
| Foreign Currency Translation Adjustment               |                      |         |                            | 261                                    |                             |                |            | 261                        |
| Total Comprehensive Income                            |                      |         |                            | 261                                    | 1,091                       |                |            | 1,352                      |
| Treasury Stock Purchases                              |                      |         |                            |  |                             | (255,465)      | (4,629)    | (4,629)                    |
| Evercore LP Units Converted into Class A Common Stock | 48,550               |         | 370                        |  |                             |                |            | 370                        |
| Stock-based Compensation Awards                       | 60,719               | 1       | 17,165                     |  |                             |                |            | 17,166                     |
| Share Grant Related to Acquisition                    | 431,607              | 4       | 7,448                      |  |                             |                |            | 7,452                      |
| Dividends - Class A Stockholders                      |                      |         |                            |  | (3,042)                     |                |            | (3,042)                    |
| <b>Balance at June 30, 2008</b>                       | 11,801,976           | \$ 118  | \$ 233,829                 | \$ 858                                 | \$ (37,563)                 | (287,368)      | \$ (5,597) | \$ 191,645                 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

(dollars in thousands)

|   | <b>Six Months Ended<br/>June 30,</b> |             |
|---|--------------------------------------|-------------|
|   | <b>2008</b>                          | <b>2007</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                      |             |
| Net Income (Loss)   | \$ 1,091                             | \$ (39,953) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash (Used in) Provided by Operating Activities |                                      |             |
| Net Realized and Unrealized Losses (Gains) on Investments and Trading Securities                  | 1,657                                | (3,803)     |
| Equity-based and Other Deferred Compensation  | 13,166                               | 129,297     |
| Share Grant Related to Acquisition  | 7,452                                |             |
| Depreciation and Amortization   | 2,136                                | 8,785       |
| Loss on Disposal of Equipment   | 711                                  |             |
| Bad Debt Expense  | 51                                   | 321         |
| Minority Interest   | 2,009                                | (45,175)    |
| Deferred Taxes  | (2,464)                              | (5,569)     |
| Decrease (Increase) in Operating Assets:  |                                      |             |
| Trading Securities  | (271)                                | 126         |
| Financial Instruments Owned and Pledged as Collateral at Fair Value                               | (19,761)                             | 44,207      |
| Securities Purchased Under Agreements to Resell   | (80,297)                             | (104,537)   |
| Accounts Receivable   | 22,244                               | 29,747      |
| Receivable from Employees and Related Parties   | 1,476                                | (1,422)     |
| Other Current Assets  | 4,259                                | (4,198)     |
| Other Assets  | (673)                                | 61          |
| (Decrease) Increase in Operating Liabilities:   |                                      |             |
| Accrued Compensation and Benefits   | (75,529)                             | 3,046       |
| Accounts Payable and Accrued Expenses   | (3,119)                              | (1,817)     |
| Securities Sold Under Agreements to Repurchase  | 100,320                              | 60,314      |
| Payables to Employees and Related Parties   | (3,055)                              | (525)       |
| Taxes Payable   | 3,148                                | (566)       |
| Other Current Liabilities   | 8,001                                | 98          |
| Other Long-term Liabilities   | (1,012)                              | 5,506       |
| Net Cash (Used in) Provided by Operating Activities   | (18,460)                             | 73,943      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                      |             |
| Cash Paid for Acquisition   |                                      | (324)       |
| Investments Purchased   | (3,308)                              | (1,947)     |
| Purchase of Furniture, Equipment and Leasehold Improvements                                       | (404)                                | (2,831)     |
| Net Cash Used in Investing Activities   | (3,712)                              | (5,102)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                      |             |
| Payments for Capital Lease Obligations  | (49)                                 | (79)        |
| Distributions to Minority Interests Evercore LP Members   | (9,772)                              | (30,337)    |
| Net Proceeds from Follow-On Offering  |                                      | 42,096      |
| Dividends Class A Stockholders  | (3,042)                              | (1,555)     |
| Treasury Stock Purchased  | (4,629)                              |             |
| Other   | 870                                  |             |
| Net Cash (Used in) Provided by Financing Activities   | (16,622)                             | 10,125      |

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|  |                   |                   |
|--|-------------------|-------------------|
| EFFECT OF EXCHANGE RATE CHANGES ON CASH                      | 421               | 201               |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>(38,373)</b>   | <b>79,167</b>     |
| <b>CASH AND CASH EQUIVALENTS-Beginning of Period</b>         | <b>193,475</b>    | <b>65,420</b>     |
| <b>CASH AND CASH EQUIVALENTS-End of Period</b>               | <b>\$ 155,102</b> | <b>\$ 144,587</b> |
| <b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>                     |                   |                   |
| Payments for Interest  | \$ 13,069         | \$ 5,994          |
| Payments for Income Taxes                                    | \$ 2,018          | \$ 11,883         |
| Cumulative Effect on Prior Years from the Adoption of FIN 48 |                   |                   |
| Minority Interest  | \$                | \$ 534            |
| Retained Earnings  |                   | 252               |
|  | \$                | \$ 786            |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS**

(dollars in thousands, except per share amounts, unless otherwise noted)

**Note 1 Organization**

Evercore Partners Inc. and subsidiaries is an investment banking and investment management firm, incorporated in Delaware on July 21, 2005 and headquartered in New York, New York. The Company is a holding company which owns a controlling equity interest in Evercore LP. The Company is the sole general partner of Evercore LP.

The Company's consolidated financial statements include the accounts of the Company's subsidiaries. The sole direct subsidiary of the Company is Evercore LP. The principal direct and indirect subsidiaries of Evercore LP are as follows:

Evercore Group Holdings L.P., which indirectly, through its wholly-owned subsidiary, Evercore Partners Services East L.L.C., a Delaware limited liability company, owns all of the interests in each of the following entities:

Evercore Group L.L.C. ( EGL ), a registered broker-dealer under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and a member of the Financial Industry Regulatory Authority. EGL is a limited service entity, which specializes in rendering selected financial advisory services. EGL was converted to a limited liability company from an S corporation on April 19, 2006;

Evercore Advisors L.L.C., a Delaware limited liability company, provides investment advisory services to Evercore Capital Partners II L.P. and its affiliated entities ( ECP II );

Evercore Venture Advisors L.L.C., a Delaware limited liability company, provides investment advisory services to Evercore Venture Partners L.P. and its affiliated entities;

Evercore Advisors I L.L.C., a Delaware limited liability company, provides investment advisory services to Evercore Capital Partners L.P. and its affiliated entities. Evercore Advisors Inc. was converted into Evercore Advisors I L.L.C. on August 10, 2006.

Evercore GP Holdings L.L.C., which is a non-managing member of the general partner of ECP II and Evercore Mexico Capital Partners II L.P. and its affiliated entities ( EMCP II ).

Protego SI, S.C., a Mexican company whose main activity is the provision of advisory and related services.

Protego Asesores S. de R.L. and its subsidiaries, together with Evercore LP, owns interests in Protego Casa de Bolsa, S.A. de C.V. ( PCB ) and Protego CB Servicios, S. de R.L. ( PCBS ). PCB and PCBS were established for Protego's asset management business and

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are 70% and 70.6%, respectively, owned by Evercore. The remaining interest in these entities is held by third parties.

Evercore Partners Limited ( Evercore Europe ), a U.K. company whose main activity is the provision of advisory and related services.

### **Note 2 Significant Accounting Policies**

For a complete discussion of Evercore's accounting policies, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

**Basis of Presentation** The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. As permitted by the rules and regulations of the United States Securities and Exchange Commission ( SEC ), the unaudited financial

**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

statements contain certain condensed financial information and exclude certain footnote disclosures normally included in audited consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ( U.S. GAAP ). The accompanying condensed consolidated financial statements are unaudited and are prepared in accordance with U.S. GAAP. In the opinion of the Company s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, including normal recurring accruals, necessary to fairly present the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited combined/consolidated financial statements included in the Company s annual report on Form 10-K for the year ended December 31, 2007. The December 31, 2007 Unaudited Condensed Consolidated Statement of Financial Condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2008.

The Company s policy is to consolidate all subsidiaries in which it has a controlling financial interest as well as variable interest entities where the Company is deemed to be the primary beneficiary. All intercompany balances and transactions with the Company s subsidiaries have been eliminated upon consolidation.

**Reclassifications** During the three and six months ended June 30, 2008, certain balances for prior periods have been reclassified to conform to their current presentation. These reclassifications include the reclassification of \$75 and \$209 of certain fees within Evercore s Public Securities business from Interest Income and Other Revenue to Investment Management Revenue and the reclassification of \$93 and \$288 of certain expenses from Other Operating Expenses to Occupancy and Equipment Rental and Travel and Related Expenses on the Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2007, respectively, as well as the reclassification of \$700 of interest receivable from Accounts Receivable to Other Current Assets and \$145 of Board of Director fees from Accounts Payable and Accrued Expenses to Payable to Employees and Related Parties on the Unaudited Condensed Consolidated Statements of Financial Condition as of December 31, 2007.

**Fair Value of Financial Instruments** The majority of the Company s assets and liabilities are recorded at fair value or at amounts that approximate fair value. Such assets and liabilities include cash and cash equivalents, investments, securities, financial instruments, receivables and payables, and accruals.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurements* ( SFAS 157 ), which among other things requires enhanced disclosures about financial instruments carried at fair value. See Note 9 for further information.

**Note 3 Special Charges**

Fund raising for Evercore Capital Partners III L.P. ( ECP III ) has been deferred. As a result, the Company consolidated its private equity operations resulting in Special Charges of \$1,310 and \$2,437 for the three and six months end June 30, 2008. These charges were in connection with the write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office.

**Note 4 Recent Accounting Pronouncements**

*SFAS 141(R)* In December 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 141(R), *Business Combinations* ( SFAS 141(R) ). SFAS 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether



**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS 141(R) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

*SFAS 160* In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* ( SFAS 160 ), which amends ARB 51. SFAS 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is currently assessing the impact of SFAS 160 on its financial condition, results of operations and cash flows.

**Note 5 Related Parties**

Pursuant to the acquisition of Braveheart Financial Services Limited ( Braveheart ), the Company issued \$3,000 of interest-bearing notes to the former shareholders of Braveheart, which were paid-in-full on April 3, 2008.

Investment Management Revenue includes income from related parties earned from the Company's Private Equity Funds for portfolio company fees, management fees, expense reimbursements and realized and unrealized gains and losses of private equity fund investments. Total Investment Management revenues from related parties amounted to \$3,393 and \$5,678 for the three and six months ended June 30, 2008, respectively, and \$7,443 and \$11,028 for the three and six months ended June 30, 2007, respectively.

Income from related parties includes advisory fees earned from clients that have Senior Managing Directors as a member of their Board of Directors of \$0 for the three and six months ended June 30, 2008, and \$225 and \$4,120 for the three and six months ended June 30, 2007, respectively.

**Note 6 Trading Securities**

The Company had \$2,450 and \$3,890 of securities managed by Evercore Asset Management L.L.C. ( EAM ) as of June 30, 2008 and December 31, 2007, respectively. These investments are reflected as Trading Securities on the Unaudited Condensed Consolidated Statements of Financial Condition and are stated at quoted market value. Also included in Trading Securities on the Unaudited Condensed Consolidated Statements of Financial Condition are \$2,409 and \$3,757 of EAM Fund Investments as of June 30, 2008 and December 31, 2007, respectively. These investments principally consist of readily-marketable securities. Trading Securities resulted in net unrealized gains/(losses) and dividend income of \$(2,089) and \$(3,058) for the three and six months ended June 30, 2008, respectively, and \$(58) and \$436 for the three and six months ended June 30, 2007, respectively, that are included on the Unaudited Condensed Consolidated Statements of Operations in Investment Management Revenue.

**Table of Contents****EVERCORE PARTNERS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

**Note 7 Financial Instruments Owned and Pledged as Collateral at Fair Value, Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase**

The Company, through PCB, enters into repurchase agreements with clients seeking overnight money market returns whereby PCB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. PCB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market, which the Company reflects as Financial Instruments Owned and Pledged as Collateral at Fair Value on the Unaudited Condensed Consolidated Statements of Financial Condition, or by entering into reverse repurchase agreements with unrelated third parties. The Company accounts for these repurchase and reverse repurchase agreements as collateralized financing transactions. The Company records a liability on its Unaudited Condensed Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. The Company records as assets on its Unaudited Condensed Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where the Company has acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to Resell (where the Company has acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities included in Financial Instruments Owned and Pledged as Collateral at Fair Value on the Condensed Consolidated Statements of Financial Condition have an estimated average time to maturity of approximately 3.5 years and are pledged as collateral against repurchase agreements which are collateralized financing agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by PCB, are generally in overnight maturities and permit the counterparty to pledge the securities.

As of June 30, 2008 and December 31, 2007, a summary of the Company's assets, liabilities and collateral received or pledged related to these transactions are as follows:

|   | <b>June 30, 2008</b>                     |   | <b>December 31, 2007</b>                 |   |
|---|--|---|--|---|
|   | <b>Asset<br/>(Liability)<br/>Balance</b> | <b>Market Value of<br/>Collateral Received or<br/>(Pledged)</b> | <b>Asset<br/>(Liability)<br/>Balance</b> | <b>Market Value of<br/>Collateral Received or<br/>(Pledged)</b> |
| <b>Assets</b>   |  |   |  |   |
| Financial Instruments Owned and Pledged as Collateral at Fair Value | \$ 260,477                               |   | \$ 226,868                               |   |
| Securities Purchased Under Agreements to Resell                     | 145,015                                  | \$ 145,011  | 58,834                                   | \$ 58,641   |
| Total Assets  | \$ 405,492                               |   | \$ 285,702                               |   |
| <b>Liabilities</b>  |  |   |  |   |
| Securities Sold Under Agreements to Repurchase                      | \$ (405,933)                             | \$ (405,488)  | \$ (285,864)                             | \$ (285,508)  |

**Table of Contents****EVERCORE PARTNERS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

**Note 8 Investments**

A summary of the Company's investment in the Private Equity Funds as of June 30, 2008 and December 31, 2007 is as follows:

|   | <b>June 30,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|---|--------------------------|------------------------------|
| ECP II  | \$ 15,579                | \$ 12,507                    |
| Discovery Americas I, L.P. ( Discovery Fund ) | 2,767                    | 2,308                        |
| <b>Total Private Equity Funds</b>             | <b>\$ 18,346</b>         | <b>\$ 14,815</b>             |

Net realized and unrealized gains on Private Equity Fund investments, including incentive fees, were \$1,225 and \$1,531 for the three and six months ended June 30, 2008, respectively, and \$3,971 and \$3,922 for the three and six months ended June 30, 2007, respectively, and are included on the Unaudited Condensed Consolidated Statements of Operations in Investment Management Revenue. The Company may be obligated to repay certain carried interest previously recorded in the event that the investments perform poorly on both a realized and unrealized basis. As of June 30, 2008, the Company had approximately \$4,000 of previously recognized carried interest that may be subject to repayment.

The Company's investments reported in the Unaudited Condensed Consolidated Statements of Financial Condition consist of investments in Private Equity Funds and the Company's equity interest in EAM. Pursuant to the Amended and Restated Limited Liability Company Agreement, as of April 1, 2008, the Company holds a 32.7% interest in EAM that is accounted for under the equity method. As of June 30, 2008 and December 31, 2007, EAM had a carrying value of \$2,793 and \$1,468, respectively. The investment resulted in unrealized losses of \$72 and \$275 for the three and six months ended June 30, 2008, respectively, and \$271 and \$555 for the three and six months ended June 30, 2007, respectively, which are included on the Unaudited Condensed Consolidated Statements of Operations in Investment Management Revenue.

The Company's investments in Private Equity Funds, which consist of general partner interests, and the Company's equity interest in EAM are relatively high-risk and illiquid assets.

**Note 9 Fair Value Measurements**

The Company adopted SFAS 157 as of January 1, 2008, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. The adoption did not have a material impact on the results of the Company. SFAS 157 establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by SFAS 157, the Company does not adjust the quoted price for these investments, even in situations where



**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

Evercore holds a large position and a sale could reasonably impact the quoted price. Level I investments include financial instruments owned and pledged as collateral and trading securities managed by EAM of \$260,477 and \$2,450, respectively, as of June 30, 2008.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level II investments include the Company's investment in the EAM Hedge Fund of \$2,409 as of June 30, 2008. The fair value of the underlying securities in the fund is determined in an actively traded market.

Level III Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Company did not have any Level III investments as of June 30, 2008.

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

**Note 10 Stockholders' Equity**

During the first six months of 2008, the Company purchased 43,875 Class A common shares from employees at market values ranging from \$9.70 to \$18.41 per share in order to fund minimum payroll tax requirements related to the vesting of stock-based compensation awards. The result was an increase in Treasury Stock of \$727 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2008. During the second quarter, the Company purchased 211,590 shares of Class A Common Stock from the former shareholders of Braveheart at a market value of \$18.44 per share, resulting in an increase in Treasury Stock of \$3,902 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2008. The former shareholders of Braveheart also received 431,607 Class A common shares during the first quarter of 2008 in conjunction with the Braveheart sale and purchase agreement, resulting in compensation expense of \$7,452 and an increase to Common Stock and Additional Paid-In-Capital of \$4 and \$7,448, respectively, on the Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2008.

During the second quarter of 2008, 48,550 Evercore LP partnership units were gifted to various charities and converted into Class A common shares, resulting in an increase to Additional Paid-In-Capital of \$370 on the Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2008.

In addition, during the second quarter of 2008, the Company's Board of Directors authorized the repurchase of up to \$25,000 of Evercore Class A Common Stock and/or Evercore LP partnership units. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at any time and does not have a specified expiration date. No repurchases took place pursuant to this program during the second quarter of 2008.

**Table of Contents****EVERCORE PARTNERS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

During the three and six months ended June 30, 2008, the Company declared and paid dividends of \$0.12 and \$0.24 per share, respectively, totaling \$1,546 and \$3,042. The Company's Board of Directors declared on July 22, 2008, a quarterly cash dividend of \$0.12 per share, to the holders of Class A common stock as of August 29, 2008, which will be paid on September 12, 2008.

**Note 11 Minority Interest**

Minority Interest recorded in the unaudited condensed consolidated financial statements of the Company relates to a 56% interest of the limited partners ( Members ) in Evercore LP and a 30% interest in PCB not owned by the Company.

Minority interest ownership was \$39,303 and \$46,339 as of June 30, 2008 and December 31, 2007, respectively. Changes in the minority ownership during the six months ended June 30, 2008 were as follows:

|   | <b>Amount</b> |
|---|---------------|
| Balance at January 1, 2008  | \$ 46,339     |
| Operating Income  | 2,009         |
| Distributions to partners   | (9,772)       |
| Exchange of Evercore LP partnership units for Class A common shares | (143)         |
| Other, including PCB  | 870           |
| Balance at June 30, 2008  | \$ 39,303     |

**Table of Contents****EVERCORE PARTNERS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

**Note 12 Net Income (Loss) Per Share**

The calculations of basic and diluted net income (loss) per share amounts for the three and six months ended June 30, 2008 and 2007 are described and presented below.

|   | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |             |
|---|--------------------------------|-------------|------------------------------|-------------|
|   | 2008                           | 2007        | 2008                         | 2007        |
|   | (share amounts in thousands)   |             |                              |             |
| <b>Basic Net Income (Loss) Per Share of Class A Common Stock</b>  |                                |             |                              |             |
| Numerator:  |                                |             |                              |             |
| Net income (loss) available for Class A common stockholders   | \$ 2,056                       | \$ (44,174) | \$ 1,091                     | \$ (39,953) |
| Denominator:  |                                |             |                              |             |
| Weighted average shares of Class A common stock outstanding, including vested restricted stock units ( RSUs )   | 12,895                         | 9,432       | 12,826                       | 8,019       |
| Basic Net Income (Loss) Per Share of Class A Common Stock   | \$ 0.16                        | \$ (4.68)   | \$ 0.09                      | \$ (4.98)   |
| <b>Diluted Net Income (Loss) Per Share of Class A Common Stock</b>  |                                |             |                              |             |
| Numerator:  |                                |             |                              |             |
| Net income (loss) available for Class A common stockholders   | \$ 2,056                       | \$ (44,174) | \$ 1,091                     | \$ (39,953) |
| Add (deduct) dilutive effect of:  |                                |             |                              |             |
| Minority Interest related to the assumed exchange of Members Evercore LP partnership units for Class A common shares  | (a)                            | (a)         | (a)                          | (a)         |
| Associated corporate taxes related to the assumed elimination of Minority Interest described above  | (a)                            | (a)         | (a)                          | (a)         |
| Diluted Net Income (Loss) available for Class A common stockholders   | \$ 2,056                       | \$ (44,174) | \$ 1,091                     | \$ (39,953) |
| Denominator:  |                                |             |                              |             |
| Weighted average shares of Class A common stock outstanding, including vested RSUs  | 12,895                         | 9,432       | 12,826                       | 8,019       |
| Add dilutive effect of:   |                                |             |                              |             |
| Assumed exchange of Members Evercore LP partnership units for Class A common shares   | (a)                            | (a)         | (a)                          | (a)         |
| Additional shares of the Company's common stock assumed to be issued pursuant to non-vested restricted stock, RSUs and certain Evercore LP partnership units, as calculated using the treasury stock method | 276                            | (b)         | 231                          | (b)         |
| Diluted weighted average shares of Class A common stock outstanding   | 13,171                         | 9,432       | 13,057                       | 8,019       |
| Diluted Net Income (Loss) Per Share of Class A Common Stock   | \$ 0.16                        | \$ (4.68)   | \$ 0.08                      | \$ (4.98)   |

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- (a) During the three and six months ended June 30, 2008 and 2007, the Evercore LP partnership units (which represent the right to receive shares of Class A common stock upon exchange) were antidilutive and

**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

consequently the effect of their exchange into shares of Class A common stock has been excluded from the calculation of diluted net income (loss) per share of Class A common stock. The units that would have been included in the computation of diluted net income (loss) per share of Class A common stock if the effect would have been dilutive were 15,205 and 15,209 for the three and six months ended June 30, 2008, respectively and 14,379 and 13,907 for the three and six months ended June 30, 2007, respectively. Antidilution is the result of minority interest ownership in Evercore LP not being impacted by vested RSUs, as well as the Company having a loss for the three and six months ended June 30, 2007.

- (b) During the three and six months ended June 30, 2007, the additional shares of the Company's common stock assumed to be issued pursuant to non-vested restricted stock, RSUs and certain Evercore LP partnership units as calculated using the treasury stock method were antidilutive and consequently the additional shares have been excluded from the calculation of diluted net loss per share of Class A common stock. The additional shares that would have been included in the computation of diluted net loss per share of Class A common stock if the effect would have been dilutive were 52 and 65 for the three and six months ended June 30, 2007. Antidilution is the result of the Company having a loss for the three and six months ended June 30, 2007.

The shares of Class B common stock have no right to receive dividends or a distribution on liquidation or winding up of Evercore Partners Inc. The shares of Class B common stock do not share in the earnings of Evercore Partners Inc. and no earnings are allocable to such class. Accordingly, basic and diluted net income (loss) per share of Class B common stock have not been presented.

**Note 13 Stock-Based Compensation**

Subsequent to the IPO, the Company granted new and existing employees RSUs and shares of restricted stock. Certain of these awards vest upon the same terms as the RSUs issued at the time of the IPO ( Event-based Awards ) and certain of these awards vest from one to five years ( Service-based Awards ).

During the six months ended June 30, 2008, pursuant to the Evercore Partners Inc. 2006 Stock Incentive Plan, the Company granted to certain employees 1,705,304 RSUs and 75,000 shares of restricted stock. Of these awards, 204,630 are fully-vested, 1,515,481 are unvested and will vest over one to five years and 60,193 are unvested and will vest subject to event-based vesting criteria comparable to the Evercore LP partnership units.

During the six months ended June 30, 2007, the Company recorded \$127,627 in compensation expense representing the value of 5,987,683 Event-based Awards that vested, primarily relating to the May 2007 follow-on offering of Evercore Partners Inc. Class A common stock (the Follow-On Offering ). For further discussion of the Follow-On Offering, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

No Event-based Awards vested during the six months ended June 30, 2008. Management has concluded that at the current time it is not probable that the conditions relating to the vesting of unvested Event-based Awards will be achieved or satisfied. The Company had 25,858 and 114,510 forfeited Service-based and Event-based Awards during the first six months of 2008. Compensation expense related to Service-based Awards was \$7,024 and \$13,166 for the three and six months ended June 30, 2008, respectively, and \$880 and \$1,670 for the three and six months ended June 30, 2007, respectively.

**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

**Note 14 Commitments and Contingencies**

**Operating Leases** The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2023. Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of \$2,287 and \$4,787 for the three and six months ended June 30, 2008, respectively, and \$3,354 and \$4,532 for the three and six months ended June 30, 2007, respectively.

In conjunction with the leases of office space in New York and San Francisco, the Company has entered into unsecured letters of credit of \$4,880.

The Company has entered into various operating leases for the use of certain office equipment. Rental expense for office equipment totaled \$51 and \$189 for the three and six months ended June 30, 2008, respectively, and \$149 and \$203 for the three and six months ended June 30, 2007, respectively. Rental expense for office equipment is included in Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations.

**Other Commitments** As of June 30, 2008, the Company has unfunded commitments for capital contributions of \$7,764 to the Private Equity Funds. These commitments will be funded as required through the end of each Private Equity Fund's investment period, subject to certain conditions. Such commitments are satisfied in cash and are generally required to be made as investment opportunities are consummated by the Private Equity Funds.

PCB maintains a line of credit with BBVA Bancomer to fund its trading activities on an intra-day and overnight basis. The intra-day facility is approximately \$10,000 and secured with trading securities. No interest is charged on the intra-day facility. The overnight facility is charged the Inter-Bank Balance Interest Rate plus 10 basis points and is secured with trading securities. There have been no draw downs on PCB's line of credit since August 10, 2006.

As of June 30, 2008, the Company estimates the contractual obligations related to the Tax Receivable Agreements (as noted the Company's Annual Report on Form 10-K for the year ended December 31, 2007) to be \$39,132. The Company expects to pay to the counterparties to the Tax Receivable Agreement \$1,237 within one year or less, \$8,137 in one to three years, \$7,642 in three to five years and \$22,116 after five years.

**Legal**

In the normal course of business, from time to time the Company and its affiliates may be involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. In addition, Mexican, United Kingdom and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

The Company contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the



**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

Company cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that the outcome of the pending matters will not have a material adverse effect on the consolidated financial condition of the Company, although the outcome of such matters could be material to the Company's operating results and cash flows for a particular future period, depending on, among other things, the level of the Company's revenues or income for such period. Legal reserves are established in accordance with SFAS No. 5, *Accounting for Contingencies* (SFAS 5). Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

Additionally, in the past, the Company or its present personnel have been named as a defendant in civil litigation matters involving present or former clients.

**Note 15 Regulatory Authorities**

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of \$5 or 6 2/3% of aggregate indebtedness, as defined. EGL's regulatory net capital as of June 30, 2008 and December 31, 2007 was \$26,324 and \$16,937, respectively, which exceeded the minimum net capital requirement by \$24,917 and \$15,718, respectively. Certain other non-U.S. subsidiaries are subject to various securities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries have consistently operated in excess of their local capital adequacy requirements.

**Note 16 Income Taxes**

The Company's Provision for Income Taxes was \$2,461 and \$2,167 for the three and six months ended June 30, 2008, respectively, and \$643 and \$5,578 for the three and six months ended June 30, 2007, respectively. The effective tax rate was 31.3% and 41.2% for the three and six months ended June 30, 2008, respectively, and (0.6%) and (7.1%) for the three and six months ended June 30, 2007, respectively. The effective tax rate for the three and six months ended June 30, 2007 was impacted by discrete items, including the Follow-On Offering, which relates to stock compensation expense that is non-deductible for future periods. The normalized effective tax rate was 23.9% and 19.4% for the three and six months ended June 30, 2007, respectively.

Included in the balance of unrecognized tax benefits as of June 30, 2008, are \$1,676 of tax benefits that, if recognized, would affect the effective tax rate. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the unrecognized tax benefit, the Company accrued interest of \$85 during the first six months of 2008 and in total, as of June 30, 2008, had recognized a liability for penalties of \$510 and interest of \$566.

**Note 17 Segment Operating Results**

The Company's business results are categorized into the following two segments: Advisory and Investment Management. Advisory includes providing advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings, and similar corporate finance matters. Investment Management includes the management of outside capital invested and the Company's principal investments.

**Table of Contents**

**EVERCORE PARTNERS INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

The Company's segment information for the three and six months ended June 30, 2008 and 2007 is prepared using the following methodology:

Revenue and expenses directly associated with each segment are included in determining operating income.

Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount and other factors.

Segment assets are based on those directly associated with each segment, or for certain assets shared across segments, these assets are allocated based on the most relevant measures applicable, including headcount and other factors.

Investment gains and losses, interest income and interest expense are allocated between the segments based on the segment in which the underlying asset or liability is held.

Each segment's Operating Expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segments and b) non-compensation expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Other Expenses include stock-based compensation costs associated with the May 2007 Follow-On Offering, a charge associated with deferred consideration pursuant to the Braveheart Sale and Purchase Agreement in 2008, amortization of intangibles associated with the acquisition of Protego and Braveheart and Special Charges in connection with the 2008 write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office.

The Company evaluates segment results based on net revenue and operating income, both including and excluding the impact of the Other Expenses.

**Table of Contents****EVERCORE PARTNERS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

The Company believes that the following information provides a reasonable representation of each segment's contribution to net revenue, operating expenses, other expenses, operating income and identifiable assets.

|                                 | Three Months Ended<br>June 30, |                     | Six Months Ended<br>June 30, |                    |
|---------------------------------|--------------------------------|---------------------|------------------------------|--------------------|
|                                 | 2008                           | 2007                | 2008                         | 2007               |
| <b>Advisory</b>                 |                                |                     |                              |                    |
| Net Revenues (1)                | \$ 58,458                      | \$ 57,650           | \$ 99,932                    | \$ 142,174         |
| Operating Expenses (2)          | 43,573                         | 32,051              | 74,668                       | 85,095             |
| Other Expenses (3)              | 475                            | 101,201             | 8,403                        | 105,456            |
| <b>Segment Income (Loss)</b>    | <b>\$ 14,410</b>               | <b>\$ (75,602)</b>  | <b>\$ 16,861</b>             | <b>\$ (48,377)</b> |
| Identifiable Segment Assets (4) | \$ 294,165                     | \$ 272,602          | \$ 294,165                   | \$ 272,602         |
| <b>Investment Management</b>    |                                |                     |                              |                    |
| Net Revenues (1)                | \$ 1,660                       | \$ 8,262            | \$ 4,674                     | \$ 13,234          |
| Operating Expenses (2)          | 6,891                          | 7,948               | 13,831                       | 16,049             |
| Other Expenses (3)              | 1,310                          | 28,358              | 2,437                        | 28,358             |
| <b>Segment Income (Loss)</b>    | <b>\$ (6,541)</b>              | <b>\$ (28,044)</b>  | <b>\$ (11,594)</b>           | <b>\$ (31,173)</b> |
| Identifiable Segment Assets (4) | \$ 453,174                     | \$ 198,390          | \$ 453,174                   | \$ 198,390         |
| <b>Total</b>                    |                                |                     |                              |                    |
| Net Revenues (1)                | \$ 60,118                      | \$ 65,912           | \$ 104,606                   | \$ 155,408         |
| Operating Expenses (2)          | 50,464                         | 39,999              | 88,499                       | 101,144            |
| Other Expenses (3)              | 1,785                          | 129,559             | 10,840                       | 133,814            |
| <b>Segment Income (Loss)</b>    | <b>\$ 7,869</b>                | <b>\$ (103,646)</b> | <b>\$ 5,267</b>              | <b>\$ (79,550)</b> |
| Identifiable Segment Assets (4) | \$ 747,339                     | \$ 470,992          | \$ 747,339                   | \$ 470,992         |

(1) Net revenues include Interest Income and Other Revenue allocated to the segments as follows:

|          | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |          |
|----------|--------------------------------|--------|------------------------------|----------|
|          | 2008                           | 2007   | 2008                         | 2007     |
| Advisory | \$ 732                         | \$ 897 | \$ 1,554                     | \$ 1,475 |

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|   |          |          |           |          |
|---|----------|----------|-----------|----------|
| Investment Management                   | 6,977    | 3,827    | 13,369    | 6,544    |
| Total Interest Income and Other Revenue | \$ 7,709 | \$ 4,724 | \$ 14,923 | \$ 8,019 |

- (2) Corporate level Operating Expenses for prior periods have been allocated to their appropriate business segments to conform with the current presentation.

**Table of Contents****EVERCORE PARTNERS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED****FINANCIAL STATEMENTS (Continued)**

(dollars in thousands, except per share amounts, unless otherwise noted)

- (3) Other Expenses include stock-based compensation costs associated with the May 2007 Follow-On Offering, a charge associated with deferred consideration pursuant to the Braveheart Sale and Purchase Agreement in 2008, amortization of intangibles associated with the acquisition of Protego and Braveheart and Special Charges in connection with the 2008 write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office as set forth in the table below:

|   | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2008                           | 2007       | 2008                         | 2007       |
| Deferred Consideration Pursuant to the Braveheart Sale and Purchase Agreement | \$                             | \$         | \$ 7,452                     | \$         |
| Contingently Vested Equity Awards   |                                | 97,550     |                              | 97,550     |
| Advisory Intangible Asset Amortization  | 475                            | 3,651      | 951                          | 7,906      |
| Total Advisory  | 475                            | 101,201    | 8,403                        | 105,456    |
| Contingently Vested Equity Awards   |                                | 28,358     |                              | 28,358     |
| Special Charges   | 1,310                          |            | 2,437                        |            |
| Total Investment Management   | 1,310                          | 28,358     | 2,437                        | 28,358     |
| Total Other Expenses  | \$ 1,785                       | \$ 129,559 | \$ 10,840                    | \$ 133,814 |

- (4) Goodwill has been included in the Advisory Segment only, since at the dates of the acquisitions Braveheart and Protego were principally Advisory businesses.

**Geographic Information** The Company manages its business based on the profitability of the enterprise as a whole.

The Company's net revenues were derived from clients and Private Equity Funds located in the following geographical areas:

|                   | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |            |
|-------------------|--------------------------------|-----------|------------------------------|------------|
|                   | 2008                           | 2007      | 2008                         | 2007       |
| Net Revenues: (1) |                                |           |                              |            |
| United States     | \$ 41,181                      | \$ 42,850 | \$ 81,035                    | \$ 112,509 |
| Europe and Other  | 11,805                         | 18,222    | 12,165                       | 30,811     |
| Latin America     | 6,535                          | 3,697     | 9,587                        | 9,998      |
| Total             | \$ 59,521                      | \$ 64,769 | \$ 102,787                   | \$ 153,318 |

(1) Excludes Interest Income and Other Revenue and Interest Expense.

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**Table of Contents**

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

*The following discussion should be read in conjunction with Evercore Partners Inc.'s unaudited condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q.*

**Forward-Looking Statements**

This report contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these and comparable words. Such forward-looking statements are subject to various risks and uncertainties.

Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. All statements other than statements of historical fact are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, and may include projections of our future financial performance based on our growth strategies and anticipated trends in Evercore's business. We believe these factors include, but are not limited to, those described under "Risk Factors" discussed in the Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC on March 14, 2008. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**Follow-On Offering of Evercore Partners Inc. Class A Common Stock**

On May 23, 2007, we completed a follow-on offering of 1,581,778 shares of Class A common stock. For a complete discussion of the Follow-On Offering, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

**Key Financial Measures**

*Revenue*

Total revenues reflect revenues from Advisory and Investment Management that includes transaction-related client reimbursements plus interest income and other revenue. Net revenues reflect total revenues less interest expense related to repurchase agreements and other borrowings.

*Advisory.* Our Advisory business earns fees from our clients for providing advice on mergers, acquisitions, restructurings, leveraged buy-outs, recapitalizations and other corporate transactions. The amount and timing of the fees paid vary by the type of engagement. In general, fees are paid at the time we sign an engagement letter, during the course of the engagement or when an engagement is completed. The majority of our advisory revenue comes from fees that are dependent on the successful completion of a transaction. A transaction can fail to be completed for many reasons, including failure to agree upon final terms with the counterparty, to secure necessary board or shareholder approvals, to secure necessary financing or to achieve necessary regulatory approvals.

## **Table of Contents**

*Investment Management.* Our Investment Management business includes operations related to the management of the Private Equity Funds and funds invested in publicly-traded securities ( Public Securities ). Revenue sources primarily include management fees, performance fees (including carried interest), fees earned from portfolio company fees and gains (or losses) on our principal investments.

Management fees are generally a percentage of committed capital or invested capital at rates agreed with the investment funds we manage or with the individual client. Performance fees, including carried interest, are earned when specified benchmarks are exceeded. In certain circumstances, such fees are subject to claw-back provisions. Portfolio Company fees include monitoring, director and transaction fees associated with services provided to the portfolio companies of the Private Equity Funds we manage. Gains and losses include both realized and unrealized gains and losses on principal investments, including those arising from our equity interest in investment partnerships.

*Net Interest Revenue.* Net interest revenue is derived from investing customer funds in financing transactions by PCB. These transactions are primarily repurchases and resales of Mexican government securities. Revenue and expenses associated with these transactions are recognized over the term of the repurchase or resale transaction.

*Transaction-Related Client Reimbursements.* In both our Advisory and Investment Management segments we make various transaction-related expenditures, such as travel and professional fees, on behalf of our clients. Pursuant to the engagement letters with our clients or the contracts with the limited partners in the Private Equity Funds we manage, these expenditures may be reimbursable. We define these expenses as transaction-related expenses and record such expenditures as incurred and record revenue when it is determined that clients have an obligation to reimburse us for such transaction-related expenses. Specifically, client expense reimbursements are recorded as revenue on the Unaudited Condensed Consolidated Statements of Operations on the later of the date an engagement letter is executed or the date we pay or accrue the expense.

### *Operating Expenses*

*Employee Compensation and Benefits Expense.* The Company maintains compensation programs, including base salary, cash and equity bonus awards and benefits programs and manages compensation to estimates of competitive levels based on market conditions. Our level of compensation for the current period reflects our plan to maintain competitive compensation levels to retain key personnel during market down cycles, as well as the impact of new Senior Managing Directors, hired in 2007, on 2008 compensation expense, including grants of equity awards valued at 2007 stock prices. The Company had not begun to incur significant compensation costs relating to these new Senior Managing Directors for the three and six months ended June 30, 2007.

We changed our annual compensation program during the second quarter of 2007 to include stock-based compensation awards as a component of the annual bonus awards for certain U.S. Senior Managing Directors. These equity awards are subject to annual vesting requirements over a four-year period beginning at the date of grant, which occurred in early 2008; accordingly, the expense will be amortized over the vesting period.

*Non-Compensation Expenses.* The balance of our operating expenses includes costs for occupancy and equipment rental, professional fees, travel and related expenses, communications and information services, depreciation and amortization and other operating expenses. We refer to all of these expenses as non-compensation expenses. We incurred significant additional non-compensation expenses in 2007 associated with compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

## **Table of Contents**

### *Other Expenses*

Other Expenses include stock-based compensation costs associated with the May 2007 Follow-On Offering, a charge associated with deferred consideration pursuant to the Braveheart Sale and Purchase Agreement in 2008, amortization of intangibles associated with the acquisition of Protego and Braveheart and Special Charges in connection with the 2008 write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office.

### *Provision for Income Taxes*

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities.

### *Minority Interest*

We record significant minority interest relating to the ownership interest of our Senior Managing Directors and their estate planning vehicles in Evercore LP as well as the portion of PCB not owned by Evercore. Evercore Partners Inc. is the sole general partner of Evercore LP. Accordingly, although Evercore Partners Inc. has a minority economic interest in Evercore LP, it has a majority voting interest and controls the management of Evercore LP. As a result, Evercore Partners Inc. consolidates Evercore LP and records a minority interest for the economic interest in Evercore LP held by the Members.

During the six months ended June 30, 2007, the vesting of additional Evercore LP partnership units in concurrence with the Follow-On Offering resulted in an increase in the minority interest relating to the ownership interest of our Senior Managing Directors and their estate planning vehicles in Evercore LP. This was offset by the exchange of our Class A common stock for Evercore LP partnership units and the purchase of additional Evercore LP partnership units by us in conjunction with the Follow-On Offering.

## **Results of Operations**

Following is a discussion of our results of operations for the three and six months ended June 30, 2008 and 2007. For a more detailed discussion of the factors that affected the revenue and operating expenses of our Advisory and Investment Management business segments in these periods, see the discussion in *Business Segments* below.

**Table of Contents**

Operating Expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segments and b) non-compensation expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Other Expenses include stock-based compensation costs associated with the May 2007 Follow-On Offering, a charge associated with deferred consideration pursuant to the Braveheart Sale and Purchase Agreement in 2008, amortization of intangibles associated with the acquisition of Protego and Braveheart and Special Charges in connection with the 2008 write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office.

|  | Three Months Ended June 30, |                    |              | Six Months Ended June 30, |                    |              |
|--|-----------------------------|--------------------|--------------|---------------------------|--------------------|--------------|
|  | 2008                        | 2007               | % Change     | 2008                      | 2007               | % Change     |
| (dollars in thousands)   |                             |                    |              |                           |                    |              |
| <b>REVENUES</b>  |                             |                    |              |                           |                    |              |
| Advisory Revenue   | \$ 57,731                   | \$ 56,846          | 2%           | \$ 98,423                 | \$ 140,792         | (30)%        |
| Investment Management Revenue                                  | 1,790                       | 7,923              | (77)%        | 4,364                     | 12,526             | (65)%        |
| Interest Income and Other Revenue                              | 7,709                       | 4,724              | 63%          | 14,923                    | 8,019              | 86%          |
| <b>TOTAL REVENUES</b>  | <b>67,230</b>               | <b>69,493</b>      | <b>(3)%</b>  | <b>117,710</b>            | <b>161,337</b>     | <b>(27)%</b> |
| Interest Expense   | 7,112                       | 3,581              | 99%          | 13,104                    | 5,929              | 121%         |
| <b>NET REVENUES</b>  | <b>60,118</b>               | <b>65,912</b>      | <b>(9)%</b>  | <b>104,606</b>            | <b>155,408</b>     | <b>(33)%</b> |
| <b>EXPENSES</b>  |                             |                    |              |                           |                    |              |
| Operating Expenses   | 50,464                      | 39,999             | 26%          | 88,499                    | 101,144            | (13)%        |
| Other Expenses   | 1,785                       | 129,559            | (99)%        | 10,840                    | 133,814            | (92)%        |
| <b>TOTAL EXPENSES</b>  | <b>52,249</b>               | <b>169,558</b>     | <b>(69)%</b> | <b>99,339</b>             | <b>234,958</b>     | <b>(58)%</b> |
| <b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST</b> |                             |                    |              |                           |                    |              |
| Provision for Income Taxes                                     | 7,869                       | (103,646)          | NM           | 5,267                     | (79,550)           | NM           |
| Minority Interest  | 2,461                       | 643                | 283%         | 2,167                     | 5,578              | (61)%        |
| Minority Interest  | 3,352                       | (60,115)           | NM           | 2,009                     | (45,175)           | NM           |
| <b>NET INCOME (LOSS)</b>                                       | <b>\$ 2,056</b>             | <b>\$ (44,174)</b> | <b>NM</b>    | <b>\$ 1,091</b>           | <b>\$ (39,953)</b> | <b>NM</b>    |
| <b>DILUTED NET INCOME (LOSS) PER SHARE</b>                     |                             |                    |              |                           |                    |              |
|  | \$ 0.16                     | \$ (4.68)          | NM           | \$ 0.08                   | \$ (4.98)          | NM           |

As of June 30, 2008, Evercore's total headcount was 303 employees compared with 268 as of June 30, 2007. Evercore's increase in headcount is illustrated as follows:

|                                       | As of June 30, 2008 |                 |                 | Total      | 2007       |
|---------------------------------------|---------------------|-----------------|-----------------|------------|------------|
|                                       | Evercore U.S.       | Evercore Mexico | Evercore Europe |            |            |
| <b>Senior Managing Directors:</b>     |                     |                 |                 |            |            |
| Advisory                              | 17                  | 6               | 7               | 30         | 22         |
| Investment Management                 | 6                   | 1               | 1               | 8          | 10         |
| Corporate                             | 3                   |                 |                 | 3          | 3          |
| Other Professionals and Support Staff | 142                 | 102             | 18              | 262        | 233        |
| <b>Total</b>                          | <b>168</b>          | <b>109</b>      | <b>26</b>       | <b>303</b> | <b>268</b> |



**Table of Contents*****Three Months Ended June 30, 2008 versus June 30, 2007***

Net revenue was \$60.1 million in the three months ended June 30, 2008; a decrease of \$5.8 million, or 9%, versus net revenue of \$65.9 million in the three months ended June 30, 2007. During the three months ended June 30, 2008, Advisory revenue was \$57.7 million, an increase of \$0.9 million or 2% versus revenue of \$56.8 million in the three months ended June 30, 2007. Investment Management revenue was \$1.8 million, a decrease of \$6.1 million, or 77%, versus revenue of \$7.9 million in the three months ended June 30, 2007. Interest Income and Other Revenue, net of Interest Expense, was \$0.6 million for the three months ended June 30, 2008, a decrease of \$0.5 million versus the same period in 2007.

Total Operating Expenses were \$50.5 million in the three months ended June 30, 2008 as compared to \$40.0 million in the same period in 2007, a 26% increase. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$38.5 million in the three months ended June 30, 2008, an increase of \$13.2 million, or 52%, versus expense of \$25.3 million in the same period in 2007. The increase from the three months ended June 30, 2007, reflects our plan to maintain competitive compensation levels to retain key personnel. It also reflects the impact of new Senior Managing Directors ( SMD ), hired last year, on 2008 compensation expense, including grants of equity awards at 2007 stock prices. All but one of these new SMDs joined the firm during the second half of last year. Therefore, we had not incurred compensation costs relating to these new SMDs for the three months ended June 30, 2007. In addition, the prior year's second quarter was impacted by Evercore's decision to award a portion of annual bonuses in equity, which vest over time. This served to lower our compensation expense in the second quarter of 2007. Non-compensation expenses as a component of Operating Expenses were \$12.0 million in the three months ended June 30, 2008, a decrease of \$2.8 million, or 19% over non-compensation operating expenses of \$14.7 million in the three months ended June 30, 2007. Non-compensation operating expenses decreased in the three months ended June 30, 2008 as compared to the same period in 2007 primarily as a result of decreases in Professional Fees and Occupancy and Equipment Rental. The decrease in Professional Fees is primarily related to the completion of projects associated with Sarbanes-Oxley compliance as well as renegotiated contracts with vendors. The decrease in Occupancy and Equipment Rental is attributable to a decrease in rent associated with the non-recurrence of duplicate office space occupied in New York during the three months ended June 30, 2007.

Total Other Expenses of \$1.8 million in the three months ended June 30, 2008, relate to Special Charges of \$1.3 million in connection with employee severance and other costs related to the closing of the Los Angeles office and \$0.5 million of charges related to the amortization of intangibles associated with the acquisition of Protego and Braveheart. Total Other Expenses for the three months ended June 30, 2007 include costs incurred for the vesting of Evercore LP Units and stock-based awards associated with the completion of the Follow-On Offering in May 2007 of \$125.9 million and the amortization of intangible assets of \$3.7 million.

The provision for income taxes in the three months ended June 30, 2008 was \$2.5 million, an increase of \$1.8 million versus \$0.6 million in the three months ended June 30, 2007. The increase was primarily due to an increase of \$111.5 million in operating income resulting in operating income of \$7.9 million for the three months ended June 30, 2008 compared to an operating loss of \$(103.6) million for the three months ended June 30, 2007. The effective tax rate was 31.3% for the second quarter of 2008. The normalized effective tax rate increased from 23.9% in the second quarter of 2007 primarily due to the fact that the public company increased its ownership interest in Evercore LP over the period, resulting in a higher percentage of income subject to corporate level federal, state and city taxes in 2008.

Minority interest was \$3.4 million in the three months ended June 30, 2008 compared to \$(60.1) million in the same period in 2007, reflecting net income for the second quarter of 2008.

***Six Months Ended June 30, 2008 versus June 30, 2007***

Net revenue was \$104.6 million in the six months ended June 30, 2008; a decrease of \$50.8 million, or 33%, versus net revenue of \$155.4 million in the six months ended June 30, 2007. During the six months ended June 30, 2008, Advisory revenue was \$98.4 million, a decrease of \$42.4 million or 30% versus revenue of \$140.8

**Table of Contents**

million in the six months ended June 30, 2007. Investment Management revenue was \$4.4 million, a decrease of \$8.2 million, or 65%, versus revenue of \$12.5 million in the six months ended June 30, 2007. Interest Income and Other Revenue, net of Interest Expense, was \$1.8 million in the six months ended June 30, 2008, a decrease of \$0.3 million versus the same period in 2007.

Total Operating Expenses were \$88.5 million in the six months ended June 30, 2008 as compared to \$101.1 million in the same period in 2007, a 13% decrease. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$64.3 million in the six months ended June 30, 2008, a decrease of \$8.6 million, or 12%, versus expense of \$72.9 million in the same period in 2007. The decrease is primarily due to lower amounts of discretionary compensation reflecting lower revenues in the first six months of 2008, offset by the impact of new SMDs, hired last year, on 2008 compensation expense, including grants of equity awards at 2007 stock prices. Non-compensation expenses as a component of Operating Expenses were \$24.2 million in the six months ended June 30, 2008, a decrease of \$4.1 million, or 14% over non-compensation operating expenses of \$28.3 million in the six months ended June 30, 2007. Non-compensation operating expenses decreased in the six months ended June 30, 2008 as compared to the same period in 2007 primarily as a result of decreases in Professional Fees. The decrease in Professional Fees is primarily related to the completion of projects associated with Sarbanes-Oxley compliance as well as renegotiated contracts with vendors.

Total Other Expenses of \$10.8 million in the six months ended June 30, 2008 relate to Special Charges of \$2.4 million in connection with the write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office, \$7.5 million of deferred consideration pursuant to the Braveheart Sale and Purchase Agreement and amortization of intangibles associated with the acquisition of Protego and Braveheart of \$1.0 million. Total Other Expenses for the six months ended June 30, 2007 include costs incurred for the vesting of Evercore LP Units and stock-based awards associated with the completion of the Follow-On Offering in May 2007 of \$125.9 million and the amortization of intangible assets of \$7.9 million.

The provision for income taxes in the six months ended June 30, 2008 was \$2.2 million, a decrease of \$3.4 million versus \$5.6 million in the six months ended June 30, 2007. The decrease was primarily due to the fact that there were no non-deductible compensation items related to the Follow-On Offering in 2008, which significantly increased the 2007 tax expense in the prior year. The effective tax rate was 41.2% for the first half of 2008 as a result of certain adjustments; however, the effective tax rate excluding these adjustments would have been approximately 31.0%. The normalized 31.0% effective tax rate increased from the normalized 19.4% effective tax rate in the first half of 2007 primarily due to the fact that the public company increased its ownership interest in Evercore LP over the period; therefore a higher percentage of income was subject to corporate level federal, state and city taxes in 2008. For the full year ended December 31, 2008, the effective tax rate is expected to be approximately 33%.

Minority interest was \$2.0 million in the three months ended June 30, 2008 compared to \$(45.2) million in the same period in 2007, reflecting net income for the second quarter of 2008.

**Business Segments**

The following data presents revenue, expenses and contributions by business segment. Each segment's Operating Expenses include: (1) compensation and benefits expense incurred directly in support of the businesses of the segment (2) non-compensation expenses, which include directly incurred expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services and equipment and (3) an allocation of indirect support costs (including compensation and other operating expenses related thereto) for administrative services. These administrative services include certain accounting, tax, legal, facilities management and senior management activities. Such support costs are allocated to the relevant segments based on various statistics such as headcount, square footage, transactional volume and revenue. Corporate level Operating Expenses for prior periods have been allocated to their appropriate business segments to conform to the current presentation. Other Expenses include stock-based compensation costs associated with the May 2007 Follow-On Offering,

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**Table of Contents**

charge associated with deferred consideration pursuant to the Braveheart Sale and Purchase Agreement in 2008, amortization of intangibles associated with the acquisition of Protego and Braveheart and Special Charges in connection with the 2008 write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office.

**Advisory**

The following table summarizes the operating results of the Advisory segment.

|  | Three Months Ended |                    |              | Six Months Ended |                    |              |
|--|--------------------|--------------------|--------------|------------------|--------------------|--------------|
|  | 2008               | June 30,<br>2007   | % Change     | 2008             | June 30,<br>2007   | % Change     |
| (dollars in thousands)                 |                    |                    |              |                  |                    |              |
| <b>ADVISORY REVENUES</b>               |                    |                    |              |                  |                    |              |
| Advisory Revenue                       | \$ 57,731          | \$ 56,846          | 2%           | \$ 98,423        | \$ 140,792         | (30)%        |
| Interest Income and Other Revenue, Net | 727                | 804                | (10)%        | 1,509            | 1,382              | 9%           |
| <b>NET ADVISORY REVENUES</b>           | <b>58,458</b>      | <b>57,650</b>      | <b>1%</b>    | <b>99,932</b>    | <b>142,174</b>     | <b>(30)%</b> |
| <b>ADVISORY EXPENSES</b>               |                    |                    |              |                  |                    |              |
| Operating Expenses                     | 43,573             | 32,051             | 36%          | 74,668           | 85,095             | (12)%        |
| Other Expenses                         | 475                | 101,201            | (100)%       | 8,403            | 105,456            | (92)%        |
| <b>TOTAL ADVISORY EXPENSES</b>         | <b>44,048</b>      | <b>133,252</b>     | <b>(67)%</b> | <b>83,071</b>    | <b>190,551</b>     | <b>(56)%</b> |
| <b>ADVISORY CONTRIBUTION</b>           | <b>\$ 14,410</b>   | <b>\$ (75,602)</b> | <b>NM</b>    | <b>\$ 16,861</b> | <b>\$ (48,377)</b> | <b>NM</b>    |

For the three and six months ended June 30, 2008, the level of merger and acquisition ( M&A ) activity was lower than for the three and six months ended June 30, 2007, as evidenced by the following industry statistics regarding the volume of transactions:

|  | Three Months ended |          | Six Months ended |          |
|--|--------------------|----------|------------------|----------|
|  | June 30,<br>2008   | 2007     | June 30,<br>2008 | 2007     |
| <b>Industry Statistics (\$ in billions) *</b>      |                    |          |                  |          |
| Value of North American M&A Deals Announced        | \$ 481             | \$ 685   | \$ 654           | \$ 1,113 |
| Value of North American M&A Deals Completed        | \$ 214             | \$ 445   | \$ 459           | \$ 924   |
| Value of Global M&A Deals Announced                | \$ 887             | \$ 1,443 | \$ 1,565         | \$ 2,383 |
| Value of Global M&A Deals Completed                | \$ 542             | \$ 951   | \$ 1,324         | \$ 1,827 |
| <b>Evercore Statistics **</b>                      |                    |          |                  |          |
| Total Number of Advisory Clients                   | 75                 | 68       | 97               | 99       |
| Advisory Clients With Fees of at Least \$1 million | 12                 | 10       | 23               | 19       |

\* Source: Thomson Financial July 18, 2008

\*\* Includes revenue generating clients only

As of June 30, 2008, Evercore's total headcount in its Advisory segment was 193 employees, compared with 153 as of June 30, 2007. Evercore's Advisory headcount is as follows:

As of June 30,  
2008

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|                              | Evercore<br>U.S. | Evercore<br>Mexico | Evercore<br>Europe | Total |     |
|------------------------------|------------------|--------------------|--------------------|-------|-----|
| Senior Managing Directors    | 17               | 6                  | 7                  | 30    | 22  |
| Other Advisory Professionals | 73               | 34                 | 7                  | 114   | 100 |
| Direct Support Staff         | 32               | 10                 | 7                  | 49    | 31  |
| Total                        | 122              | 50                 | 21                 | 193   | 153 |

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**Table of Contents***Advisory Results of Operations****Three Months Ended June 30, 2008 versus June 30, 2007***

Advisory Revenue, including Interest Income and Other Revenue allocated to this segment, was \$58.5 million in the three months ended June 30, 2008 compared to \$57.7 million in the same period in 2007, which represents an increase of 1%. Our U.S. and European Advisory business earned Advisory Revenue from 36 different clients during the three months ended June 30, 2008, compared to 36 different clients during the three months ended June 30, 2007. The dollar value of North American M&A announced transactions decreased from \$685.3 billion for the three months ended June 30, 2007 to \$481.3 billion in the three months ended June 30, 2008 reflecting the challenging conditions in the credit markets and the greater level of uncertainty among management teams and investors. Likewise, non-U.S. transactions declined in the three months ended June 30, 2008. Our Mexican Advisory business earned Advisory Revenue from 39 different clients during the three months ended June 30, 2008, compared to 32 different clients during the three months ended June 30, 2007.

Advisory Operating Expenses were \$43.6 million in the three months ended June 30, 2008, an increase of \$11.5 million, versus expenses of \$32.1 million in the same period for 2007. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$34.1 million as compared to \$21.4 million in the same period for 2007. The increase from the three months ended June 30, 2007, reflects our plan to maintain competitive compensation levels to retain key personnel. It also reflects the impact of new SMDs, hired last year, on 2008 compensation expense, including grants of equity awards at 2007 stock prices. All but one of these new SMDs joined the firm during the second half of last year. Therefore, we had not incurred compensation costs relating to these new SMDs for the three months ended June 30, 2007. In addition, the prior year's second quarter was impacted by Evercore's decision to award a portion of annual bonuses in equity, which vest over time. This served to lower our compensation expense in the second quarter of 2007. Advisory non-compensation expenses, as a component of Operating Expenses, for the three months ended June 30, 2008, were \$9.5 million as compared to \$10.6 million for the three months ended June 30, 2007. Non-compensation operating expenses decreased in the three months ended June 30, 2008 as compared to the same period in 2007 primarily as a result of decreases in Professional Fees and Occupancy and Equipment Rental. The decrease in Professional Fees is primarily related to the completion of projects associated with Sarbanes-Oxley compliance as well as renegotiated contracts with vendors. The decrease in Occupancy and Equipment Rental is attributable to a decrease in rent associated with the non-recurrence of duplicate office space occupied in New York during the three months ended June 30, 2007.

Other Expenses of \$0.5 million in the three months ended June 30, 2008 relate to amortization of intangibles associated with the acquisition of Protego and Braveheart. Other Expenses for the three months ended June 30, 2007 include costs incurred for the vesting of Evercore LP Units and stock-based awards associated with the completion of the Follow-On Offering in May 2007 of \$97.6 million and the amortization of intangible assets of \$3.7 million.

***Six Months Ended June 30, 2008 versus June 30, 2007***

Advisory Revenue, including Interest Income and Other Revenue allocated to this segment, was \$99.9 million in the six months ended June 30, 2008 compared to \$142.2 million in the same period in 2007, which represents a decrease of 30%. U.S. and European Advisory business earned Advisory Revenue from 49 different clients during the six months ended June 30, 2008, compared to 50 different clients during the six months ended June 30, 2007. The dollar value of North American M&A announced transactions decreased from \$1,112.9 billion for the six months ended June 30, 2007 to \$654.5 billion in the six months ended June 30, 2008 reflecting the challenging conditions in the credit markets and the greater level of uncertainty among management teams and investors. In particular, there has been a decrease in the number of large transactions, which has resulted in fewer large transaction fees earned by us in the six months ended June 30, 2008. Likewise, non-U.S. transactions declined in the six months ended June 30, 2008. Our Mexican Advisory business earned Advisory Revenue from 48 different clients during the six months ended June 30, 2008, compared to 49 different clients during the six months ended June 30, 2007.

**Table of Contents**

In the six months ended June 30, 2008, Operating Expenses were \$74.7 million as compared to \$85.1 million in the same period for 2007, a decrease of \$10.4 million, or 12%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$55.2 million as compared to \$64.7 million in the same period for 2007. The decrease is primarily due to lower revenues in the first six months of 2008, offset by the impact of new SMDs, hired last year, on 2008 compensation expense, including grants of equity awards at 2007 stock prices. Advisory non-compensation expenses, as a component of Operating Expenses, for the six months ended June 30, 2008, were \$19.5 million as compared to \$20.4 million for the six months ended June 30, 2007. Non-compensation operating expenses decreased in the six months ended June 30, 2008 as compared to the same period in 2007 primarily as a result of decreases in Professional Fees. The decrease in Professional Fees is primarily related to the completion of projects associated with Sarbanes-Oxley compliance as well as renegotiated contracts with vendors.

Other Expenses of \$8.4 million in the six months ended June 30, 2008 relate to a charge associated with deferred consideration pursuant to the Braveheart Sale and Purchase Agreement of \$7.5 million, as well as amortization of intangibles associated with the acquisition of Protego and Braveheart of \$1.0 million. Other Expenses for the six months ended June 30, 2007 include costs incurred for the vesting of Evercore LP Units and stock-based awards associated with the completion of the Follow-On Offering in May 2007 of \$97.6 million and the amortization of intangible assets of \$7.9 million.

**Investment Management**

The following table summarizes the operating results of the Investment Management segment.

|   | Three Months Ended |                    |            | Six Months Ended   |                    |            |
|---|--------------------|--------------------|------------|--------------------|--------------------|------------|
|   | 2008               | June 30,<br>2007   | % Change   | 2008               | June 30,<br>2007   | % Change   |
| (dollars in thousands)  |                    |                    |            |                    |                    |            |
| <b>PRIVATE EQUITY</b>   |                    |                    |            |                    |                    |            |
| Management Fees Including Portfolio Company Fees                  | \$ 2,022           | \$ 3,472           | (42)%      | \$ 4,000           | \$ 7,106           | (44)%      |
| Realized and Unrealized (Losses) Gains Including Carried Interest | 1,371              | 3,971              | (65)%      | 1,678              | 3,922              | (57)%      |
|   | 3,393              | 7,443              | (54)%      | 5,678              | 11,028             | (49)%      |
| <b>PUBLIC SECURITIES</b>  |                    |                    |            |                    |                    |            |
| Management Fees   | 364                | 243                | 50%        | 727                | 377                | 93%        |
| Realized and Unrealized Gains (Losses) Including Performance Fees | (1,967)            | 237                | NM         | (2,041)            | 1,121              | NM         |
|   | (1,603)            | 480                | NM         | (1,314)            | 1,498              | NM         |
| Interest Income and Other Revenue                                 | 6,977              | 3,827              | 82%        | 13,369             | 6,544              | 104%       |
| TOTAL INVESTMENT MANAGEMENT REVENUES                              | 8,767              | 11,750             | (25)%      | 17,733             | 19,070             | (7)%       |
| Interest Expense  | 7,107              | 3,488              | 104%       | 13,059             | 5,836              | 124%       |
| NET INVESTMENT MANAGEMENT REVENUES                                | 1,660              | 8,262              | (80)%      | 4,674              | 13,234             | (65)%      |
| <b>INVESTMENT MANAGEMENT EXPENSES</b>                             |                    |                    |            |                    |                    |            |
| Operating Expenses  | 6,891              | 7,948              | (13)%      | 13,831             | 16,049             | (14)%      |
| Other Expenses  | 1,310              | 28,358             | (95)%      | 2,437              | 28,358             | (91)%      |
| TOTAL INVESTMENT MANAGEMENT EXPENSES                              | 8,201              | 36,306             | (77)%      | 16,268             | 44,407             | (63)%      |
| <b>INVESTMENT MANAGEMENT LOSS</b>                                 | <b>\$ (6,541)</b>  | <b>\$ (28,044)</b> | <b>77%</b> | <b>\$ (11,594)</b> | <b>\$ (31,173)</b> | <b>63%</b> |



**Table of Contents***Investment Management Results of Operations*

Our private equity funds earn management fees of 2% on Committed Capital during their investment period and 1% of Invested Capital thereafter. For the six months ended June 30, 2008, management fee calculations were based on \$62.0 million of Committed Capital and \$501.0 million of Invested Capital. For the six months ended June 30, 2007, the management fee was based on \$630.8 million of committed capital and \$85.8 million of invested capital. By January 2008, all of our U.S. funds passed beyond the investment period, causing the step down in fees, resulting in a 44% decline in management fees earned for the six months ended June 30, 2008. We expect our fees from the funds invested capital to decline over the remaining life of the funds as the funds continue to exit their portfolio company holdings. However, as the Company raises or sponsors new funds in the future, we would expect to earn fees on any future committed capital.

In addition, the General Partner of ECP II earns carried interest of 20% based on the Fund's performance, provided it generates an 8% preferred return to its limited partners. The Company owns 8%-9% of the carried interest earned by the General Partner of ECP II. As of June 30, 2008, due to realized and unrealized gains in ECP II, ECP II exceeded its performance return requirements. As a result, for the six months ended June 30, 2008, the General Partner earned carried interest of \$1.2 million which resulted in the Company earning \$0.2 million of carried interest.

*Three Months Ended June 30, 2008 versus June 30, 2007*

Net Investment Management Revenue was \$1.7 million in the three months ended June 30, 2008, a decrease of \$6.6 million, or 80%, as compared to \$8.3 million in the same period of 2007. Private Equity revenue, as a component of Investment Management Revenue, was \$3.4 million in the three months ended June 30, 2008, a decrease of \$4.1 million, or 54%, compared to Private Equity revenue of \$7.4 million in the same period in 2007. Private equity revenues declined in the three months ended June 30, 2008 compared to those in the three months ended June 30, 2007 primarily due to the step-down in management fees from 2% of committed capital to 1% of invested capital in accordance with the ECP II partnership agreement in addition to smaller realized and unrealized gains, including carried interest. Public Securities revenue generated \$1.6 million of losses in the three months ended June 30, 2008, compared to revenue of \$0.5 million the same period in 2007. The decrease is attributable to losses in EAM's business and losses on our seed capital investments in EAM's funds, partially offset by increases in fees related to the growth of assets under management in Mexico. Net Interest Income and Other Revenue was \$(0.1) million for the three months ended June 30, 2008, a decrease of \$0.5 million versus the same period in 2007.

Investment Management Operating Expenses were \$6.9 million in the three months ended June 30, 2008, a decrease of \$1.1 million, versus expenses of \$7.9 million in the same period for 2007. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$4.4 million in the three months ended June 30, 2008, a \$0.6 million, or 15% increase compared to the same period in 2007 as a result of our continued investment in personnel and business development in order to sustain, grow and diversify the business. Non-compensation expenses as a component of Operating Expenses in the three months ended June 30, 2008 decreased by \$1.6 million, or 40%, compared to the same period in 2007 as a result of decreases in Professional Fees and Occupancy and Equipment Rental. The decrease in Professional Fees is primarily related to the completion of projects associated with Sarbanes-Oxley compliance as well as renegotiated contracts with vendors. The decrease in Occupancy and Equipment Rental is attributable to a decrease in rent associated with the non-recurrence of duplicate office space occupied in New York during the three months ended June 30, 2007.

Total Other Expenses of \$1.3 million in the three months ended June 30, 2008 primarily relate to Special Charges in connection with employee severance and other costs related to the closing of the Los Angeles office. Other Expenses for the three months ended June 30, 2007 include costs incurred for the vesting of Evercore LP Units and stock-based awards associated with the completion of the Follow-On Offering in May 2007 of \$28.4 million.

**Table of Contents**

***Six Months Ended June 30, 2008 versus June 30, 2007***

Net Investment Management Revenue was \$4.7 million in the six months ended June 30, 2008, a decrease of \$8.6 million, or 65%, as compared to \$13.2 million in the same period of 2007. Private Equity revenue, as a component of Investment Management Revenue, was \$5.7 million in the six months ended June 30, 2008, a decrease of \$5.4 million, or 49%, compared to Private Equity revenue of \$11.0 million in the same period in 2007. Private equity revenues declined in the six months ended June 30, 2008 compared to those in the six months ended June 30, 2007 primarily due to the step-down in management fees from 2% of committed capital to 1% of invested capital in accordance with the ECP II partnership agreement in addition to smaller realized and unrealized gains, including carried interest. Public Securities revenue generated \$1.3 million losses in the six months ended June 30, 2008, compared to revenue of \$1.5 million in the same period in 2007. The decrease is attributable to losses in EAM's business and losses on our direct investment in some of EAM's funds partially offset by increases in fees related to the growth of assets under management in Mexico. Net Interest Income and Other Revenue was \$0.3 million for the six months ended June 30, 2008, a decrease of \$0.4 million versus the same period in 2007.

Investment Management Operating Expenses were \$13.8 million in the six months ended June 30, 2008, a decrease of \$2.2 million, versus expenses of \$16.0 million in the same period for 2007. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$9.1 million in the six months ended June 30, 2008, a \$0.9 million, or 10% increase compared to the same period in 2007 as a result of our continued investment in personnel and business development in order to sustain, grow and diversify the business. Non-compensation expenses as a component of Operating Expenses in the six months ended June 30, 2008 decreased by \$3.1 million, or 39%, compared to the same period in 2007 as a result of decreases in Professional Fees. The decrease in Professional Fees is primarily related to the completion of projects associated with Sarbanes-Oxley compliance as well as renegotiated contracts with vendors.

Total Other Expenses of \$2.4 million in the six months ended June 30, 2008 relate to Special Charges in connection with the write-off of certain capitalized costs associated with ECP III and employee severance and other costs related to the closing of the Los Angeles office. Other Expenses for the six months ended June 30, 2007 include costs incurred for the vesting of Evercore LP Units and stock-based awards associated with the completion of the Follow-On Offering in May 2007 of \$28.4 million.

**Table of Contents****Cash Flows**

Our operating cash flows are primarily influenced by the timing and receipt of advisory and investment management fees, and the payment of operating expenses, including bonuses to our Senior Managing Directors and employees. Our investing and financing cash flows are primarily influenced by activities to deploy capital to fund investments, raise capital through the issuance of stock or debt, payment of dividends and other periodic distributions to our stakeholders. Advisory fees are generally collected within 90 days of billing. Fees from our private equity investment management activities are generally collected over a half year period from billing. The Company traditionally pays a substantial portion of incentive compensation during the first three months of each calendar year with respect to the prior year's results. The Company generally makes dividend payments and other distributions on a quarterly basis. A summary of the Company's operating, investing and financing cash flows is as follows:

|   | <b>Six Months Ended<br/>June 30,</b> |                   |
|---|--------------------------------------|-------------------|
|   | <b>2008</b>                          | <b>2007</b>       |
| <b>(dollars in thousands)</b>                               |                                      |                   |
| <b>Cash Provided By (Used In):</b>                          |                                      |                   |
| Operating activities:                                       |                                      |                   |
| Net income (loss)   | \$ 1,091                             | \$ (39,953)       |
| Noncash charges   | 24,718                               | 83,856            |
| Other operating activities                                  | (44,269)                             | 30,040            |
| Operating activities  | (18,460)                             | 73,943            |
| Investing activities  | (3,712)                              | (5,102)           |
| Financing activities  | (16,622)                             | 10,125            |
| Effect of exchange rate changes                             | 421                                  | 201               |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>(38,373)</b>                      | <b>79,167</b>     |
| <b>Cash and Cash Equivalents:</b>                           |                                      |                   |
| <b>Beginning of Period</b>                                  | <b>193,475</b>                       | <b>65,420</b>     |
| <b>End of Period</b>  | <b>\$ 155,102</b>                    | <b>\$ 144,587</b> |

**Six months ended June 30, 2008**

Cash and Cash Equivalents were \$155.1 million at June 30, 2008, a decrease of \$38.4 million versus Cash and Cash Equivalents of \$193.5 million at December 31, 2007. Operating activities during the six months ended June 30, 2008 resulted in a net outflow of \$18.5 million, principally driven by cash earnings offset by the payment of bonus obligations. Cash of \$3.7 million was used in investing activities primarily to meet the Company's commitment to contribute capital to the Private Equity Funds. Financing activities during the period used cash of \$16.6 million, primarily due to \$9.8 million of distributions to Evercore LP Limited partners, \$4.6 million in Treasury Stock Purchased and dividends paid of \$3.0 million.

**Six months ended June 30, 2007**

Cash and cash equivalents were \$144.6 million at June 30, 2007, an increase of \$79.2 million versus cash and cash equivalents of \$65.4 million at December 31, 2006. Operating activities during the six months ended June 30, 2007 resulted in a net inflow of \$73.9 million. The net inflow from operating activities was principally driven by cash earnings and the decrease in Accounts Receivable of \$29.7 million. Cash of \$5.1 million was used in investing activities, principally for the purchase of furniture, equipment and leasehold improvements and investments. Financing activities during the period provided cash of \$10.1 million driven principally by the inflow of \$42.1 million provided by the Follow-On Offering, which was offset by \$30.3 million used for distributions to Evercore LP Limited partners.

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**Table of Contents**

**Liquidity and Capital Resources**

*General*

Our current assets typically have consisted primarily of Cash and Cash Equivalents and Accounts Receivable in relation to earned advisory fees. Our current liabilities include accrued expenses and employee compensation. We traditionally have made payments for employee bonuses and year-end distributions to partners in the first quarter of the year with respect to the prior year's results. Cash distributions related to partnership tax allocations are made to the partners of Evercore LP in accordance with the Company's corporate estimated payment calendar; these payments are made prior the end of each calendar quarter. In addition, dividends on Class A common shares are paid when and if declared by the Board of Directors, which is generally quarterly.

We regularly monitor our liquidity position, including cash, other significant working capital current assets and liabilities, long-term liabilities, lease commitments, principal investment commitments related to our Investment Management business, dividends on Class A Common shares, partnership distributions and other matters relating to liquidity and compliance with regulatory requirements. Our liquidity is highly dependent on our revenue stream from our operations, principally from our advisory business, which is a function of closing transactions and earning success fees, the timing and realization of which is irregular and dependent upon factors which are not subject to our control. Our revenue stream funds the payment of our expenses, including annual bonus payments and income taxes. Payments made for income taxes may be reduced by deductions taken for the increase in tax basis of the Company's investment in Evercore LP. These tax deductions, when realized, require payment under our long-term liability, Amounts Due Pursuant to Tax Receivable Agreements. The Company intends to fund these payments from cash and cash equivalents on hand, principally derived from cash flows from the operations of the Company. These tax deductions, when realized, will result in cash otherwise required to satisfy tax obligations becoming available for other purposes. Our Management Committee meets regularly to monitor our liquidity and cash positions against our short and long-term obligations as well as our capital commitments. The result of this review contributes to management's recommendation to the Board of Directors as to the level of quarterly dividend payments, if any.

During the second quarter of 2008, our Board of Directors authorized the repurchase of up to \$25.0 million of Evercore Class A Common Stock and/or Evercore LP partnership units. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at any time and does not have a specified expiration date. In addition, periodically, we buy shares into treasury from our employees in order to fund the minimum tax requirements for share deliveries under our share equity plan. During the six months ended June 30, 2008, we repurchased 255,465 shares for \$4.6 million related to share deliveries.

We had total commitments (not reflected on our Unaudited Condensed Consolidated Statements of Financial Condition) relating to future principal investments of \$7.8 million and \$9.1 million as of June 30, 2008 and December 31, 2007, respectively. We expect to fund these commitments with cash flows from operations. We may be required to fund these commitments at any time through December 2017, depending on the timing and level of investments by our Private Equity Funds.

PCB maintains a line of credit with BBVA Bancomer to fund its trading activities on an intra-day and overnight basis. The intra-day facility is approximately \$10.0 million and secured with trading securities. No interest is charged on the intra-day facility. The overnight facility is charged the Inter-Bank Balance Interest Rate plus 10 basis points and is secured with trading securities. There have been no draw downs on PCB's line of credit since August 10, 2006.

Certain of the Company's subsidiaries are registered entities and are subject to capital requirements. For further information see Note 15 Regulatory Authorities.

**Table of Contents***Collateralized Financing Activity at PCB*

PCB enters into repurchase agreements with clients seeking overnight money market returns whereby PCB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. PCB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market or by entering into reverse repurchase agreements with unrelated third parties. We account for these repurchase and reverse repurchase agreements as collateralized financing transactions. We record a liability on our Unaudited Condensed Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. We record as assets on our Unaudited Condensed Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where we have acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to Resell (where we have acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities included in Financial Instruments Owned and Pledged as Collateral at Fair Value on the Condensed Consolidated Statements of Financial Condition have an estimated average time to maturity of approximately 3.5 years and are pledged as collateral against repurchase agreements which are collateralized financing agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by PCB, are generally in overnight maturities and permit the counterparty to pledge the securities. Increases and decreases in asset and liability levels related to these transactions are a function of growth in PCB's assets under management as well as clients' investment allocations requiring positioning in repurchase transactions.

PCB has procedures in place to monitor the daily risk limits for positions taken as well as the credit risk based on the collateral pledged under these agreements against their contract value from inception to maturity date. The daily risk measure is Value at Risk (VAR), which is a statistical measure, at a 98% confidence level, of the potential losses from adverse market movements in an ordinary market environment based on a historical simulation using the prior year's historical data. PCB's Risk Management Committee meets monthly to analyze the overall market risk exposure based on positions taken, as well as the credit risk based on the collateral pledged under these agreements against the contract value from inception to maturity date.

As of June 30, 2008 and December 31, 2007, a summary of PCB's assets, liabilities and risk measures related to its collateralized financing activities is as follows:

|   | June 30, 2008 |  | December 31, 2007 |  |
|---|---------------|--|-------------------|--|
|   | Amount        | Market Value of<br>Collateral Received or<br>(Pledged)<br>(dollars in thousands) | Amount            | Market Value of<br>Collateral Received or<br>(Pledged) |
| <b>Assets</b>   |               |  |                   |  |
| Financial Instruments Owned and Pledged as Collateral at Fair Value | \$ 260,477    |  | \$ 226,868        |  |
| Securities Purchased Under Agreements to Resell                     | 145,015       | \$ 145,011   | 58,834            | \$ 58,641  |
| Total Assets  | 405,492       |  | 285,702           |  |
| <b>Liabilities</b>  |               |  |                   |  |
| Securities Sold Under Agreements to Repurchase                      | (405,933)     | \$ (405,488)   | (285,864)         | \$ (285,508)   |
| Net Assets (Liabilities)  | \$ (441)      |  | \$ (162)          |  |
| <b>Risk Measures</b>  |               |  |                   |  |
| Value at Risk   | \$ 50         |  | \$ 20             |  |
| Sensitivity to a 100 basis point increase in the interest rate      | \$ (870)      |  | \$ (840)          |  |
| Sensitivity to a 100 basis point decrease in the interest rate      | \$ 900        |  | \$ 860            |  |



## **Table of Contents**

We do not use derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions.

### **Contractual Obligations**

In conjunction with the lease of office space in New York and San Francisco, the Company has entered into unsecured letters of credit in the amounts of \$4.9 million.

As of June 30, 2008, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority, hence, per FIN 48, unrecognized tax benefits have been excluded from the above commitment and contractual obligations.

As of June 30, 2008, we estimate the contractual obligations related to the Tax Receivable Agreements (as noted the Company's Annual Report on Form 10-K for the year ended December 31, 2007) to be \$39.1 million. We expect to pay to the counterparties to the Tax Receivable Agreement \$1.2 million within one year or less, \$8.1 million in one to three years, \$7.6 million in three to five years and \$22.1 million after five years.

### **Off-Balance Sheet Arrangements**

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

### **Market Risk and Credit Risk**

The Company, in general, is not a capital-intensive organization and as such, is not subject to significant market or credit risks. Nevertheless, we have established procedures to assess both the market and credit risk, as well as specific investment risk, exchange rate risk and credit risk related to receivables.

#### *Market and Investment Risk*

##### **Private Equity Funds**

Through our principal investments in our private equity funds and our ability to earn carried interest from these funds, we face exposure to changes in the estimated fair value of the companies in which these funds invest. The Company's professionals devote considerable time and resources to work closely with the portfolio company's management to assist in designing a business strategy, allocating capital and other resources and evaluating expansion or acquisition opportunities. On a quarterly basis, we perform a comprehensive analysis and valuation of all of the portfolio companies. Our analysis includes reviewing the current market conditions and valuations of each portfolio company.

We estimate that a hypothetical 10% adverse change in the value of the private equity funds would result in a decrease in pre-tax income of approximately \$2.4 million.

##### **Asset Management**

The Company maintains an equity interest in EAM of 32.7% and also invests in funds managed by EAM. The funds managed by EAM principally hold readily-marketable investment securities. EAM is an institutional investment management firm that manages deep value investments in small- and mid-capitalization companies. As of June 30, 2008, the fair value of the Company's investments with EAM, based on closing prices, was \$4.9 million.

We estimate that a hypothetical 10% adverse change in the market value of the investments would have resulted in a decrease in pre-tax income of approximately \$0.5 million for the three months ended June 30, 2008.

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**Table of Contents**

PCB

See the Liquidity and Capital Resources section of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) for a discussion of collateralized financing transactions at PCB.

*Exchange Rate Risk*

We have foreign operations in Mexico and the United Kingdom; their respective functional currencies are the Mexican peso and British pound sterling. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact to the Company's financial results. A significant portion of the Company's Latin American revenues have been, and will continue to be, derived from contracts denominated in Mexican pesos and Evercore Europe's revenue and expenses are denominated primarily in British pounds sterling and euro. Historically, the value of these foreign currencies has fluctuated relative to the U.S. dollar. For the six months ended June 30, 2008, the net impact of the fluctuation of foreign currencies recorded in Accumulated Other Comprehensive Income was \$0.3 million. It is currently not our intention to hedge our foreign currency exposure and we will reevaluate this policy from time to time. We do not believe normal fluctuations in foreign currency exchange rates will have a material effect on our financial condition, results of operations or liquidity of the Company.

*Credit Risks*

Accounts Receivable consists primarily of advisory fees and expense reimbursements billed to our clients. Receivables are reported net of any allowance for doubtful accounts. We maintain an allowance for bad debts to provide coverage for probable losses from our customer receivables and derive the estimate through specific identification for the allowance for doubtful accounts and an assessment of the client's creditworthiness. As of June 30, 2008 and December 31, 2007, total receivables amounted to \$25.6 million and \$47.7 million, respectively, net of an allowance. The Advisory and Investment Management receivables collection periods generally are within 90 days of invoice. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. The Company recorded minimal bad debt expense for the six months ended June 30, 2008 and 2007, respectively.

See the Liquidity and Capital Resources section of the MD&A for a discussion of collateralized financing transactions at PCB.

**Critical Accounting Policies and Estimates**

The unaudited condensed consolidated financial statements included in this report are prepared in conformity with U.S. GAAP, which require management to make estimates and assumptions regarding future events that affect the amounts reported in our unaudited condensed consolidated financial statements and their notes, including reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base these estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates. For a complete discussion of our critical accounting policies and estimates, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

*Recently Issued Accounting Standards*

*SFAS 141(R)* In December 2007, the FASB issued SFAS 141(R). SFAS 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement

## **Table of Contents**

objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS 141(R) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

*SFAS 160* In December 2007, the FASB issued SFAS 160, which amends ARB 51. SFAS 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently assessing the impact of SFAS 160 on our financial condition, results of operations and cash flows.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk Risk Management**

See Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risk and Credit Risk. We do not believe we face any material interest rate risk, foreign currency exchange risk, equity price risk or other market risk except as disclosed.

### **Item 4. Controls and Procedures Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

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

### **Changes in Internal Controls over Financial Reporting**

During the three months ended June 30, 2008, we have not made any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The statements contained in Exhibits 31.1 and 31.2 to this Form 10-Q should be considered in light of, and read together with, the information set forth in this Item 4.

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**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings***General*

In the normal course of business, from time to time the Company and its affiliates may be involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. In addition, Mexican, United Kingdom and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

The Company contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, and except for the pending matter described in the paragraphs below, the Company believes, based on current knowledge and after consultation with counsel, that the outcome of the pending matters will not have a material adverse effect on the consolidated financial condition of the Company, although the outcome of such matters could be material to the Company's operating results and cash flows for a particular future period, depending on, among other things, the level of the Company's revenues or income for such period. Legal reserves are established in accordance with SFAS 5. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

Additionally, in the past, the Company or its present personnel have been named as a defendant in civil litigation matters involving present or former clients.

*In re High Voltage Engineering Corp. ( High Voltage ) in the U.S. Bankruptcy Court for the District of Massachusetts and Stephen S. Gray, Trustee ( Trustee ) of The High Voltage Engineering Liquidating Trust. v. Evercore Restructuring L.P. Evercore Restructuring L.L.C (collectively, Evercore Restructuring ) et al., in the United States District Court of Massachusetts.*

In 2003, High Voltage engaged Evercore Restructuring to assist in its restructuring efforts. During the engagement, Evercore Restructuring assisted High Voltage in negotiating a restructuring plan and related financing. During the period of engagement, which ended in August 2004, High Voltage filed for Chapter 11 bankruptcy protection and later emerged from bankruptcy with new financing. However, in February 2005, High Voltage again filed for Chapter 11 bankruptcy protection. In July 2006, as part of the second bankruptcy proceeding, High Voltage's businesses were sold and its creditors were repaid in full out of the proceeds of the sale. In addition, the Trustee conducted an informal investigation into the causes of the second bankruptcy and the knowledge of professionals who assisted High Voltage in its first bankruptcy.

On August 15, 2006, Stephen S. Gray, as trustee of the High Voltage Engineering Liquidating Trust (the Plaintiff ), filed a motion in the bankruptcy court seeking to undo an order entered in November 2004 approving \$2.34 million in fees and expenses for Evercore Restructuring's services, alleging, among other matters, that Evercore Restructuring should have known that the projections prepared by High Voltage in connection with the first bankruptcy proceedings were inaccurate. On September 8, 2006, Evercore Restructuring responded in the bankruptcy court denying the factual allegations and asserting a variety of legal bases to deny the request. In January 2007, the bankruptcy court decided in favor of Evercore Restructuring and denied the Plaintiff's motion. In September 2007, the United States District Court affirmed the decision. Plaintiff filed a notice of appeal to the Court of Appeals for the First Circuit. The parties are in the process of briefing the appeal. No decision has been issued.

**Table of Contents**

In addition, on August 15, 2006, the same Plaintiff filed a complaint against Evercore Restructuring and Jefferies & Company, Inc. in the United States District Court of Massachusetts. The Plaintiff's complaint asserts claims against Evercore Restructuring for gross negligence and breach of fiduciary duty in connection with the High Voltage engagement. In September 2007, the District Court granted Evercore Restructuring judgment on the pleadings. Plaintiff filed a notice of appeal to the Court of Appeals for the First Circuit. The parties briefed the appeal, and the First Circuit held oral arguments on June 4, 2008. No decision has been issued.

**Item 1A. Risk Factors**

There have not been any material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

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

*Unregistered Sales*

In connection with employment arrangements, the Company granted 125,521 RSUs to employees as part of unregistered transactions pursuant to Section 4(2) of the Securities Act of 1933, as amended.

*Issuer Purchases of Equity Securities*

|                     | Total<br>Number<br>of Shares<br>(or Units)<br>Purchased | Average<br>Price Paid<br>per Share | Total<br>Number of<br>Shares (or<br>Units)<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Program | Maximum<br>Number<br>of Shares<br>(or Units)<br>that May<br>Yet Be<br>Purchased<br>Under the<br>Plans or<br>Program |
|---------------------|---|------------------------------------|---|---|
| <b>2008</b>         |   |                                    |   |   |
| April 1 to April 30 | 212,087   | \$ 18.43                           |   |   |
| May 1 to May 31     |   |                                    |   |   |
| June 1 to June 30   | 8,601   | 9.70                               |   |   |

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

On June 3, 2008, at the Company's Annual Meeting of Stockholders, six nominees for the Board of Directors of the Company were elected to one-year terms. The votes were as follows:

|                          | For        | Withheld  |
|--------------------------|------------|-----------|
| Roger C. Altman          | 23,313,862 | 626,682   |
| Pedro Aspe               | 21,745,400 | 2,195,144 |
| Francois de Saint Phalle | 23,021,765 | 918,779   |
| Gail B. Harris           | 23,200,760 | 739,784   |

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Curt Hessler  
Anthony N. Pritzker

|            |           |
|------------|-----------|
| 22,521,850 | 1,418,694 |
| 22,581,523 | 1,359,021 |

**Table of Contents**

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 31.1                      | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) (filed herewith)   |
| 31.2                      | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) (filed herewith)   |
| 32.1                      | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 32.2                      | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |

**Table of Contents**

**SIGNATURES**

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

Date: August 7, 2008

Evercore Partners Inc.

By: /s/ ROGER C. ALTMAN  
Name: **Roger C. Altman**  
Title: **Chairman and Chief Executive Officer**

By: /s/ ROBERT B. WALSH  
Name: **Robert B. Walsh**  
Title: **Chief Financial Officer**

**Table of Contents**

**Exhibit Index**

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