

Evercore Partners Inc.  
Form 10-Q  
May 06, 2015  
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 March 31, 2015

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)

Delaware 20-4748747  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of April 29, 2015 was 36,426,967. The number of shares of the registrant's Class B common stock, par value \$0.01 per share,

outstanding as of April 29, 2015 was 27 (excluding 73 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.

		Page
<u>Part I. Financial Information</u>		
Item 1.	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
Item 4.	<u>Controls and Procedures</u>	<u>46</u>
<u>Part II. Other Information</u>		
Item 1.	<u>Legal Proceedings</u>	<u>47</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>47</u>
Item 6.	<u>Exhibits</u>	<u>48</u>
<u>Signatures</u>		

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Financial Statements (Unaudited)

	Page
<u>Condensed Consolidated Statements of Financial Condition as of March 31, 2015 and December 31, 2014</u>	4
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014</u>	6
<u>Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2015 and 2014</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014</u>	8
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	9

Table of Contents

EVERCORE PARTNERS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
 (UNAUDITED)

(dollars in thousands, except share data)

	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and Cash Equivalents	\$225,781	\$352,160
Marketable Securities	32,422	37,985
Financial Instruments Owned and Pledged as Collateral at Fair Value	89,026	98,688
Securities Purchased Under Agreements to Resell	5,675	7,669
Accounts Receivable (net of allowances of \$1,352 and \$1,362 at March 31, 2015 and December 31, 2014, respectively)	126,992	136,280
Receivable from Employees and Related Parties	18,547	17,327
Deferred Tax Assets - Current	13,399	13,096
Other Current Assets	27,582	19,751
Total Current Assets	539,424	682,956
Investments	111,461	126,587
Deferred Tax Assets - Non-Current	263,704	265,901
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$36,060 and \$33,980 at March 31, 2015 and December 31, 2014, respectively)	41,425	42,527
Goodwill	215,594	218,232
Intangible Assets (net of accumulated amortization of \$37,617 and \$33,735 at March 31, 2015 and December 31, 2014, respectively)	65,657	69,544
Assets Segregated for Bank Regulatory Requirements	10,200	10,200
Other Assets	41,744	30,609
Total Assets	\$1,289,209	\$1,446,556
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	\$53,147	\$212,334
Accounts Payable and Accrued Expenses	36,681	37,104
Securities Sold Under Agreements to Repurchase	94,758	106,499
Payable to Employees and Related Parties	28,516	18,875
Short-Term Borrowings	45,000	—
Taxes Payable	2,009	2,515
Other Current Liabilities	8,620	7,753
Total Current Liabilities	268,731	385,080
Notes Payable	105,749	105,226
Subordinated Borrowings	22,550	22,550
Amounts Due Pursuant to Tax Receivable Agreements	192,563	191,253
Other Long-term Liabilities	23,937	26,200
Total Liabilities	613,530	730,309
Commitments and Contingencies (Note 15)		
Redeemable Noncontrolling Interest	4,014	4,014
Equity		

Edgar Filing: Evercore Partners Inc. - Form 10-Q

Evercore Partners Inc. Stockholders' Equity

Common Stock

Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 48,579,887 and 46,414,240 issued at March 31, 2015 and December 31, 2014, respectively, and 36,699,326 and 36,255,124 outstanding at March 31, 2015 and December 31, 2014, respectively)	486	464
Class B, par value \$0.01 per share (1,000,000 shares authorized, 27 issued and outstanding at March 31, 2015 and December 31, 2014)	—	—
Additional Paid-In-Capital	990,229	950,147
Accumulated Other Comprehensive Income (Loss)	(24,150	) (20,387 )
Retained Earnings (Deficit)	(27,083	) (17,814 )
Treasury Stock at Cost (11,880,561 and 10,159,116 shares at March 31, 2015 and December 31, 2014, respectively)	(449,180	) (361,129 )
Total Evercore Partners Inc. Stockholders' Equity	490,302	551,281
Noncontrolling Interest	181,363	160,952
Total Equity	671,665	712,233
Total Liabilities and Equity	\$1,289,209	\$1,446,556

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE PARTNERS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

(dollars and share amounts in thousands, except per share data)

	For the Three Months Ended March 31,	
	2015	2014
Revenues		
Investment Banking Revenue	\$217,638	\$128,504
Investment Management Revenue	22,081	21,915
Other Revenue, Including Interest	2,707	2,069
Total Revenues	242,426	152,488
Interest Expense	4,443	3,375
Net Revenues	237,983	149,113
Expenses		
Employee Compensation and Benefits	163,126	91,392
Occupancy and Equipment Rental	12,230	9,484
Professional Fees	9,433	8,511
Travel and Related Expenses	13,170	7,384
Communications and Information Services	8,562	3,373
Depreciation and Amortization	6,401	3,821
Special Charges	5,638	—
Acquisition and Transition Costs	484	100
Other Operating Expenses	7,941	4,334
Total Expenses	226,985	128,399
Income Before Income from Equity Method Investments and Income Taxes	10,998	20,714
Income from Equity Method Investments	1,107	241
Income Before Income Taxes	12,105	20,955
Provision for Income Taxes	6,212	7,563
Net Income	5,893	13,392
Net Income Attributable to Noncontrolling Interest	1,593	2,824
Net Income Attributable to Evercore Partners Inc.	\$4,300	\$10,568
Net Income Attributable to Evercore Partners Inc. Common Shareholders	\$4,300	\$10,568
Weighted Average Shares of Class A Common Stock Outstanding		
Basic	36,725	34,667
Diluted	42,788	41,698
Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders:		
Basic	\$0.12	\$0.30
Diluted	\$0.10	\$0.25
Dividends Declared per Share of Class A Common Stock	\$0.28	\$0.25

See Notes to Unaudited Condensed Consolidated Financial Statements.





Table of Contents

EVERCORE PARTNERS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)  
 (dollars in thousands)

	For the Three Months Ended March 31,	
	2015	2014
Net Income	\$5,893	\$13,392
Other Comprehensive Income (Loss), net of tax:		
Unrealized Gain (Loss) on Marketable Securities and Investments, net	(826	) 969
Foreign Currency Translation Adjustment Gain (Loss), net	(3,814	) 245
Other Comprehensive Income (Loss)	(4,640	) 1,214
Comprehensive Income	1,253	14,606
Comprehensive Income Attributable to Noncontrolling Interest	716	3,057
Comprehensive Income Attributable to Evercore Partners Inc.	\$537	\$11,549

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE PARTNERS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 (UNAUDITED)

(dollars in thousands, except share data)

	For the Three Months Ended March 31, 2015								
	Class A Shares	Common Dollar	Additional Stock Capital	Other Comprehensive Income (Loss)	Accumulated Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Dollars	Noncontrolling Interest	Total Equity
Balance at December 31, 2014	46,414,240	\$464	\$950,147	\$(20,387)	\$(17,814)	(10,159,116)	\$(361,129)	\$160,952	\$712,233
Net Income	—	—	—	—	4,300	—	—	1,593	5,893
Other Comprehensive Income (Loss)	—	—	—	(3,763)	—	—	—	(877)	(4,640)
Treasury Stock Purchases	—	—	—	—	—	(1,721,445)	(88,051)	—	(88,051)
Evercore LP Units Converted into Class A Common Stock	87,100	1	1,549	—	—	—	—	(1,272)	278
Equity-based Compensation Awards	2,078,547	21	36,864	—	—	—	—	25,274	62,159
Dividends and Equivalents	—	—	1,669	—	(13,569)	—	—	—	(11,900)
Noncontrolling Interest (Note 12)	—	—	—	—	—	—	—	(4,307)	(4,307)
Balance at March 31, 2015	48,579,887	\$486	\$990,229	\$(24,150)	\$(27,083)	(11,880,561)	\$(449,180)	\$181,363	\$671,665

	For the Three Months Ended March 31, 2014								
	Class A Shares	Common Dollar	Additional Stock Capital	Other Comprehensive Income (Loss)	Accumulated Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Dollars	Noncontrolling Interest	Total Equity
Balance at December 31, 2013	40,772,434	\$408	\$799,233	\$(10,784)	\$(59,896)	(7,702,900)	\$(226,380)	\$60,577	\$563,158
Net Income	—	—	—	—	10,568	—	—	2,824	13,392
Other Comprehensive Income	—	—	—	981	—	—	—	233	1,214

Edgar Filing: Evercore Partners Inc. - Form 10-Q

Treasury Stock Purchases	—	—	—	—	—	(1,145,772 )	(61,887 )	—	(61,887 )
Evercore LP Units Purchased or Converted into Class A Common Stock	805,492	8	8,841	—	—	—	—	(5,590 )	3,259
Equity-based Compensation Awards	2,139,141	21	42,575	—	—	—	—	—	42,596
Dividends and Equivalents	—	—	1,561	—	(10,406 )	—	—	—	(8,845 )
Noncontrolling Interest (Note 12)	—	—	(3,530 )	—	—	—	—	(1,124 )	(4,654 )
Balance at March 31, 2014	43,717,067	\$437	\$848,680	\$(9,803 )	\$(59,734)	(8,848,672 )	\$(288,267)	\$56,920	\$548,233

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE PARTNERS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)  
 (dollars in thousands)

	For the Three Months Ended March 31,	
	2015	2014
Cash Flows From Operating Activities		
Net Income	\$5,893	\$13,392
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Net Losses on Investments, Marketable Securities and Contingent Consideration	2,341	1,000
Equity Method Investments	4,458	6,736
Equity-Based and Other Deferred Compensation	56,855	27,870
Depreciation, Amortization and Accretion	6,997	4,305
Bad Debt Expense	141	(72)
Deferred Taxes	6,395	7,325
Decrease (Increase) in Operating Assets:		
Marketable Securities	123	99
Financial Instruments Owned and Pledged as Collateral at Fair Value	6,503	(1,932)
Securities Purchased Under Agreements to Resell	1,774	(1,437)
Accounts Receivable	6,917	(5,835)
Receivable from Employees and Related Parties	(1,220)	(2,036)
Other Assets	(16,075)	(22,728)
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(159,026)	(139,299)
Accounts Payable and Accrued Expenses	428	(2,135)
Securities Sold Under Agreements to Repurchase	(8,359)	3,339
Payables to Employees and Related Parties	9,952	(4,883)
Taxes Payable	(507)	(2,521)
Other Liabilities	(2,375)	2,375
Net Cash Provided by (Used in) Operating Activities	(78,785)	(116,437)
Cash Flows From Investing Activities		
Investments Purchased	(54)	(90)
Distributions of Private Equity Investments	6,451	108
Marketable Securities:		
Proceeds from Sales and Maturities	12,812	9,175
Purchases	(8,317)	(6,738)
Loans Receivable	(3,500)	—
Purchase of Furniture, Equipment and Leasehold Improvements	(1,957)	(1,501)
Net Cash Provided by Investing Activities	5,435	954
Cash Flows From Financing Activities		
Issuance of Noncontrolling Interests	291	45
Distributions to Noncontrolling Interests	(4,598)	(1,615)
Short-Term Borrowing	45,000	25,000
Repayment of Short-Term Borrowing	—	(25,000)
Purchase of Treasury Stock and Noncontrolling Interests	(88,051)	(63,363)

Edgar Filing: Evercore Partners Inc. - Form 10-Q

Excess Tax Benefits Associated with Equity-Based Awards	8,470	15,282	
Dividends - Class A Stockholders	(11,900)	(8,845)	)
Net Cash Provided by (Used in) Financing Activities	(50,788)	(58,496)	)
Effect of Exchange Rate Changes on Cash	(2,241)	(410)	)
Net Increase (Decrease) in Cash and Cash Equivalents	(126,379)	(174,389)	)
Cash and Cash Equivalents-Beginning of Period	352,160	298,453	
Cash and Cash Equivalents-End of Period	\$225,781	\$124,064	

SUPPLEMENTAL CASH FLOW DISCLOSURE

Payments for Interest	\$5,391	\$4,378
Payments for Income Taxes	\$1,975	\$4,553
Furniture, Equipment and Leasehold Improvements Accrued	\$202	\$120
Increase in Fair Value of Redeemable Noncontrolling Interest	\$—	\$3,530
Dividend Equivalents Issued	\$1,669	\$1,561
Receipt of Marketable Securities in Settlement of Accounts Receivable	\$—	\$63
Contingent Consideration Accrued	\$1,913	\$817

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1 – Organization

Evercore Partners Inc. and subsidiaries (the “Company”) 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 interest in Evercore LP, a Delaware limited partnership (“Evercore LP”). Subsequent to the Company’s initial public offering, the Company became the sole general partner of Evercore LP. The Company operates from its offices in the United States, the United Kingdom, Mexico, Hong Kong, Canada, Singapore and, through its affiliate G5 Holdings S.A. (“G5 Evercore”), in Brazil.

The Investment Banking business includes the advisory business through which the Company provides advice to clients on significant mergers, acquisitions, divestitures and other strategic corporate transactions, with a particular focus on advising prominent multinational corporations and substantial private equity firms on large, complex transactions. The Company also provides restructuring advice to companies in financial transition, as well as to creditors, shareholders and potential acquirers. In addition, the Company provides its clients with capital markets advice, underwrites securities offerings, raises funds for financial sponsors and provides advisory services focused on secondary transactions for private funds interests. The Investment Banking business also includes the Evercore ISI business through which the Company offers macroeconomic, policy and fundamental equity research and agency-based equity securities trading for institutional investors.

The Investment Management business includes the institutional asset management business through which the Company, directly and through affiliates, manages financial assets for sophisticated institutional investors and provides independent fiduciary services to corporate employee benefit plans and high net-worth individuals, the wealth management business through which the Company provides investment advisory and wealth management services for high net-worth individuals and associated entities, and the private equity business through which the Company, directly and through affiliates, manages private equity funds.

Note 2 – Significant Accounting Policies

For a complete discussion of the Company’s accounting policies, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

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, the unaudited condensed consolidated financial statements contain certain condensed financial information and exclude certain footnote disclosures normally included in audited consolidated financial statements prepared in accordance with accounting principles generally accepted 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 consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2014. The December 31, 2014 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 periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2015.

The unaudited condensed consolidated financial statements of the Company are comprised of the consolidation of Evercore LP and Evercore LP’s wholly-owned and majority-owned direct and indirect subsidiaries, including Evercore Group L.L.C. (“EGL”) and International Strategy & Investment Group L.L.C. (“ISI L.L.C.”), registered broker-dealers in the U.S. The Company’s policy is to consolidate all subsidiaries in which it has a controlling financial interest, as well as any variable interest entities (“VIEs”) where the Company is deemed to be the primary beneficiary, when it has

the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE, except for certain VIEs that qualify for accounting purposes as investment companies. The Company reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment is a VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In February 2010, Accounting Standards Update (“ASU”) No. 2010-10, “Amendments for Certain Investment Funds”, was issued. This ASU defers the application of the revised consolidation rules for a reporting entity’s interest in an entity if certain conditions are met, including if the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance. Generally, the Company would consolidate those entities when it absorbs a majority of the expected losses or a majority of the expected residual returns, or both, of the entities.

For entities (principally funds) that the Company has concluded are not VIEs, the Company then evaluates whether the fund is a partnership or similar entity. If the fund is a partnership or similar entity, the Company evaluates the fund under the partnership consolidation guidance. Pursuant to that guidance, the Company consolidates funds in which it is the general partner and/or manages through a contract, unless presumption of control by the Company can be overcome. This presumption is overcome only when unrelated investors in the fund have the substantive ability to liquidate the fund or otherwise remove the Company as the general partner without cause, based on a simple majority vote of unaffiliated investors, or have other substantive participating rights. If the presumption of control can be overcome, the Company accounts for its interest in the fund pursuant to the equity method of accounting.

All intercompany balances and transactions with the Company’s subsidiaries have been eliminated upon consolidation.  
Note 3 – Recent Accounting Pronouncements

ASU 2014-08 – In April 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” (“ASU 2014-08”). ASU 2014-08 provides amendments to Accounting Standards Codification (“ASC”) No. 205, “Presentation of Financial Statements”, and ASC 360, which change the requirements for reporting discontinued operations. The amendments in this update improve the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. The amendments also require expanded disclosures for discontinued operations and also require an entity to disclose the pretax profit or loss (or change in net assets for a not-for-profit entity) of an individually significant component of an entity that does not qualify for discontinued operations reporting. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2014, with early adoption permitted. The adoption of ASU 2014-08 did not have a material impact on the Company’s financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2014-09 – In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 provides amendments to ASC No. 605, “Revenue Recognition”, and creates ASC No. 606, “Revenue from Contracts with Customers”, which changes the requirements for revenue recognition and amends the disclosure requirements. The amendments in this update are effective either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption, during interim and annual periods beginning after December 15, 2017, with early adoption permitted beginning after December 15, 2016. The Company is currently assessing the impact of the adoption of this update on the Company’s financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2014-11 – In June 2014, the FASB issued ASU No. 2014-11, “Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures” (“ASU 2014-11”). ASU 2014-11 provides amendments to ASC No. 806, “Transfers and Servicing”, which expand secured borrowing accounting for certain repurchase agreements and require that in a repurchase financing arrangement the repurchase agreement be accounted for separately from the initial transfer of the financial asset. The amendments also require additional disclosures for certain transactions accounted for as sale and repurchase agreements, and for securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings. The amendments in this update for the additional disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings are



effective prospectively during annual periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015, and all other amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2014, with early adoption not permitted. The adoption of ASU 2014-11 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto. ASU 2014-12 – In June 2014, the FASB issued ASU No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (“ASU 2014-12”). ASU 2014-12 provides amendments to ASC No. 718, “Compensation - Stock Compensation”, which clarify the guidance for whether to treat a performance target that could be achieved after the requisite service period as a performance

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update are effective either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2014-17 – In November 2014, the FASB issued ASU No. 2014-17, “Pushdown Accounting” (“ASU 2014-17”). ASU 2014-17 provides amendments to ASC No. 805, “Business Combinations”, which provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The amendments in this update were effective on November 18, 2014. The adoption of ASU 2014-17 did not have a material impact on the Company’s financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-01 – In January 2015, the FASB issued ASU No. 2015-01, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items” (“ASU 2015-01”). ASU 2015-01 provides amendments to ASC No. 225-20, “Income Statement - Extraordinary and Unusual Items”, which eliminate the concept of extraordinary items. The amendments in this update are effective either prospectively or retrospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-02 - In February 2015, the FASB issued ASU No. 2015-02, “Amendments to the Consolidation Analysis” (“ASU 2015-02”). ASU 2015-02 provides amendments to ASC No. 810, “Consolidation”, which include the following: 1. Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, 2. Eliminate the presumption that a general partner should consolidate a limited partnership, 3. Affect the consolidation analysis of reporting entities that are involved with VIEs, and 4. Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this update are effective during interim and annual periods beginning after December 15, 2015, with early adoption permitted, and may be applied retrospectively or using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-03 – In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 provides amendments to Subtopic 835-30, “Interest - Imputation of Interest”, which require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective retrospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

Note 4 – Acquisition and Transition Costs, Special Charges and Intangible Asset Amortization  
Acquisition and Transition Costs

The Company recognized \$484 and \$100 for the three months ended March 31, 2015 and 2014, respectively, as Acquisition and Transition Costs incurred in connection with acquisitions and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services.

Special Charges

The Company recognized \$5,638 for the three months ended March 31, 2015, as Special Charges incurred related to separation benefits and costs associated with the termination of certain contracts within the Company's Evercore ISI business, and the finalization of a matter associated with the wind-down of the Company's U.S. Private Equity business.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Intangible Asset Amortization

Expense associated with the amortization of intangible assets for Investment Banking and Investment Management was \$2,944 and \$938, respectively, for the three months ended March 31, 2015 and \$164 and \$1,764, respectively, for the three months ended March 31, 2014, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations.

## Note 5 – Related Parties

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 \$1,213 and \$1,145 for the three months ended March 31, 2015 and 2014, respectively.

Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition includes the long-term portion of loans receivable from certain employees of \$11,574 and \$10,484 as of March 31, 2015 and December 31, 2014, respectively.

As of March 31, 2015, the Company had \$22,550 in subordinated borrowings with an executive officer of the Company. See Note 10 for further information.

## Note 6 – Marketable Securities

The amortized cost and estimated fair value of the Company's Marketable Securities as of March 31, 2015 and December 31, 2014 were as follows:

	March 31, 2015				December 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Investments	\$6,390	\$10	\$3,265	\$3,135	\$6,354	\$11	\$2,173	\$4,192
Debt Securities Carried by EGL	27,628	77	—	27,705	28,014	80	3	28,091
Mutual Funds	1,292	319	29	1,582	4,765	1,053	116	5,702
Total	\$35,310	\$406	\$3,294	\$32,422	\$39,133	\$1,144	\$2,292	\$37,985

Scheduled maturities of the Company's available-for-sale debt securities within the Securities Investments portfolio as of March 31, 2015 and December 31, 2014 were as follows:

	March 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$202	\$203	\$303	\$305
Due after one year through five years	1,351	1,358	1,229	1,236
Due after five years through 10 years	115	116	100	101
Total	\$1,668	\$1,677	\$1,632	\$1,642

Since the Company has the ability and intent to hold available-for-sale securities until a recovery of fair value is equal to an amount approximating its amortized cost, which may be at maturity, and has not incurred credit losses on its securities, it does not consider such unrealized loss positions to be other-than-temporarily impaired at March 31, 2015.

## Securities Investments

Securities Investments include equity and debt securities, which are classified as available-for-sale securities within Marketable Securities on the Unaudited Condensed Consolidated Statements of Financial Condition. These securities are stated at fair value with unrealized gains and losses included in Accumulated Other Comprehensive Income (Loss) and realized gains and losses included in earnings. The Company had net realized gains (losses) of (\$11) and \$15 for the three months ended March 31, 2015 and 2014, respectively.



Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Debt Securities Carried by EGL

EGL invests in a fixed income portfolio consisting primarily of municipal bonds. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest, on the Unaudited Condensed Consolidated Statements of Operations, as required for broker-dealers in securities. The Company had net realized and unrealized losses of (\$123) and (\$99) for the three months ended March 31, 2015 and 2014, respectively.

## Mutual Funds

The Company invests in a portfolio of mutual funds as an economic hedge against the Company's deferred compensation program. See Note 14 for further information. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest, on the Unaudited Condensed Consolidated Statements of Operations. The Company had net realized and unrealized gains of \$160 and \$112 for the three months ended March 31, 2015 and 2014, respectively.

## 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 Evercore Casa de Bolsa, S.A. de C.V. ("ECB"), enters into repurchase agreements with clients seeking overnight money market returns whereby ECB 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. ECB 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, which are carried at their contract amounts, which approximate fair value given that the contracts generally mature the following business day. 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 had an estimated average time to maturity of approximately 1.0 years, as of March 31, 2015, and are pledged as collateral against repurchase 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 ECB and permit the counterparty to pledge the securities.

As of March 31, 2015 and December 31, 2014, a summary of the Company's assets, liabilities and collateral received or pledged related to these transactions was as follows:

	March 31, 2015		December 31, 2014	
	Asset (Liability) Balance	Market Value of Collateral Received or (Pledged)	Asset (Liability) Balance	Market Value of Collateral Received or (Pledged)
Assets				
Financial Instruments Owned and Pledged as Collateral at Fair Value	\$89,026		\$98,688	
Securities Purchased Under Agreements to Resell	5,675	\$ 5,685	7,669	\$ 7,671

Edgar Filing: Evercore Partners Inc. - Form 10-Q

Total Assets	\$94,701			\$106,357				
Liabilities								
Securities Sold Under Agreements to Repurchase	\$(94,758	)	\$(94,802	)	\$(106,499	)	\$(106,632	)
Note 8 – Investments								

The Company's investments reported on the Unaudited Condensed Consolidated Statements of Financial Condition consist of investments in private equity partnerships, Trilantic Capital Partners ("Trilantic") and other investments in unconsolidated affiliated companies. The Company's investments are relatively high-risk and illiquid assets.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Company's investments in private equity partnerships consist of investment interests in private equity funds which are voting interest entities. Realized and unrealized gains and losses on the private equity investments are included within Investment Management Revenue, as the Company considers this activity integral to its Private Equity business.

The Company also has investments in G5 Evercore and ABS Investment Management, LLC ("ABS"), which are voting interest entities. The Company's share of earnings (losses) on its investments in G5 Evercore and ABS are included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Investments in Private Equity

Private Equity Funds

The Company's investments related to private equity partnerships and associated entities include investments in Evercore Capital Partners II, L.P. ("ECP II"), Discovery Americas I, L.P. (the "Discovery Fund"), Evercore Mexico Capital Partners II, L.P. ("EMCP II"), Evercore Mexico Capital Partners III, L.P. ("EMCP III"), CSI Capital, L.P. ("CSI Capital"), Trilantic Capital Partners Associates IV, L.P. ("Trilantic IV") and Trilantic Capital Partners V, L.P. ("Trilantic V"). Portfolio holdings of the private equity funds are carried at fair value. Accordingly, the Company reflects its pro rata share of the unrealized gains and losses occurring from changes in fair value. Additionally, the Company reflects its pro rata share of realized gains, losses and carried interest associated with any investment realizations.

On December 31, 2014, ECP II was terminated. The Company's investment at March 31, 2015 of \$1,034 is comprised of remaining interest in the general partner, including \$778 in cash, \$78 in cash escrow balances, \$66 in a seller note and \$112 in securities.

In 2013, the Company held a fourth and final closing on EMCP III, a private equity fund focused on middle market investments in Mexico. The total subscribed capital commitments of \$201,000 included a capital commitment of \$10,750 by the general partner of EMCP III, Evercore Mexico Partners III ("EMP III"), of which \$1,000 relates to the Company and \$9,750 relates to noncontrolling interest holders. At March 31, 2015, unfunded commitments of EMP III were \$4,676, including \$429 due from the Company.

A summary of the Company's investment in the private equity funds as of March 31, 2015 and December 31, 2014 was as follows:

	March 31, 2015	December 31, 2014
ECP II	\$1,034	\$4,043
Discovery Fund	3,454	2,867
EMCP II	8,763	12,630
EMCP III	6,998	7,272
CSI Capital	264	3,030
Trilantic IV	3,415	3,798
Trilantic V	2,932	2,911
Total Private Equity Funds	\$26,860	\$36,551

Net realized and unrealized losses on private equity fund investments were (\$489) and (\$61) for the three months ended March 31, 2015 and 2014, respectively. During the three months ended March 31, 2015, ECP II, EMCP II and CSI Capital made distributions of \$3,000, \$3,194 and \$2,750, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of March 31, 2015, the Company had no previously received carried interest that may be subject to repayment.

General Partners of Private Equity Funds which are VIEs

The Company has concluded that Evercore Partners II, L.L.C. ("EP II L.L.C."), the general partner of ECP II, is a VIE pursuant to ASC 810, "Consolidation" ("ASC 810). The Company owns 8%-9% of the carried interest earned by the general partner of ECP II. The Company's assessment of the design of EP II L.L.C. resulted in the determination that



the Company is not acting as an agent for other members of the general partner and is a passive holder of interests in the fund, evidenced by the fact that the Company is a non-voting, non-managing member of the general partner and, therefore, has no authority in

14

---

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

directing the management operations of the general partner. Furthermore, the Company does not have the obligation to absorb significant losses or the right to receive benefits that could potentially have a significant impact to EP II L.L.C. Accordingly, the Company has concluded that it is not the primary beneficiary of EP II L.L.C. and has not consolidated EP II L.L.C. in the Company's unaudited condensed consolidated financial statements.

In 2013, EMP III amended and restated its Limited Partnership Agreement and admitted certain limited partners, which are related parties of the Company. The Company viewed this modification as a reconsideration event under ASC 810-10, "Noncontrolling Interest in Consolidated Financial Statements - an amendment of ARB No. 51," and concluded that EMP III is a VIE and that the Company is the primary beneficiary of this VIE. Specifically, the Company's general partner interests in EMP III provide the Company the ability to make decisions that significantly impact the economic performance of EMP III, while the limited partners do not possess substantive participating rights over EMP III. The Company's assessment of the primary beneficiary of EMP III included assessing which parties have the power to significantly impact the economic performance of EMP III and the obligation to absorb losses, which could be potentially significant to EMP III, or the right to receive benefits from EMP III that could be potentially significant. The Company had previously consolidated EMP III as a voting interest entity; accordingly, consolidating as a VIE had no impact on the assets and liabilities of the Company. The Company consolidated EMP III assets of \$7,207 and liabilities of \$150 at March 31, 2015 and assets of \$7,327 and liabilities of \$75 at December 31, 2014, in the Company's Unaudited Condensed Consolidated Statements of Financial Condition. The assets retained by EMP III are for the benefit of the interest holders of EMP III and the liabilities are generally non-recourse to the Company.

Investment in Trilantic Capital Partners

In 2010, the Company made a limited partnership investment in Trilantic in exchange for 500 Class A LP Units having a fair value of \$16,090. This investment gave the Company the right to invest in Trilantic's current and future private equity funds, beginning with Trilantic Fund IV. The Company accounts for this investment under the cost method, subject to impairment. The Company allocates the cost of this investment to its investments in current and future Trilantic funds, as the Company satisfies the capital calls of these funds. The Company bases this allocation on its expectation of Trilantic's future fundraising ability and performance. During the three months ended March 31, 2015, \$12 and \$3 of this investment was allocated to Trilantic Fund V and IV, respectively. During 2014, \$689 of this investment was allocated to Trilantic Fund V. During 2013, \$825 and \$29 of this investment was allocated to Trilantic Fund V and Trilantic Fund IV, respectively. From 2010 to 2012, \$1,091 of this investment was allocated to Trilantic Fund IV. This investment had a balance of \$13,440 and \$13,455 as of March 31, 2015 and December 31, 2014, respectively. The Company has a \$5,000 commitment to invest in Trilantic Fund V, of which \$3,574 was unfunded at March 31, 2015. The Company and Trilantic anticipate that the Company will participate in the successor funds to Trilantic Fund V. The Company further anticipates that participation in successor funds will be at amounts comparable to those of Trilantic Fund V.

Equity Method Investments

A summary of the Company's other investments accounted for under the equity method of accounting as of March 31, 2015 and December 31, 2014 was as follows:

	March 31, 2015	December 31, 2014
G5 Evercore	\$31,737	\$32,756
ABS	39,424	43,825
Total	\$71,161	\$76,581

G5 Evercore

In 2010, the Company made an investment accounted for under the equity method of accounting in G5 Evercore. During the second quarter of 2014, the Company settled its contingent consideration arrangement entered into in conjunction with its initial investment in G5 Evercore. Accordingly, in June 2014 the Company issued 131 shares of

restricted Class A common stock, with a fair value of \$7,232, and \$7,916 of cash to the owners of G5 Evercore. At March 31, 2015, the Company's economic ownership interest in G5 Evercore was 49%. This investment resulted in losses of (\$57) and (\$837) for the three months ended March 31, 2015 and 2014, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

ABS

In 2011, the Company made an investment accounted for under the equity method of accounting in ABS. At March 31, 2015, the Company's economic ownership interest in ABS was 45%. This investment resulted in earnings of \$1,164 and \$1,078 for the three months ended March 31, 2015 and 2014, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Other

The Company allocates the purchase price of its equity method investments, in part, to the inherent finite-lived identifiable intangible assets of the investees. The Company's share of the earnings of the investees has been reduced by the amortization of these identifiable intangible assets inherent in the investments of \$621 and \$647 for the three months ended March 31, 2015 and 2014, respectively.

Note 9 – Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820") 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 ASC 820, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

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. The estimated fair values of the Corporate Bonds, Municipal Bonds, Other Debt Securities and Securities Investments held at March 31, 2015 and December 31, 2014 are based on quoted market prices provided by external pricing services.

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.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The following table presents the categorization of investments and certain other financial assets measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014:

	March 31, 2015			Total
	Level I	Level II	Level III	
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	\$—	\$34,205	\$—	\$34,205
Securities Investments (1)	4,458	1,677	—	6,135
Mutual Funds	1,582	—	—	1,582
Financial Instruments Owned and Pledged as Collateral at Fair Value	89,026	—	—	89,026
Total Assets Measured At Fair Value	\$95,066	\$35,882	\$—	\$130,948

  

	December 31, 2014			Total
	Level I	Level II	Level III	
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	\$—	\$34,343	\$—	\$34,343
Securities Investments (1)	5,550	1,642	—	7,192
Mutual Funds	5,702	—	—	5,702
Financial Instruments Owned and Pledged as Collateral at Fair Value	98,688	—	—	98,688
Total Assets Measured At Fair Value	\$109,940	\$35,985	\$—	\$145,925

Includes \$9,500 and \$9,252 of treasury bills, municipal bonds and commercial paper classified within Cash and (1)Cash Equivalents on the Unaudited Condensed Consolidated Statements of Financial Condition as of March 31, 2015 and December 31, 2014, respectively.

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.

The Company had no transfers between fair value levels during the three months ended March 31, 2015 or the year ended December 31, 2014.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The carrying amount and estimated fair value of the Company's financial instrument assets and liabilities, which are not measured at fair value on the Unaudited Condensed Consolidated Statements of Financial Condition, are listed in the tables below.

	Carrying Amount	March 31, 2015 Estimated Fair Value			Total
		Level I	Level II	Level III	
Financial Assets:					
Cash and Cash Equivalents	\$216,281	\$216,281	\$—	\$—	\$216,281
Securities Purchased Under Agreements to Resell	5,675	—	5,675	—	5,675
Accounts Receivable	126,992	—	126,992	—	126,992
Receivable from Employees and Related Parties	18,547	—	18,547	—	18,547
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Financial Liabilities:					
Accounts Payable and Accrued Expenses	\$36,681	\$—	\$36,681	\$—	\$36,681
Securities Sold Under Agreements to Repurchase	94,758	—	94,758	—	94,758
Payable to Employees and Related Parties	28,516	—	28,516	—	28,516
Short-Term Borrowings	45,000	—	45,000	—	45,000
Notes Payable	105,749	—	131,390	—	131,390
Subordinated Borrowings	22,550	—	22,550	—	22,550

	Carrying Amount	December 31, 2014 Estimated Fair Value			Total
		Level I	Level II	Level III	
Financial Assets:					
Cash and Cash Equivalents	\$342,908	\$342,908	\$—	\$—	\$342,908
Securities Purchased Under Agreements to Resell	7,669	—	7,669	—	7,669
Accounts Receivable	136,280	—	136,280	—	136,280
Receivable from Employees and Related Parties	17,327	—	17,327	—	17,327
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Financial Liabilities:					
Accounts Payable and Accrued Expenses	\$37,104	\$—	\$37,104	\$—	\$37,104
Securities Sold Under Agreements to Repurchase	106,499	—	106,499	—	106,499
Payable to Employees and Related Parties	18,875	—	18,875	—	18,875
Notes Payable	105,226	—	131,340	—	131,340
Subordinated Borrowings	22,550	—	22,550	—	22,550

The following methods and assumptions were used to estimate the fair value of these financial assets and liabilities:  
The fair value of the Company's Notes Payable is estimated based on a present value analysis utilizing aggregate market yields obtained from independent pricing sources for similar financial instruments.  
The carrying amount reported on the Unaudited Condensed Consolidated Statements of Financial Condition for Subordinated Borrowings approximates fair value as of March 31, 2015 and December 31, 2014.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The carrying amounts reported on the Unaudited Condensed Consolidated Statements of Financial Condition for Cash and Cash Equivalents, Securities Purchased Under Agreements to Resell, Securities Sold Under Agreements to Repurchase, Accounts Receivable, Receivables from Employees and Related Parties, Accounts Payable and Accrued Expenses, Payables to Employees and Related Parties, Short-term Borrowings and Assets Segregated for Bank Regulatory Requirements approximate fair value due to the short-term nature of these items.

Note 10 – Notes Payable, Warrants and Subordinated Borrowings

On August 21, 2008, the Company entered into a Purchase Agreement with Mizuho Corporate Bank, Ltd. (“Mizuho”) pursuant to which Mizuho purchased from the Company \$120,000 principal amount of Senior Notes, due 2020 with a 5.20% coupon (“Senior Notes”), and warrants to purchase 5,455 shares of the Company’s Class A common stock, par value \$0.01 per share (“Class A Shares”) at \$22.00 per share (the “Warrants”) expiring in 2020. Based on their relative fair value at issuance, plus accretion, the Senior Notes and Warrants were reflected in Notes Payable and Additional Paid-In-Capital on the Unaudited Condensed Consolidated Statements of Financial Condition. The Senior Notes have an effective yield of 7.94%.

The holder of the Senior Notes may require the Company to purchase, for cash, all or any portion of the holder’s Senior Notes upon a change of control of the Company for a price equal to the aggregate accreted amount of such Senior Notes, (the “Accreted Amount”), plus accrued and unpaid interest. Senior Notes held by Mizuho will be redeemable at the Accreted Amount at the option of the Company at any time within 90 days following the date on which Mizuho notifies the Company that it is terminating their strategic alliance agreement (“Strategic Alliance Agreement”). Senior Notes held by any other holder than Mizuho will be redeemable at the Accreted Amount (plus accrued and unpaid interest) at the option of the Company at any time. In the event of a default under the indenture, the trustee or holders of 33 1/3% of the Senior Notes may declare that the Accreted Amount is immediately due and payable.

Pursuant to the agreement, Mizuho may transfer (A) the Senior Notes (i) with the Company’s consent, (ii) to a permitted transferee, or (iii) to the extent that such transfer does not result in any holder or group of affiliated holders directly or indirectly owning more than 15% of the aggregate principal amount of the Senior Notes, and (B) the Warrants (i) with the Company’s consent, (ii) to a permitted transferee, (iii) pursuant to a tender or exchange offer, or a merger or sale transaction involving the Company that has been recommended by the Company’s Board of Directors, or (iv) to the extent that such transfer is made pursuant to a widely distributed public offering or does not result in any holder or group of affiliated holders directly or indirectly owning more than 2% of the Company’s voting securities and the total shares of Class A common stock transferred, together with any shares of Class A common stock (on an as-converted basis) transferred during the preceding 12 months, is less than 25% of the Company’s outstanding Class A common stock. The Company has a right of first offer on any proposed transfer by Mizuho of the Warrants, Common Stock purchased in the open market or acquired by exercise of the Warrants and associated Common Stock issued as dividends.

The exercise price for the Warrants is payable, at the option of the holder of the Warrants, either in cash or by tender of Senior Notes at the Accreted Amount, at any point in time.

As of March 31, 2015, the Company had \$22,550 in subordinated borrowings with an executive officer of the Company, due on October 31, 2019. These borrowings had a coupon of 5.5%, payable semi-annually.

Note 11 – Evercore Partners Inc. Stockholders’ Equity

Dividends – The Company’s Board of Directors declared on April 20, 2015, a quarterly cash dividend of \$0.28 per share, to the holders of Class A Shares as of May 29, 2015, which will be paid on June 12, 2015. During the three months ended March 31, 2015, the Company declared and paid dividends of \$0.28 per share, totaling \$11,900.

Treasury Stock – During the three months ended March 31, 2015, the Company purchased 908 Class A Shares primarily from employees at values ranging from \$47.56 to \$52.85 per share, primarily for the net settlement of stock-based compensation awards, and 814 Class A Shares at market values ranging from \$49.01 to \$53.39 per share



pursuant to the Company's share repurchase program. The result of these purchases was an increase in Treasury Stock of \$88,051 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2015.

LP Units – During the three months ended March 31, 2015, 87 LP Units were exchanged for Class A Shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of \$1 and \$1,549, respectively, on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2015.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Accumulated Other Comprehensive Income (Loss) – As of March 31, 2015, Accumulated Other Comprehensive Income (Loss) on the Company's Unaudited Condensed Consolidated Statement of Financial Condition includes an accumulated Unrealized Gain (Loss) on Marketable Securities and Investments, net, and a Foreign Currency Translation Adjustment Gain (Loss), net, of (\$4,726) and (\$19,424), respectively.

## Note 12 – Noncontrolling Interest

Noncontrolling Interest recorded in the unaudited condensed consolidated financial statements of the Company relates to a 16% interest in Evercore LP, a 28% interest in ECB, a 38% interest in Evercore Wealth Management ("EWM"), a 34% equity interest in Atalanta Sosnoff Capital LLC ("Atalanta Sosnoff"), a 31% interest in Evercore Private Capital Advisory L.P. ("PCA"), a 38% interest in Institutional Equities ("IE") through October 31, 2014 and other private equity partnerships. The Atalanta Sosnoff interest excludes the Series C Profits Interest, which has been reflected in Employee Compensation and Benefits Expense on the Unaudited Condensed Consolidated Statements of Operations. The Noncontrolling Interests for Evercore LP, EWM, Atalanta Sosnoff and PCA have rights, in certain circumstances, to convert into Class A Shares.

Changes in Noncontrolling Interest for the three months ended March 31, 2015 and 2014 were as follows:

	For the Three Months Ended March 31,	
	2015	2014
Beginning balance	\$ 160,952	\$ 60,577
Comprehensive income (loss):		
Net Income Attributable to Noncontrolling Interest	1,593	2,824
Other comprehensive income (loss)	(877)	) 233
Total comprehensive income	716	3,057
Evercore LP Units Converted into Class A Shares	(1,272	) (5,590
Amortization and Vesting of LP Units	25,274	—
Other Items:		
Distributions to Noncontrolling Interests	(4,598	) (1,615
Issuance of Noncontrolling Interest	291	85
Other, net	—	406
Total other items	(4,307	) (1,124
Ending balance	\$ 181,363	\$ 56,920

Other comprehensive income (loss) attributed to Noncontrolling Interest includes Unrealized Gain (Loss) on Marketable Securities and Investments, net, of (\$196) and \$187 for the three months ended March 31, 2015 and 2014, respectively, and Foreign Currency Translation Adjustment Gain (Loss), net, of (\$681) and \$46 for the three months ended March 31, 2015 and 2014, respectively.

In conjunction with the Company's purchase agreement with Atalanta Sosnoff, the Company issued a management member of Atalanta Sosnoff certain capital interests in Atalanta Sosnoff, which are redeemable for cash, at their fair value. Accordingly, these capital interests have been reflected at their fair value of \$4,014 within Redeemable Noncontrolling Interest on the Unaudited Condensed Consolidated Statements of Financial Condition at March 31, 2015 and December 31, 2014.



Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 13 – Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders

The calculations of basic and diluted net income per share attributable to Evercore Partners Inc. common shareholders for the three months ended March 31, 2015 and 2014 are described and presented below.

	For the Three Months Ended March 31,	
	2015	2014
Basic Net Income Per Share Attributable to Evercore Partners Inc.		
Common Shareholders		
Numerator:		
Net income attributable to Evercore Partners Inc. common shareholders	\$4,300	\$10,568
Denominator:		
Weighted average shares of Class A common stock outstanding, including vested restricted stock units ("RSUs")	36,725	34,667
Basic net income per share attributable to Evercore Partners Inc. common shareholders	\$0.12	\$0.30
Diluted Net Income Per Share Attributable to Evercore Partners Inc.		
Common Shareholders		
Numerator:		
Net income attributable to Evercore Partners Inc. common shareholders	\$4,300	\$10,568
Noncontrolling interest related to the assumed exchange of LP Units for Class A Shares	(a)	(a)
Associated corporate taxes related to the assumed elimination of Noncontrolling Interest described above	(a)	(a)
Diluted net income attributable to Evercore Partners Inc. common shareholders	\$4,300	\$10,568
Denominator:		
Weighted average shares of Class A common stock outstanding, including vested RSUs	36,725	34,667
Assumed exchange of LP Units for Class A Shares	(a)	(a)
Additional shares of the Company's common stock assumed to be issued pursuant to non-vested RSUs and deferred consideration, as calculated using the Treasury Stock Method	2,246	3,473
Shares that are contingently issuable (b)	724	201
Assumed conversion of Warrants issued	3,093	3,357
Diluted weighted average shares of Class A common stock outstanding	42,788	41,698
Diluted net income per share attributable to Evercore Partners Inc. common shareholders	\$0.10	\$0.25

(a) The Company has outstanding LP Units in its subsidiary, Evercore LP, which give the holders the right to receive Class A Shares upon exchange on a one for one basis. During the three months ended March 31, 2015 and 2014, the LP Units were antidilutive and consequently the effect of their exchange into Class A Shares has been excluded from the calculation of diluted net income per share attributable to Evercore Partners Inc. common shareholders. The units that would have been included in the denominator of the computation of diluted net income per share attributable to Evercore Partners Inc. common shareholders if the effect would have been dilutive were 6,793 and 5,085 for the three months ended March 31, 2015 and 2014, respectively. The adjustment to the numerator, Diluted net income attributable to Class A common shareholders, if the effect would have been dilutive, would have been \$683 and \$1,589 for the three months ended March 31, 2015 and 2014, respectively. In computing this adjustment,

the Company assumes that all vested Class A LP Units and all Class E LP Units are converted into Class A Shares, that all earnings attributable to those shares are attributed to Evercore Partners Inc. and, that it has adopted a conventional corporate tax structure and is taxed as a C Corporation in the

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

U.S. at prevailing corporate tax rates. The Company does not anticipate that the LP Units will result in a dilutive computation in future periods.

At March 31, 2015, the Company has outstanding Evercore LP G and H Interests which are contingently exchangeable into Class E LP Units, and ultimately Class A shares, as they are subject to certain performance thresholds being achieved. See Note 14 for a further discussion. For the purposes of calculating diluted net income per share attributable to Evercore Partners Inc. common shareholders, the Company's Class G and H LP Interests will be included in diluted weighted average Class A Shares outstanding as of the beginning of the period in which (b) all necessary performance conditions have been satisfied. If all necessary performance conditions have not been satisfied by the end of the period, the number of shares that will be included in diluted weighted average Class A shares outstanding will be based on the number of shares that would be issuable if the end of the reporting period were the end of the performance period. For the three months ended March 31, 2015, 724 of these interests were assumed to be converted for purposes of computing diluted EPS.

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

Note 14 – Share-Based and Other Deferred Compensation

Equity Grants

During the three months ended March 31, 2015, the Company granted employees 2,327 RSUs that are Service-based Awards. Service-based Awards granted during the three months ended March 31, 2015 had grant date fair values of \$48.41 to \$52.64 per share. During the three months ended March 31, 2015, 2,033 Service-based Awards vested and 9 Service-based Awards were forfeited.

Compensation expense related to Service-based Awards was \$27,495 and \$22,244 for the three months ended March 31, 2015 and 2014, respectively.

Deferred Cash Program

The Company's deferred compensation program provides participants the ability to elect to receive a portion of their deferred compensation in cash, which is indexed to a notional investment portfolio and vests ratably over four years and requires payment upon vesting. Compensation expense related to this deferred compensation program was \$560 and \$894 for the three months ended March 31, 2015 and 2014, respectively.

Acquisition-related LP Units

Equities business - In conjunction with the acquisition of the operating businesses of ISI in 2014, the Company issued Class E LP Units and Class G and H LP Interests which will be treated as compensation going forward. The Class E LP Units issued includes 710 vested Class E LP Units and an allocation of the value, attributed to post-combination service, of 710 Class E LP Units that were unvested and will vest ratably on October 31, 2015, 2016 and 2017 and become exchangeable once vested, subject to continued employment with the Company. The units will become exchangeable into Class A common shares of the Company subject to certain liquidated damages and continued employment provisions. Compensation expense related to Class E LP Units was \$5,068 for the three months ended March 31, 2015.

The Company also issued 538 vested and 540 unvested Class G LP Interests in 2014, which will vest ratably on February 15, 2016, 2017 and 2018, and 2,044 vested and 2,051 unvested Class H LP Interests in 2014, which will vest ratably on February 15, 2018, 2019 and 2020. The Company's vested Class G Interests will become exchangeable in

February 2016, 2017 and 2018 if certain earnings before interest and taxes, excluding underwriting, ("Management Basis EBIT") margin thresholds, within a range of 12% to 16%, are achieved for the calendar year preceding the date the interests become exchangeable. The Company's vested Class H Interests will become exchangeable in February 2018, 2019 and 2020 if certain average Management Basis EBIT and Management Basis EBIT margin thresholds, within ranges of \$8,000 to \$48,000 and 7% to 17%, respectively, are achieved for the three calendar years preceding the date the interests become exchangeable. The amount of Class H LP Interests which become exchangeable are scaled to the threshold levels achieved.

Based on Evercore ISI's results for the first three months of 2015, the first full quarter of combined operations, and the anticipated impact of certain efficiency initiatives identified and executed during the first quarter of 2015, the Company

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

determined that the achievement of certain of the performance thresholds for the Class G and H LP Interests was probable at March 31, 2015. This determination was based on an assumed Management Basis EBIT margin of 15% and annual Management Basis EBIT over the performance period of \$31,500 for Evercore ISI. Accordingly, \$20,143 of expense was recorded for the three months ended March 31, 2015 for the Class G and H Interests.

Other Acquisition Related

Lexicon - Compensation expense related to the Lexicon Acquisition-related Awards and deferred cash consideration was \$615 and (\$29), respectively, for the three months ended March 31, 2015, and \$2,241 and \$932, respectively, for the three months ended March 31, 2014.

Long-term Incentive Plan

The Company's Long-term Incentive Plan provides for incentive compensation awards to Advisory Senior Managing Directors, excluding executive officers of the Company, who exceed defined benchmark results over a four-year performance period beginning January 1, 2013. These awards will be paid, in cash or Class A Shares, at the Company's discretion, in the two years following the performance period, to Senior Managing Directors employed by the Company at the time of payment. These awards are subject to retirement eligibility requirements. The Company periodically assesses the probability of the benchmarks being achieved and expenses the probable payout over the requisite service period of the award. Compensation expense related to these awards was \$1,513 and \$1,111 for the three months ended March 31, 2015 and 2014, respectively

Other

Periodically, the Company provides new and existing employees with cash payments in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements ranging from one to five years. Generally, the terms of these awards include a requirement of either full or partial repayment of these awards based on the terms of their employment agreements with the Company. In circumstances where the employee meets the Company's minimum credit standards, the Company amortizes these awards to compensation expense over the relevant service period which is generally the period they are subject to forfeiture. Compensation expense related to these awards was \$4,580 and \$2,647 for the three months ended March 31, 2015 and 2014, respectively. The remaining unamortized amount of these awards was \$24,992 as of March 31, 2015.

The Company granted separation benefits to certain employees, resulting in expense included in Employee Compensation and Benefits of approximately \$1,608 and \$3,391 for the three months ended March 31, 2015 and 2014, respectively. In conjunction with these arrangements, the Company distributed cash payments of \$1,210 and \$2,481 for the three months ended March 31, 2015 and 2014, respectively. The Company also granted separation benefits to certain employees, resulting in expense included in Special Charges of approximately \$1,965 for the three months ended March 31, 2015. See Note 4 for further information.

Note 15 – Commitments and Contingencies

For a complete discussion of the Company's commitments, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Operating Leases – The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2023. The Company reflects lease expense over the lease terms on a straight-line basis. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of \$8,871 and \$6,384 for the three months ended March 31, 2015 and 2014, respectively.



Other Commitments – As of March 31, 2015, the Company had unfunded commitments for capital contributions of \$8,703 to 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.

The Company also has additional commitments related to its redeemable noncontrolling interests. See Note 12 for further information.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In addition, the Company enters into commitments to pay contingent consideration related to certain of its acquisitions. At March 31, 2015, the Company had one remaining commitment for contingent consideration, related to its acquisition of Protego in 2006. Under the terms of the acquisition agreement, the Company is obligated to pay the partners that sold Protego 90% of the return proceeds and performance fees received from Protego's investment in the general partner of the Discovery Fund. During 2014, the Company received distributions from Discovery Americas Associated L.P., the general partner of the Discovery Fund. Accordingly, as of March 31, 2015, the Company recorded Goodwill of \$1,913 pursuant to this agreement. The carrying value of the Company's investment in the Discovery Fund is \$3,454 at March 31, 2015. See Note 8 for further information.

In 2014, Evercore Partners Services East L.L.C. ("East"), a wholly-owned subsidiary of the Company, increased its line of credit from First Republic Bank to an aggregate principal amount of up to \$50,000, to be used for working capital and other corporate activities, including, but not limited to, the repurchase of the Company's stock from time to time. This facility is secured by (i) cash and cash equivalents of East held in a designated account with First Republic Bank, (ii) certain of East's intercompany receivables and (iii) third party accounts receivable of EGL. Drawings under this facility bear interest at the prime rate and the maturity date is June 27, 2015. The Company drew down \$45,000 on this facility on February 5, 2015. The amount may be settled, at the Company's option, at any time prior to the maturity date.

During the first quarter of 2015, in conjunction with the Company entering into a strategic alliance with Luminis Partners ("Luminis"), the Company committed to loan Luminis \$5,500. The Company paid Luminis \$3,500 pursuant to the loan agreement during the three months ended March 31, 2015, which is included within Other Assets on the Company's Condensed Consolidated Statement of Financial Condition, with the remaining \$2,000 due from the Company on demand. The Company may acquire a 20% interest in Luminis in 2017.

Contingencies

In the normal course of business, from time to time the Company and its affiliates are involved in other judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, Mexican, United Kingdom, Hong Kong, Singapore, Canadian 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, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company. Provisions for losses are established in accordance with ASC 450, "Contingencies" when warranted. Once established, such provisions are adjusted when there is more information available or when an event occurs requiring a change. In January 2015, Donna Marie Coburn filed a proposed class action complaint against Evercore Trust Company, N.A. ("ETC") in the U.S. District Court for the District of Columbia, in which she purports to represent a class of participants in the J.C. Penney Corporation Inc. Savings, Profit-Sharing and Stock Ownership Plan (the "Plan") whose participant accounts held J.C. Penney stock at any time between May 15, 2012 and the present. The complaint alleges that ETC breached its fiduciary duties under the Employee Retirement Income Security Act by causing the Plan to invest in J.C. Penney stock during that period and claims the Plan suffered losses of approximately \$300 million due

to declines in J.C. Penney stock. The plaintiff seeks the recovery of alleged Plan losses, attorneys' fees, other costs, and other injunctive and equitable relief. The Company believes that it has meritorious defenses against these claims and intends to vigorously defend against them. ETC is indemnified by J.C. Penney, and ultimately the Plan, for reasonable attorneys' fees and other legal expenses, which would be refunded should ETC not prevail.

Note 16 – Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beginning in the second quarter of 2013, the Company made the election to compute its minimum net capital requirement in accordance with the Alternative Net Capital Requirement, as

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

permitted by Rule 15c3-1. Under the Alternative Net Capital Requirement, EGL's minimum net capital requirement is \$250. EGL's regulatory net capital as of March 31, 2015 and December 31, 2014 was \$52,914 and \$74,080, respectively, which exceeded the minimum net capital requirement by \$52,664 and \$73,830, respectively.

ISI L.L.C. is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Under the Alternative Net Capital Requirement, ISI L.L.C.'s minimum net capital requirement is \$250. ISI L.L.C.'s regulatory net capital as of March 31, 2015 and December 31, 2014 was \$11,149 and \$7,548, respectively, which exceeded the minimum net capital requirement by \$10,899 and \$7,298, 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 are in excess of their local capital adequacy requirements at March 31, 2015.

ETC, which is limited to fiduciary activities, is regulated by the Office of the Comptroller of the Currency ("OCC") and is a member bank of the Federal Reserve System. The Company, Evercore LP and ETC are subject to written agreements with the OCC that, among other things, require the Company and Evercore LP to (1) maintain at least \$5,000 in Tier 1 capital in ETC (or such other amount as the OCC may require), (2) maintain liquid assets in ETC in an amount at least equal to the greater of \$3,500 or 90 days coverage of ETC's operating expenses and (3) provide at least \$10,000 of certain collateral held in a segregated account at a third-party depository institution. The collateral is included in Assets Segregated for Bank Regulatory Requirements on the Unaudited Condensed Consolidated Statements of Financial Condition. The Company was in compliance with the aforementioned agreements as of March 31, 2015.

Note 17 – Income Taxes

The Company's Provision for Income Taxes was \$6,212 and \$7,563 for the three months ended March 31, 2015 and 2014, respectively. The effective tax rate was 51% and 36% for the three months ended March 31, 2015 and 2014, respectively. The effective tax rate for 2015 and 2014 reflects the effect of certain nondeductible expenses, as well as the noncontrolling interest associated with LP Units and other adjustments.

The Company reported an increase in deferred tax assets of \$445 associated with changes in Unrealized Gain (Loss) on Marketable Securities and an increase of \$2,211 associated with changes in Foreign Currency Translation Adjustment Gain (Loss), in Accumulated Other Comprehensive Income (Loss) for the three months ended March 31, 2015. The Company reported a decrease in deferred tax assets of \$535 associated with changes in Unrealized Gain (Loss) on Marketable Securities and a decrease of \$136 associated with changes in Foreign Currency Translation Adjustment Gain (Loss), in Accumulated Other Comprehensive Income (Loss) for the three months ended March 31, 2014.

As of March 31, 2015, the Company had no unrecognized tax benefits.

The Company classifies interest relating to tax matters and tax penalties as a component of income tax expense in its Unaudited Condensed Consolidated Statements of Operations.

Note 18 – Segment Operating Results

Business Segments – The Company's business results are categorized into the following two segments: Investment Banking and Investment Management. Investment Banking includes providing advice to clients on significant mergers, acquisitions, divestitures and other strategic corporate transactions, as well as services related to securities underwriting, private fund placement services and commissions for agency-based equity trading services and equity research. Investment Management includes advising third-party investors in the Institutional Asset Management, Wealth Management and Private Equity sectors. On October 31, 2014, the Company acquired the operating businesses of ISI, which is included in the Investment Banking segment.

The Company's segment information for the three months ended March 31, 2015 and 2014 is prepared using the following methodology:

-

Edgar Filing: Evercore Partners Inc. - Form 10-Q

Revenue, expenses and income (loss) from equity method investments directly associated with each segment are included in determining pre-tax income.

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

25

---

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

• Segment assets are based on those directly associated with each segment, or for certain assets shared across segments; those 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 segment 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 the following:

• Amortization of LP Units/Interests and Certain Other Awards - Includes amortization costs associated with the vesting of Class E LP Units issued in conjunction with the acquisition of ISI, as well as Class G and H LP Interests and certain other related awards.

• Other Acquisition Related Compensation Charges - Includes compensation charges associated with deferred consideration, retention awards and related compensation for The Lexicon Partnership LLP ("Lexicon") employees.

• Special Charges - Includes expenses primarily related to separation benefits and costs associated with the termination of certain contracts within the Company's Evercore ISI business, and the finalization of a matter associated with the wind-down of the Company's U.S. Private Equity business.

• Intangible Asset and Other Amortization - Includes amortization of intangible assets and other purchase accounting-related amortization associated with certain acquisitions.

• Acquisition and Transition Costs - Includes professional fees for legal and other services incurred related to the Company's acquisition of all of the outstanding equity interests of the operating businesses of ISI.

The Company evaluates segment results based on net revenues and pre-tax income, both including and excluding the impact of the Other Expenses.

No client accounted for more than 10% of the Company's consolidated Net Revenues for the three months ended March 31, 2015.

The following information presents each segment's contribution.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	For the Three Months Ended March 31,	
	2015	2014
Investment Banking		
Net Revenues (1)	\$216,580	\$127,851
Operating Expenses	171,364	105,532
Other Expenses (2)	32,235	3,214
Operating Income	12,981	19,105
Income (Loss) from Equity Method Investments	(37	) (310
Pre-Tax Income	\$12,944	\$18,795
Identifiable Segment Assets	\$769,746	\$590,956
Investment Management		
Net Revenues (1)	\$21,403	\$21,262
Operating Expenses	19,956	19,571
Other Expenses (2)	3,430	82
Operating Income (Loss)	(1,983	) 1,609
Income from Equity Method Investments	1,144	551
Pre-Tax Income (Loss)	\$(839	) \$2,160
Identifiable Segment Assets	\$519,463	\$453,961
Total		
Net Revenues (1)	\$237,983	\$149,113
Operating Expenses	191,320	125,103
Other Expenses (2)	35,665	3,296
Operating Income	10,998	20,714
Income from Equity Method Investments	1,107	241
Pre-Tax Income	\$12,105	\$20,955
Identifiable Segment Assets	\$1,289,209	\$1,044,917

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(1) Net revenues include Other Revenue, net, allocated to the segments as follows:

	For the Three Months Ended March 31,	
	2015	2014
Investment Banking (A)	\$ (1,058	) \$ (653
Investment Management (B)	(678	) (653
Total Other Revenue, net	\$ (1,736	) \$ (1,306

(A) Investment Banking Other Revenue, net, includes interest expense on the Senior Notes, subordinated borrowings and line of credit of \$1,644 and \$1,105 for the three months ended March 31, 2015 and 2014, respectively

(B) Investment Management Other Revenue, net, includes interest expense on the Senior Notes, subordinated borrowings and line of credit of \$953 and \$932 for the three months ended March 31, 2015 and 2014, respectively

(2) Other Expenses are as follows:

	For the Three Months Ended March 31,	
	2015	2014
Investment Banking		
Amortization of LP Units / Interests and Certain Other Awards	\$25,950	\$—
Other Acquisition Related Compensation Charges	585	3,214
Special Charges	2,290	—
Intangible Asset and Other Amortization	2,926	—
Acquisition and Transition Costs	484	—
Total Investment Banking	32,235	3,214
Investment Management		
Special Charges	3,348	—
Intangible Asset and Other Amortization	82	82
Total Investment Management	3,430	82
Total Other Expenses	\$35,665	\$3,296

Geographic Information – The Company manages its business based on the profitability of the enterprise as a whole. The Company's revenues were derived from clients and private equity funds located and managed in the following geographical areas:

	For the Three Months Ended March 31,	
	2015	2014
Net Revenues: (1)		
United States	\$161,822	\$107,927
Europe and Other	71,211	36,788
Latin America	6,686	5,704
Total	\$239,719	\$150,419

(1) Excludes Other Revenue and Interest Expense.



Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The Company's total assets are located in the following geographical areas:

	March 31, 2015	December 31, 2014
Total Assets:		
United States	\$970,037	\$1,099,363
Europe and Other	150,744	160,934
Latin America	168,428	186,259
Total	\$1,289,209	\$1,446,556

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 words or other 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 forward-looking 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 our 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, 2014. 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. 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.

Key Financial Measures

Revenue

Total revenues reflect revenues from our Investment Banking and Investment Management business segments that include fees for services, transaction-related client reimbursements plus other revenue. Net revenues reflect total revenues less interest expense related to repurchase agreements, the Senior Notes and other financing arrangements. Investment Banking. Our Investment Banking business earns fees from our clients for providing advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings and similar corporate finance matters, and from underwriting and private placement activities, as well as commissions from our sales and trading activities. The amount and timing of the fees paid vary by the type of engagement or services provided. In general, advisory 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 investment banking revenue consists of advisory fees that are dependent on the successful completion of a transaction. A transaction can fail to be completed for many reasons, including failure of parties to agree upon final terms with the counterparty, to secure necessary board or shareholder approvals, to secure necessary financing or to achieve necessary regulatory approvals. In the case of bankruptcy engagements, fees are subject to approval of the court. Underwriting fees are recognized when the offering has been deemed to be completed, placement fees are generally recognized at the time of the client's acceptance of capital or capital commitments. Commissions and Related Fees includes commissions, which are recorded on a trade-date basis or, in the case of payments under commission sharing arrangements, on the date earned. Commissions and Related Fees also include subscription fees for the sales of research. Cash received before the subscription period ends is initially recorded as deferred revenue and recognized as revenue over the remaining subscription period.

Revenue trends in our advisory business generally are correlated to the volume of merger and acquisition ("M&A") activity and/or restructuring activity, which tends to be counter-cyclical to M&A. However, deviations from this trend can occur in any given year or quarter for a number of reasons. For example, changes in our market share or the ability of our clients to close certain large transactions can cause our revenue results to diverge from the level of overall

M&A or restructuring activity. Revenue trends in our equities business are correlated to market volumes, which generally decrease in periods of unfavorable market or economic conditions.

30

---

Table of Contents

Investment Management. Our Investment Management business includes operations related to the management of the Institutional Asset Management, Wealth Management and Private Equity businesses. Revenue sources primarily include management fees, which include fees earned from portfolio companies, fiduciary and consulting fees, performance fees (including carried interest) and gains (or losses) on our investments.

Management fees for third party clients generally represent a percentage of assets under management ("AUM"). Fiduciary and consulting fees, which are generally a function of the size and complexity of each engagement, are individually negotiated. Management fees from private equity operations 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, or carried interest, from private equity funds are earned when specified benchmarks are exceeded. In certain circumstances, such fees are subject to "claw-back" provisions. During the second quarter of 2014, the Company changed its method of recording performance fees such that the Company records performance fees upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable. 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. Transaction-Related Client Reimbursements. In both our Investment Banking 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 advisory 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. 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.

Other Revenue and Interest Expense. Other Revenue and Interest Expense is derived primarily from investing customer funds in financing transactions. These transactions are principally repurchases and resales of Mexican government and government agency securities. Revenue and expenses associated with these transactions are recognized over the term of the repurchase or resale transaction. Other Revenue includes income earned on marketable securities, cash and cash equivalents and assets segregated for regulatory purposes, as well as adjustments to amounts due pursuant to our tax receivable agreements, subsequent to its initial establishment, related to changes in state and local tax rates. Interest Expense includes interest expense associated with the Senior Notes and other financing arrangements.

Operating Expenses

Employee Compensation and Benefits Expense. We include all payments for services rendered by our employees, as well as profits interests in our businesses that have been accounted for as compensation, in employee compensation and benefits expense.

We maintain compensation programs, including base salary, cash, deferred cash and equity bonus awards and benefits programs and manage compensation to estimates of competitive levels based on market conditions and performance. Our level of compensation reflects our plan to maintain competitive compensation levels to retain key personnel, and it reflects the impact of newly-hired senior professionals, including related grants of equity awards which are generally valued at their grant date.

Increasing the number of high-caliber, experienced senior level employees is critical to our growth efforts. In our advisory businesses, these hires generally do not begin to generate significant revenue in the year they are hired. Our annual compensation program includes share-based compensation awards and deferred cash awards as a component of the annual bonus awards for certain employees. These awards are generally subject to annual vesting requirements over a four-year period beginning at the date of grant, which occurs in the first quarter of each year; accordingly, the expense is generally amortized over the stated vesting period. With respect to the annual awards granted in February 2012 and thereafter, the Company adopted new retirement eligibility criteria, which stipulates that

if an employee has at least five years of continuous service, is at least 55 years of age and has a combined age and years of service of at least 65 years, the employee is eligible for retirement (prior year's awards required combined years of service and age of at least 70 years). Retirement eligibility allows for continued vesting of awards after employees depart from the Company, provided they give the minimum advance notice, which is generally one year. As a consequence of these changes, a greater number of employees will become

31

---

## Table of Contents

retirement eligible and the related requisite service period over which we will expense these awards will be shorter than the stated 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 technology services, depreciation and amortization and other operating expenses. We refer to all of these expenses as non-compensation expenses.

### **Other Expenses**

Other Expenses include the following:

**Amortization of LP Units/Interests and Certain Other Awards -** Includes amortization costs associated with the vesting of Class E LP Units issued in conjunction with the acquisition of ISI, as well as Class G and H LP Interests and certain other related awards.

**Other Acquisition Related Compensation Charges -** Includes compensation charges associated with deferred consideration, retention awards and related compensation for Lexicon employees.

**Special Charges -** Includes expenses primarily related to separation benefits and costs associated with the termination of certain contracts within the Company's Evercore ISI business, and the finalization of a matter associated with the wind-down of the Company's U.S. Private Equity business.

**Intangible Asset and Other Amortization -** Includes amortization of intangible assets and other purchase accounting-related amortization associated with certain acquisitions.

**Acquisition and Transition Costs -** Includes professional fees for legal and other services incurred related to the Company's acquisition of all of the outstanding equity interests of the operating businesses of ISI.

### **Income from Equity Method Investments**

Our share of the income (loss) from our equity interests in G5 Evercore and ABS are included within Income from Equity Method Investments, as a component of Income Before Income Taxes, on the Unaudited Condensed Consolidated Statements of Operations.

### **Provision for Income Taxes**

We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax basis of our assets and liabilities.

### **Noncontrolling Interest**

We record noncontrolling interest relating to the ownership interests of our current and former Senior Managing Directors and other officers, their estate planning vehicles and Trilantic (through October 2013) in Evercore LP, as well as the portions of our operating subsidiaries not owned by Evercore. As described in Note 12 to our unaudited condensed consolidated financial statements herein, Evercore Partners Inc. is the sole general partner of Evercore LP and has a majority economic interest in Evercore LP. As a result, Evercore Partners Inc. consolidates Evercore LP and records a noncontrolling interest for the economic interest in Evercore LP held by the limited partners.

We generally allocate net income or loss to noncontrolling interests held at Evercore LP and at the operating entity level, where required, by multiplying the relative ownership interest of the noncontrolling interest holders for the period by the net income or loss of the entity to which the noncontrolling interest relates. In circumstances where the governing documents of the entity to which the noncontrolling interest relates require special allocations of profits or losses to the controlling and noncontrolling interest holders, then the net income or loss of these entities will be allocated based on these special allocations.

### **Results of Operations**

The following is a discussion of our results from operations for the three months ended March 31, 2015 and 2014. For a more detailed discussion of the factors that affected the revenue and operating expenses of our Investment Banking and Investment Management business segments in these periods, see the discussion in "Business Segments" below.



Edgar Filing: Evercore Partners Inc. - Form 10-Q

	For the Three Months Ended March 31,		Change	
	2015	2014		
	(dollars in thousands, except per share data)			
<b>Revenues</b>				
Investment Banking Revenue	\$217,638	\$128,504	69	%
Investment Management Revenue	22,081	21,915	1	%
Other Revenue	2,707	2,069	31	%
Total Revenues	242,426	152,488	59	%
Interest Expense	4,443	3,375	32	%
Net Revenues	237,983	149,113	60	%
<b>Expenses</b>				
Operating Expenses	191,320	125,103	53	%
Other Expenses	35,665	3,296	982	%
Total Expenses	226,985	128,399	77	%
Income Before Income from Equity Method Investments and Income Taxes	10,998	20,714	(47)	(%)
Income from Equity Method Investments	1,107	241	359	%
Income Before Income Taxes	12,105	20,955	(42)	(%)
Provision for Income Taxes	6,212	7,563	(18)	(%)
Net Income	5,893	13,392	(56)	(%)
Net Income Attributable to Noncontrolling Interest	1,593	2,824	(44)	(%)
Net Income Attributable to Evercore Partners Inc.	\$4,300	\$10,568	(59)	(%)
Diluted Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders	\$0.10	\$0.25	(60)	(%)

As of March 31, 2015 and 2014 we employed approximately 1,275 and 1,000 people, respectively, worldwide.

Three Months Ended March 31, 2015 versus March 31, 2014

Net Revenues were \$238.0 million for the three months ended March 31, 2015, an increase of \$88.9 million, or 60%, versus Net Revenues of \$149.1 million for the three months ended March 31, 2014. Investment Banking Revenue increased 69% and Investment Management Revenue increased 1% compared to the three months ended March 31, 2014. Investment Banking Revenue includes the results of ISI following its acquisition on October 31, 2014. See the segment discussion below for further information. Other Revenue for the three months ended March 31, 2015 was 31% higher than for the three months ended March 31, 2014 primarily as a result of higher gains in our Mexico business. Net Revenues include interest expense on our Senior Notes.

Total Operating Expenses were \$191.3 million for the three months ended March 31, 2015, as compared to \$125.1 million for the three months ended March 31, 2014, an increase of \$66.2 million, or 53%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$136.6 million for the three months ended March 31, 2015, an increase of \$48.4 million, or 55%, versus expense of \$88.2 million for the three months ended March 31, 2014. The increase was primarily due to increased compensation costs resulting from the expansion of our businesses, including the acquisition of ISI, and higher costs from share-based and other deferred compensation arrangements. Non-compensation expenses as a component of Operating Expenses were \$54.7 million for the three months ended March 31, 2015, an increase of \$17.8 million, or 48%, over non-compensation operating expenses of \$36.9 million for the three months ended March 31, 2014. Non-compensation operating expenses increased compared to the three months ended March 31, 2014 primarily as a result of increased headcount and increased new business costs associated with higher levels of global transaction activity.

Total Other Expenses of \$35.7 million for the three months ended March 31, 2015 included compensation costs associated with the vesting of LP Units and Interests and certain other awards of \$26.0 million, primarily related to units and interests granted in conjunction with the acquisition of ISI, other acquisition related compensation costs of \$0.6 million, special charges of \$5.6 million, acquisition and transition costs of \$0.5 million and intangible asset and



other amortization of \$3.0 million. Total Other Expenses of \$3.3 million for the three months ended March 31, 2014 included other acquisition related compensation costs of \$3.2 million and amortization of intangibles of \$0.1 million.

As a result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues was 69% for the three months ended March 31, 2015, compared to 61% for the three months ended March 31, 2014.

Income from Equity Method Investments was \$1.1 million for the three months ended March 31, 2015, as compared to \$0.2 million for the three months ended March 31, 2014. The increase was a result of an increase in earnings from ABS and G5 Evercore.

The provision for income taxes for the three months ended March 31, 2015 was \$6.2 million, which reflected an effective tax rate of 51%. The provision was impacted by the noncontrolling interest associated with LP Units, state, local and foreign taxes and other adjustments. The provision for income taxes for the three months ended March 31, 2014 was \$7.6 million, which reflected an effective tax rate of 36%. The provision was impacted by the noncontrolling interest associated with LP Units, state, local and foreign taxes and other adjustments.

Noncontrolling Interest was \$1.6 million for the three months ended March 31, 2015 compared to \$2.8 million for the three months ended March 31, 2014.

#### Impairment of Assets

During the first quarter of 2015, there were no material changes in the facts and assumptions related to the November 30, 2014 impairment assessment that would have caused the Company to reach a different conclusion. As such, the Company considered the criteria required by ASC 350, "Intangibles - Goodwill and Other", and ASC 360, "Property, Plant, and Equipment", and concluded that there were no triggering events during the first quarter of 2015 that would have required a Step 1 impairment assessment.

Business Segments

The following data presents revenue, expenses and contributions from our equity method investments by business segment.

Investment Banking

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

	For the Three Months Ended March 31,		Change	
	2015	2014		
	(dollars in thousands)			
Revenues				
Investment Banking Revenue:				
Advisory Fees	\$158,802	\$116,452	36	%
Commissions and Related Fees	53,068	8,256	543	%
Underwriting Fees	5,768	3,796	52	%
Total Investment Banking Revenue (1)	217,638	128,504	69	%
Other Revenue, net (2)	(1,058	) (653	) (62	%)
Net Revenues	216,580	127,851	69	%
Expenses				
Operating Expenses	171,364	105,532	62	%
Other Expenses	32,235	3,214	903	%
Total Expenses	203,599	108,746	87	%
Operating Income (3)	12,981	19,105	(32	%)
Income (Loss) from Equity Method Investments	(37	) (310	) 88	%
Pre-Tax Income	\$12,944	\$18,795	(31	%)

(1) Includes client related expenses of \$3.6 million and \$2.5 million for the three months ended March 31, 2015 and 2014, respectively.

(2) Includes interest expense on the Senior Notes, subordinated borrowings and line of credit of \$1.6 million and \$1.1 million for the three months ended March 31, 2015 and 2014, respectively.

(3) Includes Noncontrolling Interest of (\$0.3) million and (\$0.9) million for the three months ended March 31, 2015 and 2014, respectively.

Edgar Filing: Evercore Partners Inc. - Form 10-Q

For the three months ended March 31, 2015, the dollar value of North American announced and completed M&A activity increased 31% and decreased 8%, respectively, compared to the three months ended March 31, 2014, while the dollar value of Global announced and completed M&A activity for the three months ended March 31, 2015 increased 27% and 13%, respectively, compared to the three months ended March 31, 2014:

	For the Three Months Ended March 31,		Change	
	2015	2014		
Industry Statistics (\$ in billions) *				
Value of North American M&A Deals Announced	\$409	\$313	31	%
Value of North American M&A Deals Completed	\$327	\$356	(8)	(%)
Value of Global M&A Deals Announced	\$835	\$658	27	%
Value of Global M&A Deals Completed	\$662	\$584	13	%
Evercore Statistics **				
Total Number of Fee Paying Advisory Clients	151	116	30	%
Investment Banking Fees of at Least \$1 million from Advisory Clients	35	32	9	%

\* Source: Thomson Reuters April 1, 2015

\*\* Includes revenue generating clients only

Investment Banking Results of Operations

Three Months Ended March 31, 2015 versus March 31, 2014

Net Investment Banking Revenues were \$216.6 million for the three months ended March 31, 2015 compared to \$127.9 million for the three months ended March 31, 2014, which represented an increase of 69%. We earned advisory fees from 151 clients for the three months ended March 31, 2015 compared to 116 for the three months ended March 31, 2014, representing a 30% increase. We had 35 fees in excess of \$1.0 million for the three months ended March 31, 2015, compared to 32 for the three months ended March 31, 2014, representing a 9% increase. The increase in revenues from the three months ended March 31, 2014 primarily reflects an increase in Advisory Fees in our U.S. and U.K. businesses and an increase in our Commissions and Related Fees following our acquisition of ISI on October 31, 2014. Underwriting Fees increased 52% from the three months ended March 31, 2014 primarily due to an increase in underwriting revenue in our U.S. business.

Operating Expenses were \$171.4 million for the three months ended March 31, 2015 compared to \$105.5 million for the three months ended March 31, 2014, an increase of \$65.8 million, or 62%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$122.1 million for the three months ended March 31, 2015, as compared to \$75.5 million for the three months ended March 31, 2014, an increase of \$46.6 million, or 62%. The increase was primarily due to increased compensation costs resulting from the expansion of our businesses, including our acquisition of ISI, and higher costs from share-based and other deferred compensation arrangements.

Non-compensation expenses, as a component of Operating Expenses, were \$49.3 million for the three months ended March 31, 2015, as compared to \$30.0 million for the three months ended March 31, 2014, an increase of \$19.3 million, or 64%. Non-compensation operating expenses increased from the prior year primarily driven by increased headcount within the business and increased new business costs associated with higher levels of global transaction activity.

Other Expenses of \$32.2 million for the three months ended March 31, 2015 included compensation costs associated with the vesting of LP Units and Interests and certain other awards of \$26.0 million, primarily related to units and interests granted in conjunction with the acquisition of ISI, other acquisition related compensation costs of \$0.6 million, special charges of \$2.3 million, intangible asset and other amortization of \$2.9 million and acquisition and transition costs of \$0.5 million. Other Expenses of \$3.2 million for the three months ended March 31, 2014 were related to acquisition related compensation costs.



Edgar Filing: Evercore Partners Inc. - Form 10-Q

Investment Management

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

	For the Three Months Ended March 31,		Change	
	2015	2014		
	(dollars in thousands)			
Revenues				
Investment Advisory and Management Fees:				
Wealth Management	\$8,445	\$7,167	18	%
Institutional Asset Management	11,093	11,141	—	%
Private Equity	1,408	2,025	(30)	%
Total Investment Advisory and Management Fees	20,946	20,333	3	%
Realized and Unrealized Gains (Losses):				
Institutional Asset Management	1,624	1,643	(1)	%
Private Equity	(489	) (61	) (702	%
Total Realized and Unrealized Gains	1,135	1,582	(28)	%
Investment Management Revenue (1)	22,081	21,915	1	%
Other Revenue, net (2)	(678	) (653	) (4	%
Net Investment Management Revenues	21,403	21,262	1	%
Expenses				
Operating Expenses	19,956	19,571	2	%
Other Expenses	3,430	82	NM	
Total Expenses	23,386	19,653	19	%
Operating Income (Loss) (3)	(1,983	) 1,609	NM	
Income from Equity Method Investments (4)	1,144	551	108	%
Pre-Tax Income (Loss)	\$(839	) \$2,160	NM	

(1) Includes transaction-related client reimbursements of \$0.01 million for the three months ended March 31, 2015 and 2014.

(2) Includes interest expense on the Senior Notes, subordinated borrowings and line of credit of \$1.0 million and \$0.9 million for the three months ended March 31, 2015 and 2014, respectively.

(3) Includes Noncontrolling Interest of \$0.6 million and \$1.4 million for the three months ended March 31, 2015 and 2014, respectively.

(4) Equity in G5 Evercore and ABS is classified as Income from Equity Method Investments.

Investment Management Results of Operations

Our Wealth Management business includes the results of EWM. Our Institutional Asset Management business includes the results of ETC, ECB and Atalanta Sosnoff. Fee-based revenues from EWM, Atalanta Sosnoff and ECB are primarily earned on a percentage of AUM, while ETC primarily earns fees from negotiated trust services and fiduciary consulting arrangements.

In 2013, the Company held a fourth and final closing on EMCP III, a private equity fund focused on middle market investments in Mexico. See Note 8 of our unaudited condensed consolidated financial statements for further information.

We earn management fees on EMCP II and EMCP III of 2.0% per annum of committed capital during its investment period, and 2.0% per annum on net funded capital thereafter. In addition, the general partner of the private equity funds earns carried interest of 20% based on the fund's performance, provided it exceeds preferred return hurdles to its limited partners. We owned 8%-9% of the carried interest earned by the general partner of ECP II up until the fund's termination on December 31, 2014. A significant portion of any gains recognized related to ECP II, EMCP II and EMCP III, and any carried interest recognized by them, are distributed to certain of our private equity professionals.

In the event the funds perform below certain thresholds we may be obligated to repay certain carried interest previously distributed. As of March 31, 2015, we had no previously received carried interest that may be subject to repayment.

We made investments accounted for under the equity method of accounting in G5 Evercore and ABS during the fourth quarters of 2010 and 2011, respectively, the results of which are included within Income from Equity Method Investments.

Assets Under Management

AUM for our Investment Management business of \$14.0 billion at March 31, 2015 was flat compared to \$14.0 billion at December 31, 2014. The amounts of AUM presented in the table below reflect the assets for which we charge a management fee. These assets reflect the fair value of assets managed on behalf of Institutional Asset Management and Wealth Management clients, and the amount of either the invested or committed capital of the Private Equity funds. As defined in ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), valuations performed for Level I investments are based on quoted prices obtained from active markets generated by third parties and Level II investments are valued through the use of models based on either direct or indirect observable inputs in the use of models or other valuation methodologies performed by third parties to determine fair value. For both the Level I and Level II investments, we obtain both active quotes from nationally recognized exchanges and third-party pricing services to determine market or fair value quotes, respectively. Wealth Management maintained 67% and 66% of Level I investments and 33% and 34% of Level II investments as of March 31, 2015 and December 31, 2014, respectively, and Institutional Asset Management maintained 86% and 87% of Level I investments and 14% and 13% of Level II investments as of March 31, 2015 and December 31, 2014, respectively. As noted above, Private Equity AUM is not presented at fair value, but reported at either invested or committed capital in line with fee arrangements. The fees that we receive for providing investment advisory and management services are primarily driven by the level and composition of AUM. Accordingly, client flows, market movements, foreign currency fluctuations and changes in our product mix will impact the level of management fees we receive from our investment management businesses. Fees vary with the type of assets managed and the channel in which they are managed, with higher fees earned on equity assets, alternative investment funds, such as hedge funds and private equity funds, and lower fees earned on fixed income and cash management products. Clients will increase or reduce the aggregate amount of AUM that we manage for a number of reasons, including changes in the level of assets that they have available for investment purposes, their overall asset allocation strategy, our relative performance versus competitors offering similar investment products and the quality of our service. The fees we earn are also impacted by our investment performance, as the appreciation or depreciation in the value of the assets that we manage directly impacts our fees. The following table summarizes AUM activity for the three months ended March 31, 2015:

	Wealth Management	Institutional Asset Management	Private Equity	Total
	(dollars in millions)			
Balance at December 31, 2014	\$5,665	\$8,067	\$316	\$14,048
Inflows	293	500	—	793
Outflows	(109)	(748)	(13)	(870)
Market Appreciation (Depreciation)	66	(4)	—	62
Balance at March 31, 2015	\$5,915	\$7,815	\$303	\$14,033

Unconsolidated Affiliates - Balance at March 31, 2015:

G5 Evercore	\$1,890	\$—	\$—	\$1,890
ABS	\$—	\$4,919	\$—	\$4,919

The following table represents the composition of our AUM for Wealth Management and Institutional Asset Management as of March 31, 2015:

	Wealth Management	Institutional Asset Management		
Equities	60	% 62		%
Fixed Income	32	% 33		%
Liquidity (1)	6	% 4		%



Edgar Filing: Evercore Partners Inc. - Form 10-Q

Alternatives	2	% 1	%
Total	100	% 100	%

(1) Includes cash and cash equivalents and U.S. Treasury securities.

38

---

Our Wealth Management business serves individuals, families and related institutions delivering customized investment management, financial planning, and trust and custody services. Investment portfolios are tailored to meet the investment objectives of individual clients and reflect a blend of equity, fixed income and other products. Fees charged to clients reflect the composition of the assets managed and the services provided. Investment performance in the Wealth Management businesses is measured against appropriate indices based on the AUM, most frequently the S&P 500 and a composite fixed income index principally reflecting BarCap and MSCI indices.

For the three months ended March 31, 2015, AUM for Wealth Management increased 4%, reflecting a 3% increase due to flows and a 1% increase due to market appreciation. Wealth Management outperformed the S&P 500 on a 1 and 3 year basis by 3% and 2%, respectively, during the period and tracked the fixed income composite. For the period, the S&P 500 was up 1%, while the fixed income composite increased by 1%.

Our Institutional Asset Management business reflects assets managed by Atalanta Sosnoff and ECB. Atalanta Sosnoff manages large-capitalization U.S. equity and balanced products, while, ECB primarily manages Mexican Government and Corporate fixed income securities. ECB also manages equity products.

Atalanta Sosnoff principally utilizes the S&P 500 Index as a benchmark in reviewing their performance and managing their investment decisions, while ECB utilizes the IPC Index, which is a capitalization weighted index of leading equities traded on the Mexican Stock Exchange and the Cetes 28 Index, which is an index of Treasury Bills issued by the Mexican Government.

For the three months ended March 31, 2015, AUM for Institutional Asset Management decreased 3%, primarily reflecting a 3% decrease due to flows. This reflects a decrease in AUM for Atalanta Sosnoff and ECB. ECB's AUM decrease primarily reflects the impact of the fluctuation of foreign currency while AUM for Atalanta Sosnoff decreased primarily related to negative flows, as their three year performance continued to lag the benchmarks.

Our Private Equity business includes the assets of funds which our Private Equity professionals manage. These funds include ECP II (terminated on December 31, 2014), the Discovery Fund, EMCP II and EMCP III. AUM for Private Equity decreased 4% for the three months ended March 31, 2015 from outflows related to the continued wind-down of the U.S. Private Equity business.

AUM from our unconsolidated affiliates increased from December 31, 2014 primarily related to positive performance in ABS.

Three Months Ended March 31, 2015 versus March 31, 2014

Net Investment Management Revenues were \$21.4 million for the three months ended March 31, 2015, compared to \$21.3 million for the three months ended March 31, 2014. Investment Advisory and Management Fees earned from the management of client portfolios and other investment advisory services increased 3% from the three months ended March 31, 2014, primarily reflecting an increase in AUM in Wealth Management, partially offset by a decrease in Private Equity fees. Fee-based revenues included \$0.01 million of revenues from performance fees during the three months ended March 31, 2015 compared to \$0.03 million during the three months ended March 31, 2014. Realized and Unrealized Gains decreased 28% from the prior year primarily resulting from increased losses in our private equity funds. Income from Equity Method Investments increased from the three months ended March 31, 2014 as a result of an increase in earnings from our investments in ABS and G5 Evercore.

Operating Expenses were \$20.0 million for the three months ended March 31, 2015, as compared to \$19.6 million for the three months ended March 31, 2014, an increase of \$0.4 million, or 2%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$14.5 million for the three months ended March 31, 2015, as compared to \$12.6 million for the three months ended March 31, 2014, an increase of \$1.9 million, or 15%. The increase was due primarily to higher discretionary incentive compensation. Non-compensation expenses, as a component of Operating Expenses, were \$5.5 million for the three months ended March 31, 2015, as compared to \$6.9 million for the three months ended March 31, 2014, a decrease of \$1.4 million, or 20%.

Other Expenses of \$3.4 million for the three months ended March 31, 2015 included special charges of \$3.3 million and intangible asset and other amortization of \$0.1 million. Other Expenses of \$0.1 million for the three months ended March 31, 2014 were related to amortization of intangibles.

Cash Flows

Our operating cash flows are primarily influenced by the timing and receipt of investment banking and investment management fees, and the payment of operating expenses, including bonuses to our employees and interest expense

on our

39

---

Senior Notes. Investment Banking advisory fees are generally collected within 90 days of billing. However, placement fees may be collected within 180 days of billing, with certain fees being collected in a period exceeding one year. Management fees from our private equity investment management activities are generally billed in advance but collected at the end of a half year period from billing. Fees from our Wealth Management and Institutional Asset Management businesses are generally billed and collected within 90 days. We traditionally pay a substantial portion of incentive compensation to personnel in the Investment Banking business and to executive officers during the first three months of each calendar year with respect to the prior year's results. Our investing and financing cash flows are primarily influenced by activities to deploy capital to fund investments and acquisitions, raise capital through the issuance of stock or debt, repurchase of outstanding Class A shares, and/or noncontrolling interest in Evercore LP, as well as our other subsidiaries, payment of dividends and other periodic distributions to our stakeholders. We generally make dividend payments and other distributions on a quarterly basis. A summary of our operating, investing and financing cash flows is as follows:

	For the Three Months Ended March 31,	
	2015	2014
	(dollars in thousands)	
Cash Provided By (Used In)		
Operating activities:		
Net income	\$5,893	\$13,392
Non-cash charges	77,187	47,164
Other operating activities	(161,865)	(176,993)
Operating activities	(78,785)	(116,437)
Investing activities	5,435	954
Financing activities	(50,788)	(58,496)
Effect of exchange rate changes	(2,241)	(410)
Net Increase (Decrease) in Cash and Cash Equivalents	(126,379)	(174,389)
Cash and Cash Equivalents		
Beginning of Period	352,160	298,453
End of Period	\$225,781	\$124,064

Three Months Ended March 31, 2015. Cash and Cash Equivalents were \$225.8 million at March 31, 2015, a decrease of \$126.4 million versus Cash and Cash Equivalents of \$352.2 million at December 31, 2014. Operating activities resulted in a net outflow of \$78.8 million, primarily related to the payment of 2014 bonus awards. Cash of \$5.4 million was provided by investing activities primarily related to distributions from private equity investments and net proceeds from maturities and sales of our marketable securities, partially offset by loans receivable and purchases of furniture, equipment and leasehold improvements. Financing activities during the period used cash of \$50.8 million, primarily for the payment of dividends and distributions to noncontrolling interest holders, as well as treasury stock purchases, partially offset by short-term borrowings.

Three Months Ended March 31, 2014. Cash and Cash Equivalents were \$124.1 million at March 31, 2014, a decrease of \$174.4 million versus Cash and Cash Equivalents of \$298.5 million at December 31, 2013. Operating activities resulted in a net outflow of \$116.4 million, primarily related to the payment of 2013 bonus awards. Cash of \$1.0 million was provided by investing activities primarily related to net proceeds from maturities and sales of our marketable securities. Financing activities during the period used cash of \$58.5 million, primarily for the payment of dividends and distributions to noncontrolling interest holders, as well as treasury stock and noncontrolling interest purchases.

#### Liquidity and Capital Resources

##### General

Our current assets include Cash and Cash Equivalents, Marketable Securities and Accounts Receivable relating to Investment Banking and Investment Management revenues. Our current liabilities include accrued expenses, accrued employee compensation and short-term borrowings. We traditionally have made payments for employee bonus awards 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 our

corporate estimated payment calendar; these payments are made prior to the end of each calendar quarter. In addition, dividends on Class A Shares are paid when and if declared by the Board of Directors, which is generally quarterly.

Table of Contents

We regularly monitor our liquidity position, including cash, other significant working capital, current assets and liabilities, long-term liabilities, lease commitments and related fixed assets, principal investment commitments related to our Investment Management business, dividends on Class A Shares, partnership distributions and other capital transactions, as well as 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 Investment Banking business, which is a function of closing transactions and earning success fees, the timing and realization of which is irregular and dependent upon factors that are not subject to our control. Our revenue stream funds the payment of our expenses, including annual bonus payments, a portion of which are guaranteed, interest expense on our Senior Notes and other financing arrangements and income taxes. Payments made for income taxes may be reduced by deductions taken for the increase in tax basis of our investment in Evercore LP. These tax deductions, when realized, require payment under our long-term liability, Amounts Due Pursuant to Tax Receivable Agreements. We intend to fund these payments from cash and cash equivalents on hand, principally derived from cash flows from operations. 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 requirements and 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.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. Revenue generated by our advisory activities is related to the number and value of the transactions in which we are involved. In addition, revenue related to our equities business is driven by market volumes. During periods of unfavorable market or economic conditions, the number and value of M&A transactions, as well as market volumes in equities, generally decrease, and they generally increase during periods of favorable market or economic conditions. Restructuring activity generally is counter-cyclical to M&A activity. In addition, during periods of unfavorable market conditions our Investment Management business may be impacted by reduced equity valuations and generate relatively lower revenue because fees we receive typically are in part based on the market value of underlying publicly-traded securities. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame and in an amount sufficient to match any decreases in revenue relating to changes in market and economic conditions. Reduced equity valuations resulting from future adverse economic events and/or market conditions may impact our performance and may result in future net redemptions of AUM from our clients, which would generally result in lower revenues and cash flows. These adverse conditions could also have an impact on our goodwill impairment assessment, which is done annually, as of November 30th, or more frequently if circumstances indicate impairment may have occurred. For a further discussion of risks related to our business, refer to "Risk Factors" in our Form 10-K for the year ended December 31, 2014.

We periodically repurchase Class A Shares and/or LP Units into Treasury in order to reduce the dilutive effect of equity awards granted. In addition, we may from time to time, purchase noncontrolling interests in subsidiaries. In October 2014, our Board of Directors authorized the repurchase of additional Class A Shares and/or LP Units so that going forward Evercore will be able to repurchase an aggregate of 7 million Class A Shares and/or LP Units for up to \$350.0 million. 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 amount 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. During the three months ended March 31, 2015, we repurchased 817,205 shares for \$42.0 million pursuant to our repurchase program.

In addition, periodically, we buy shares into treasury from our employees in order to allow them to satisfy their minimum tax requirements for share deliveries under our share equity plan. During the three months ended March 31, 2015, we repurchased 907,699 shares for \$46.1 million primarily related to minimum tax withholding requirements of

share deliveries.

On August 21, 2008, we entered into a Purchase Agreement with Mizuho pursuant to which Mizuho purchased from us \$120.0 million principal amount of Senior Notes and Warrants to purchase 5,454,545 Class A Shares at \$22.00 per share expiring in 2020. The holder of the Senior Notes may require us to purchase, for cash, all or any portion of the holder's Senior Notes upon a change of control of the Company for a price equal to the Accreted Amount, plus accrued and unpaid interest. Senior Notes held by Mizuho will be redeemable at the Accreted Amount at our option at any time within 90 days following the date on which Mizuho notifies us that it is terminating their Strategic Alliance Agreement. Senior Notes held by any holder other than Mizuho will be redeemable at the Accreted Amount (plus accrued and unpaid interest) at our option at any time. In the event of a default under the indenture, the trustee or holders of 33 1/3% of the Senior Notes may declare that the Accreted Amount is immediately due and payable.

Table of Contents

Pursuant to the agreement, Mizuho may transfer (A) the Senior Notes (i) with the Company's consent, (ii) to a permitted transferee, or (iii) to the extent that such transfer does not result in any holder or group of affiliated holders directly or indirectly owning more than 15% of the aggregate principal amount of the Senior Notes, and (B) the Warrants (i) with the Company's consent, (ii) to a permitted transferee, (iii) pursuant to a tender or exchange offer, or a merger or sale transaction involving the Company that has been recommended by the Company's Board of Directors, or (iv) to the extent that such transfer is made pursuant to a widely distributed public offering or does not result in any holder or group of affiliated holders directly or indirectly owning more than 2% of the Company's voting securities and the total shares of Class A common stock transferred, together with any shares of Class A common stock (on an as-converted basis) transferred during the preceding 12 months, is less than 25% of the Company's outstanding Class A common stock. The Company has a right of first offer on any proposed transfer by Mizuho of the Warrants, Common Stock purchased in the open market or acquired by exercise of the Warrants and associated Common Stock issued as dividends.

The exercise price for the Warrants is payable, at the option of the holder of the Warrants, either in cash or by tender of Senior Notes at the Accreted Amount, at any point in time.

Pursuant to the Purchase Agreement with Mizuho, Evercore is subject to certain nonfinancial covenants. As of March 31, 2015, we were in compliance with all of these covenants.

As of March 31, 2015, the Company had \$22.6 million in subordinated borrowings with an executive officer of the Company, due on October 31, 2019. These borrowings had a coupon of 5.5%, payable semi-annually.

We have made certain capital commitments, with respect to our investment activities, as well as commitments related to redeemable noncontrolling interest and contingent consideration from our acquisitions, which are included in the Contractual Obligations section below.

In 2014, we increased our line of credit with First Republic Bank for funding working capital and other corporate activities, including, but not limited to, the repurchase of the Company's stock from time to time, to \$50.0 million. This facility is secured with certain of our Accounts Receivable outstanding from the date of the agreement and/or restricted cash included in Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition. The interest rate on this facility is the U.S. prime rate and the maturity date is June 27, 2015. The Company drew down \$45.0 million on this facility on February 5, 2015. The amount may be settled, at the Company's option, at any time prior to the maturity date.

ECB 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 \$9.8 million and is secured with trading securities when used on an overnight basis. 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 significant monies drawn on ECB's line of credit since August 10, 2006. The line of credit is renewable annually.

During the first quarter of 2015, in conjunction with the Company entering into a strategic alliance with Luminis, the Company committed to loan Luminis \$5.5 million. The Company paid Luminis \$3.5 million pursuant to the loan agreement during the three months ended March 31, 2015, with the remaining \$2.0 million due from the Company on demand. The Company may acquire a 20% interest in Luminis in 2017.

In conjunction with the acquisition of the operating businesses of ISI, the Company issued 0.5 million vested and 0.5 million unvested Class G LP Interests, which will vest ratably on February 15, 2016, 2017 and 2018, and 2.0 million vested and 2.1 million unvested Class H LP Interests, which will vest ratably on February 15, 2018, 2019 and 2020. For further information and a description of Class E LP Units issued see Note 14 to our unaudited condensed consolidated financial statements.

Pursuant to deferred compensation and deferred consideration arrangements, we are obligated to make cash payments in future periods. For further information see Note 14 to our unaudited condensed consolidated financial statements.

Certain of our subsidiaries are regulated entities and are subject to capital requirements. For further information see Note 16 to our unaudited condensed consolidated financial statements.

Collateralized Financing Activity at ECB



ECB enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future

42

---

Table of Contents

date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB 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 Unaudited Condensed Consolidated Statements of Financial Condition have an estimated average time to maturity of approximately 1.0 years, as of March 31, 2015, 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 ECB, generally mature within one business day 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 ECB's AUM, as well as clients' investment allocations requiring positioning in repurchase transactions.

ECB 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 daily losses from adverse market movements in an ordinary market environment based on a historical simulation using the prior year's historical data. ECB's Risk Management Committee (the "Committee") has established a policy to maintain VaR at levels below 0.1% of the value of the portfolio. If at any point in time the threshold is exceeded, ECB personnel are alerted by an automated interface with ECB's trading systems and begin to make adjustments in the portfolio in order to mitigate the risk and bring the portfolio in compliance. Concurrently, ECB personnel must notify the Committee of the variance and the actions taken to reduce the exposure to loss.

In addition to monitoring VaR, ECB periodically performs discrete stress tests ("Stress Tests") to assure that the level of potential losses that would arise from extreme market movements that may not be anticipated by VaR measures are within acceptable levels. The table below includes a key stress test monitored by the Committee, noted as the sensitivity to a 100 basis point change in interest rates. This analysis assists ECB in understanding the impact of an extreme move in rates, assuring the Collateralized Financing portfolio is structured to maintain risk at an acceptable level, even in extreme circumstances.

The 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. In these meetings the Committee evaluates risk from an operating perspective, VaR, and an exceptional perspective, Stress Tests, to determine the appropriate level of risk limits in the current environment.

We periodically assess the collectability or credit quality related to securities purchased under agreements to resell.



Table of Contents

As of March 31, 2015 and December 31, 2014, a summary of ECB's assets, liabilities and risk measures related to its collateralized financing activities is as follows:

	March 31, 2015		December 31, 2014	
	Amount	Market Value of Collateral Received or (Pledged)	Amount	Market Value of Collateral Received or (Pledged)
	(dollars in thousands)			
<b>Assets</b>				
Financial Instruments Owned and Pledged as Collateral at Fair Value	\$89,026		\$98,688	
Securities Purchased Under Agreements to Resell	5,675	\$ 5,685	7,669	\$ 7,671
<b>Total Assets</b>	<b>94,701</b>		<b>106,357</b>	
<b>Liabilities</b>				
Securities Sold Under Agreements to Repurchase	(94,758 )	\$ (94,802 )	(106,499 )	\$ (106,632 )
<b>Net Liabilities</b>	<b>\$(57 )</b>		<b>\$(142 )</b>	
<b>Risk Measures</b>				
<b>VaR</b>	<b>\$6</b>		<b>\$29</b>	
<b>Stress Test:</b>				
Portfolio sensitivity to a 100 basis point increase in the interest rate	\$(92 )		\$(70 )	
Portfolio sensitivity to a 100 basis point decrease in the interest rate	\$92		\$70	

**Contractual Obligations**

For a complete discussion of our contractual obligations, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

As of March 31, 2015, we were unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority per ASC 740, hence, unrecognized tax benefits have been excluded from this disclosure. We had total commitments (not reflected on our Unaudited Condensed Consolidated Statements of Financial Condition) relating to future capital contributions to private equity funds of \$8.7 million as of March 31, 2015 and December 31, 2014. We expect to fund these commitments with cash flows from operations. We may be required to fund these commitments at any time through June 2022, depending on the timing and level of investments by our private equity funds.

We also have commitments related to our redeemable noncontrolling interests. The value of our redeemable noncontrolling interests, which principally includes noncontrolling interests held by the principals of Atalanta Sosnoff, was \$4.0 million as of December 31, 2014 and March 31, 2015, as recorded on our Unaudited Condensed Consolidated Statements of Financial Condition.

**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**

We, in general, are not a capital-intensive organization and as such, are 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.

Table of Contents

Market and Investment Risk

Institutional Asset Management

We invest in funds managed by EWM. These funds principally hold readily-marketable investment securities. As of March 31, 2015, the fair value of our investments with these products, based on closing prices, was \$3.1 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 \$0.3 million for the three months ended March 31, 2015.

See “-Liquidity and Capital Resources” above for a discussion of collateralized financing transactions at ECB.

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. Our 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. Valuations and analysis regarding our investments in CSI Capital and Trilantic are performed by their respective professionals, and thus we are not involved in determining the fair value for the portfolio companies of such funds.

We estimate that a hypothetical 10% adverse change in the value of the private equity funds would have resulted in a decrease in pre-tax income of approximately \$1.5 million for the three months ended March 31, 2015.

Exchange Rate Risk

We have foreign operations, through our subsidiaries and affiliates, primarily in Mexico and the United Kingdom, as well as provide services to clients in other jurisdictions, which creates foreign exchange rate risk. 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 our financial results. A significant portion of our Latin American revenues have been, and will continue to be, derived from contracts denominated in Mexican pesos and Evercore Partners Limited'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 three months ended March 31, 2015, the net impact of the fluctuation of foreign currencies recorded in Other Comprehensive Income within the Unaudited Condensed Consolidated Statement of Comprehensive Income was (\$3.8) million. It is currently not our intention to hedge our foreign currency exposure, and we will reevaluate this policy from time to time.

Credit Risks

We maintain cash and cash equivalents with financial institutions with high credit ratings. At times, we may maintain deposits in federally insured financial institutions in excess of federally insured (“FDIC”) limits or enter into sweep arrangements where banks will periodically transfer a portion of the Company's excess cash position to a money market fund. However, we believe that we are not exposed to significant credit risk due to the financial position of the depository institution or investment vehicles in which those deposits are held.

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 March 31, 2015 and December 31, 2014, total receivables amounted to \$127.0 million and \$136.3 million, respectively, net of an allowance. The Investment Banking and Investment Management receivables collection periods generally are within 90 days of invoice, with the exception of placement fees, which are generally collected within 180 days of invoice. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. We recorded minimal bad debt expense for each of the three months ended March 31, 2015 and 2014.



Table of Contents

With respect to our Marketable Securities portfolio, which is comprised primarily of highly-rated corporate and municipal bonds, mutual funds and securities investments, we manage our credit risk exposure by limiting concentration risk and maintaining investment grade credit quality. As of March 31, 2015, we had Marketable Securities of \$32.4 million, of which 91% were corporate and municipal securities, primarily with S&P ratings ranging from AAA to BB+.

**Critical Accounting Policies and Estimates**

The unaudited condensed consolidated financial statements included in this report are prepared in conformity with U.S. GAAP, which requires 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 our Annual Report on Form 10-K for the year ended December 31, 2014.

**Recently Issued Accounting Standards**

For a discussion of recently issued accounting standards and their impact or potential impact on the Company's consolidated financial statements, see Note 3 to our unaudited condensed consolidated financial statements.

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

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 in Item 2 "– Market Risk and Credit Risk" above.

**Item 4. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation 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 upon that evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective to accomplish their objectives at the reasonable assurance level.

**Changes in Internal Controls over Financial Reporting**

As noted in the 2014 Form 10-K, Part II, Item 9A filed on February 27, 2015, the Company continues to address the integration of ISI's financial systems and processes. There were no other changes during the three months ended March 31, 2015, 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).



Table of Contents

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

In the normal course of business, from time to time the Company and its affiliates are involved in other judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, Mexican, United Kingdom, Hong Kong, Singapore, Canadian 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, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of determining whether any loss in connection with such matters is probable and whether the amount of such loss can be reasonably estimated, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot estimate the amount of such loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company. Provisions for losses are established in accordance with Accounting Standards Codification ("ASC") 450, "Contingencies" when warranted. Once established, such provisions are adjusted when there is more information available or when an event occurs requiring a change.

In January 2015, Donna Marie Coburn filed a proposed class action complaint against ETC in the U.S. District Court for the District of Columbia, in which she purports to represent a class of participants in the J.C. Penney Corporation Inc. Savings, Profit-Sharing and Stock Ownership Plan (the "Plan") whose participant accounts held J.C. Penney stock at any time between May 15, 2012 and the present. The complaint alleges that ETC breached its fiduciary duties under the Employee Retirement Income Security Act by causing the Plan to invest in J.C. Penney stock during that period and claims the Plan suffered losses of approximately \$300 million due to declines in J.C. Penney stock. The plaintiff seeks the recovery of alleged Plan losses, attorneys' fees, other costs, and other injunctive and equitable relief. The Company believes that it has meritorious defenses against these claims and intends to vigorously defend against them. ETC is indemnified by J.C. Penney, and ultimately the Plan, for reasonable attorneys' fees and other legal expenses, which would be refunded should ETC not prevail.

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

## Unregistered Sales

None

## Issuer Purchases of Equity Securities

2015	Total Number of Shares (or Units) Purchased(1)	Average Price Paid Per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(2)
January 1 to January 31	145,965	\$50.37	134,045	6,758,425
February 1 to February 28	1,551,660	51.12	663,459	6,094,966
March 1 to March 31	27,279	50.49	19,701	6,075,265

Edgar Filing: Evercore Partners Inc. - Form 10-Q

Total	1,724,904	\$51.05	817,205	6,075,265
-------	-----------	---------	---------	-----------

(1) These include treasury transactions arising from net settlement of equity awards to satisfy minimum tax obligations.

(2) In October 2014, our Board authorized the repurchase of additional Class A Shares and/or LP Units so that we will be able to repurchase an aggregate of 7 million Class A Shares and/or LP Units for up to \$350.0 million. 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 amount 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.

Table of Contents

Item 6. Exhibits and Financial Statement Schedules

Exhibit Number	Description
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)
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, are formatted in XBRL (eXtensible Business Reporting Language); (i) Condensed Consolidated Statements of Financial Condition as of March 31, 2015 and December 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014, (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014, (iv) Condensed Consolidated Statements of Changes In Equity for the three months ended March 31, 2015 and 2014, (v) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014, and (vi) Notes to Condensed Consolidated Financial Statements (filed 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: May 6, 2015

Evercore Partners Inc.

By: /s/ RALPH SCHLOSSTEIN

Name: Ralph Schlosstein

Title: Chief Executive Officer and Director

By: /S/ ROBERT B. WALSH

Name: Robert B. Walsh

Title: Chief Financial Officer

Table of Contents

Exhibit Index

Exhibit Number	Description
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)
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, are formatted in XBRL (eXtensible Business Reporting Language); (i) Condensed Consolidated Statements of Financial Condition as of March 31, 2015 and December 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014, (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014, (iv) Condensed Consolidated Statements of Changes In Equity for the three months ended March 31, 2015 and 2014, (v) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014, and (vi) Notes to Condensed Consolidated Financial Statements (filed herewith)