

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

Evercore Partners Inc.  
Form 10-K  
February 24, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

OR

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

Commission File Number 001-32975

EVERCORE PARTNERS INC.  
(Exact name of registrant as specified in its charter)

Delaware	20-4748747
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
55 East 52nd Street, New York, New York	10055
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 857-3100

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐  
(do not check if a smaller reporting company)

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

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The aggregate market value of the voting and nonvoting common equity of the registrant held by non-affiliates as of June 30, 2015 was approximately \$2.0 billion, based on the closing price of the registrant's Class A common stock reported on the New York Stock Exchange on such date of \$53.96 per share and on the par value of the registrant's Class B common stock, par value \$0.01 per share.

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of February 17, 2016, was 39,724,730. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of February 17, 2016 was 25 (excluding 75 shares of Class B common stock held by a subsidiary of the registrant).

### Documents Incorporated by Reference

Portions of the definitive Proxy Statement of Evercore Partners Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2016 annual meeting of stockholders ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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PART I

Available Information

Our website address is [www.evercore.com](http://www.evercore.com). We make available free of charge on the Investor Relations section of our website (<http://ir.evercore.com>) our Annual Report on Form 10-K ("Form 10-K"), Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the Securities and Exchange Commission (the "SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934; as amended (the "Exchange Act"). We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our Proxy Statements and reports filed by officers and directors under Section 16(a) of that Act, as well as our Code of Business Conduct and Ethics. From time to time we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at <http://ir.evercore.com>. In addition, you may automatically receive email alerts and other information about us by enrolling your email by visiting the "Email Alert" section at <http://ir.evercore.com>. We do not intend for information contained in our website to be part of this Form 10-K.

Any materials we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

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

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 statements. All statements other than statements of historical fact are forward-looking statements and, based on various underlying assumptions and expectations, are subject to known and unknown risks, uncertainties and assumptions and may include projections of our future financial performance based on our growth strategies and anticipated trends in Evercore's business. We believe these factors include, but are not limited to, those described under "Risk Factors" in this report. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise except as required by law. You should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments thereto or in future press releases or other public statements. 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.



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### Item 1. Business

#### Overview

Evercore is one of the leading independent investment banking advisory firms in the world based on the dollar volume of announced worldwide merger and acquisition ("M&A") transactions on which we have advised since 2000. When we use the term independent investment banking advisory firm, we mean an investment banking firm that directly, or through its affiliates, does not engage in commercial banking or significant proprietary trading activities. We were founded on the belief that there is an opportunity within the investment banking industry for a firm free of the potential conflicts of interest created within large, multi-product capital intensive financial institutions. We believe that maintaining standards of excellence and integrity in our core businesses demands a spirit of cooperation and hands-on participation more commonly found in smaller organizations. Since our inception, we have set out to build—in the employees we choose and in the projects we undertake—an organization dedicated to the highest caliber of professionalism and integrity.

We operate globally through two business segments:

• Investment Banking; and

• Investment Management.

Our Investment Banking segment includes our advisory services, through which we provide 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. We also provide restructuring advice to companies in financial transition, as well as to creditors, shareholders and potential acquirers. In addition, we provide our clients with capital markets advice relating to both debt and equity securities, we underwrite securities offerings and we raise funds for financial sponsors and advise on secondary transactions for private funds interests. Our Investment Banking segment also includes Evercore ISI services through which we offer equity research and agency-only securities sales and trading for institutional investors.

Our Investment Management segment focuses on Institutional Asset Management, through which we manage financial assets for sophisticated institutional investors and provide independent fiduciary services to corporate employee benefit plans; Wealth Management, through which we provide wealth management services for high net-worth individuals; and Private Equity, through which we manage private equity funds. Each of these businesses is led by senior investment professionals with extensive experience in their respective fields.

#### Investment Banking

At December 31, 2015, our Investment Banking segment had 79 Advisory Senior Managing Directors with expertise and client relationships in a wide variety of industry sectors and broad geographic reach, as well as 88 senior research and distribution professionals in Evercore ISI.

In 2015, our Investment Banking segment generated \$1.134 billion, or 92% of our revenues, excluding Other Revenue, net, (\$821.4 million, or 89%, in 2014 and \$666.8 million, or 87%, in 2013) and earned advisory fees from 484 client transactions.

#### Advisory

We provide confidential, strategic and tactical advice to both public and private companies, with a particular focus on large, multinational corporations, as well as for select institutional investors and government institutions. By virtue of their prominence, size and sophistication, many of our clients are more likely to require expertise relating to larger and more complex situations. We are advising or have advised on numerous noteworthy transactions during the past three years, including:

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- EMC on its sale to Dell and its owners, Michael S. Dell, MSD Capital and Silver Lake
- Shire on its pending acquisition of Baxalta as well as its acquisition of Dyax
- The Bazalgette Consortium of infrastructure investors on its successful bid to finance, deliver, and own the Thames Tideway Tunnel, a major greenfield sewerage pipeline project in London, England
- Tokio Marine on its acquisition of HCC Insurance Holdings
- Energy Future Holdings on the restructuring of its debt
- SilverLake Partners on its sale of IPC Systems to Centerbridge Partners
- AstraZeneca on its successful defense against Pfizer's unsolicited approach
- The Disinterested Directors of the Board of Chrysler Group on the purchase of the VEBA's 41.5% member interests by Fiat
- DuPont in its announced merger with Dow Chemical; its spinoff of Chemours and its successful proxy fight with Trian Fund Management
- The Special Committee of the Board of Directors of Broadcom on its sale to Avago Technologies
- CVS Health on its acquisition of Omnicare
- Abbott Laboratories on its acquisition of Alere
- Cable & Wireless Communications on its acquisition of Columbus International and on its sale to Liberty Global
- Old Mutual on the IPO of OM Asset Management
- Macquarie Infrastructure Fund IV and Wren House Infrastructure on the acquisition of E.ON's operations in Spain and Portugal
- AT&T on its acquisition of Leap Wireless International

- CLP Holdings on the acquisition, together with China Southern Power Grid, of ExxonMobil's majority stake in its Hong Kong electricity business

Our approach is to work as a trusted senior advisor to top corporate officers and boards of directors, helping them devise strategies for enhancing shareholder value:

**Objective Advice with a Long-Term Perspective.** We seek to recommend shareholder value enhancement strategies or other financial strategies that we would pursue ourselves were we acting in management's capacity. This approach often includes advising our clients against pursuing transactions that we believe do not meet that standard.

**Transaction Excellence.** Since the beginning of 2000, we have advised on over \$2.0 trillion of announced transactions, including acquisitions, sale processes, mergers of equals, special committee advisory assignments, recapitalizations and restructurings.

**Senior Level Attention and Experience.** The Senior Managing Directors in our advisory business participate in all facets of client interaction, from the initial evaluation phase to the final stage of executing our recommendations. We advise clients in a number of different situations across many industries and geographies, each of which may require various services:

**Mergers and Acquisitions.** When we advise companies about the potential acquisition of another company or certain assets, our services include evaluating potential acquisition targets, providing valuation analyses, evaluating and

proposing financial and strategic alternatives and rendering, if appropriate, fairness opinions. We also may advise as to the timing, structure, financing and pricing of a proposed acquisition and assist in negotiating and closing the acquisition.

**Divestitures and Sale Transactions.** When we advise clients that are contemplating the sale of certain businesses, assets or their entire company, our services include evaluating and recommending financial and strategic alternatives with respect to a sale, advising on valuation issues and the appropriate sales process for the situation, assisting in



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preparing an offering memorandum or other appropriate sales materials and rendering, if appropriate, fairness opinions. We also identify and contact selected qualified acquirers and assist in negotiating and closing the sale. Special Committee and Fairness Opinion Assignments. We are well known for our independence, quality and thoroughness and devoting senior-level attention throughout the project lifecycle. We believe our objectivity, integrity and discretion allow us to provide an unbiased perspective.

**Restructuring.** We provide financial advice and investment banking services to companies in financial transition, as well as to creditors, shareholders and potential acquirers. Our services may include reviewing and analyzing the business, financial condition and prospects of the company or providing advice on strategic transactions, capital raising or restructurings. We also may provide advisory services to companies that have sought or are planning to seek protection under Chapter 11 of the U.S. Bankruptcy Code or other similar processes in non-U.S. jurisdictions. **Capital Markets.** We serve as an objective advisor to corporations and financial sponsors on a broad array of financing issues. We have developed an expertise in assisting clients with respect to the entire spectrum of capital structure decisions. In addition, we act as an underwriter in public offerings and private placements of debt and equity securities in the U.S. and internationally.

**Private Funds.** We advise fund sponsors in the U.S. and internationally on all aspects of the fundraising process and have expanded our platform to include advising on secondary transactions for private funds interests. We strive to earn repeat business from our clients. However, we operate in a highly competitive environment in which there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately negotiated and awarded. To develop new client relationships and to develop new engagements from historical client relationships, we maintain an active dialogue with a large number of clients and potential clients, as well as with their financial and legal advisors, on an ongoing basis. We have gained new clients each year through our business development initiatives, through recruiting additional senior professionals who bring with them client relationships and through referrals from directors, attorneys and other third parties with whom we have relationships.

### **Equities**

Evercore ISI's leading analysts and distribution organization provides fundamental, macroeconomic and policy research and transaction execution excellence to the largest and most significant institutional and sovereign investors globally.

**Equity Research.** Our research analysts perform research to help our clients understand the dynamics that drive the industries and companies under coverage. We seek to differentiate ourselves through originality of perspective, depth of insight and ability to uncover industry trends. Our research analysts cover major industry developments, publish research on industry sectors, provide fundamental, company-specific coverage and identify and evaluate investment opportunities in publicly-traded companies.

**Institutional Sales and Trading.** Our professionals provide equity and listed option securities sales and trading services to institutional investors and seek to develop strong relationships with the portfolio managers and traders they serve by working closely with our equity research professionals.

### **Investment Management**

Our Investment Management segment includes Institutional Asset Management, in the United States through Evercore Trust Company, N.A. ("ETC"), Atalanta Sosnoff Capital, LLC ("Atalanta Sosnoff") and ABS Investment Management, LLC ("ABS") and in Mexico through Evercore Casa de Bolsa, S.A. de C.V. ("ECB"); Wealth Management, through Evercore Wealth Management ("EWM") and G5 Holdings S.A. ("G5 Evercore"); personal trust services through Evercore Trust Company of Delaware, established in 2016; and Private Equity. Our Investment Management business principally manages and invests capital on behalf of third parties, including a broad range of institutional investors such as corporate and public pension funds, endowments, foundations, insurance companies, family offices and high net-worth individuals. Our Investment Management business is led by highly-experienced Portfolio and Client Relationship Managers.

In 2015, our Investment Management segment generated revenue of \$95.1 million or 8% of our revenues, excluding Other Revenue, net, (\$98.8 million, or 11%, in 2014 and \$95.8 million, or 13%, in 2013). As of December 31, 2015,

we had \$8.2 billion of assets under management ("AUM"), excluding any AUM from our non-consolidated affiliates, of which \$1.7 billion was attributable to Institutional Asset Management, \$6.2 billion was attributable to Wealth Management and \$0.3 billion was attributable to Private Equity clients.

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### Institutional Asset Management

Within our Institutional Asset Management business, ETC provides specialized investment management, independent fiduciary and trustee services and ECB primarily manages Mexican fixed income products and offers fiduciary and trust services. Atalanta Sosnoff manages large-capitalization U.S. equity and balanced products and ABS is an institutionally focused hedge fund-of-funds manager. Atalanta Sosnoff and ABS are each investments reported on the equity method of accounting.

### Wealth Management

Wealth Management provides services through EWM and G5 Evercore and personal trust services through Evercore Trust Company of Delaware, established in 2016. EWM targets clients with more than \$5 million in investable assets and offers services such as investment policy creation, asset allocation, customized investment management, manager selection, performance reporting and financial planning.

### Private Equity

Private Equity manages value-oriented, middle-market private equity funds in Mexico. The Company previously managed funds in the U.S. While we do not intend to raise Evercore-sponsored successor funds in the United States or Europe, we maintain a strategic alliance to pursue private equity investment opportunities with Trilantic Capital Partners ("Trilantic").

In connection with the issuance of certain limited partnership interests in Trilantic, the Company became a limited partner of Trilantic and is entitled to receive 10% of the aggregate amount of carried interest in respect to all of the portfolio investments made by Trilantic IV, up to \$15.0 million. The Company and its affiliates are passive investors and do not participate in the management of any Trilantic-sponsored funds. Trilantic also agreed to pay an annual fee to the Company equal to \$2.0 million per year for a period of five years, ending in 2014, as consideration for services to be performed by the Company. In addition, as part of the strategic alliance, the Company agreed to commit \$5.0 million of the total capital commitments of Trilantic Capital Partners V L.P. ("Trilantic V").

### Our Strategies for Growth

We intend to continue to grow and diversify our businesses, and to further enhance our profile and competitive position, through the following strategies:

**Add Highly Qualified Investment Banking Professionals with Industry and Product Expertise.** We hired 10 new Senior Managing Directors in 2015, expanding our capabilities in the U.S. and Europe and increasing our presence in Technology, Healthcare, Energy, and Power and Utilities. We intend to continue to recruit high-caliber advisory, capital markets advisory, funds placement, research and distribution professionals to add depth in industry sectors and products and services in areas that we believe we already have strength, and to extend our reach to sectors or new business lines we have identified as particularly attractive. On occasion these additions result from the acquisition of boutique independent advisory firms with leading professionals in a market or sector.

**Achieve Organic Growth and Improved Profitability in Investment Management.** We are focused on managing our current Investment Management business towards growth and improved profitability. We also continue to selectively evaluate opportunities to expand Wealth Management.

**Expand In New Geographic Markets.** We are expanding in new geographic markets where we believe the business environment will be receptive to the strengths of our Investment Banking business model or where we believe our clients have or may develop a significant presence. Our expansion in Germany, Spain and Singapore, as well as our advisory affiliates and alliances in Brazil, Japan, China, South Korea, India and Australia, represent important steps in this strategy. We are actively seeking to strengthen, expand and deepen these alliances. We may hire groups of talented professionals or pursue additional strategic acquisitions or alliances with highly-regarded regional or local firms whose cultures and operating principles are similar to ours.

### Results by Segment and Geographic Location

See Note 22 to our consolidated financial statements for additional information regarding our segment results and the geographic areas from which we derive our revenues.

### People

As of December 31, 2015, we employed approximately 1,400 people worldwide. Our senior professionals play a significant role in driving growth and are measured by their productivity either through revenue per Advisory Senior Managing

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Director or other metrics including asset growth for Portfolio and Client Relationship Managers. None of our employees are subject to any collective bargaining agreements, and we believe we have good relations with our employees.

As a leading independent investment banking firm, our core asset is our professional staff, including their intellectual capital and their dedication to providing the highest quality services to our clients. Prior to joining Evercore, many of our Advisory Senior Managing Directors, Senior Research and Sales and Trading Professionals and Portfolio and Client Relationship Managers held senior level positions with other leading corporations, financial services firms or investment firms.

### Competition

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are other investment banking, financial advisory and investment management firms. We compete both globally and on a regional, product or niche basis. We compete on the basis of a number of factors, including transaction execution skills, investment performance, quality of equity research, our range of products and services, innovation, reputation and price.

Evercore is predominantly an independent investment banking advisory firm, and its competitors can be categorized into three main groups: (1) large universal banks and bulge bracket firms such as Bank of America, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS, (2) independent advisory firms such as Lazard and Rothschild and (3) boutiques, such as Centerview, Greenhill, Moelis, Perella Weinberg and PJT Partners, among others. We believe, and our clients have informed us, that firms which also engage in acquisition financing, significant proprietary trading in clients' securities and the management of large private equity funds that often compete with clients can cause such firms to develop interests that may be in conflict with the interests of advisory clients. Since Evercore is able to avoid potential conflicts associated with these types of activities, we believe that Evercore is better able to develop more trusted and long-term relationships with its clients than those of its competitors which provide such services. In addition, we have a larger global presence and deeper sector expertise than many of the boutiques. Evercore ISI's business is also subject to competition from investment banks and other large and small financial institutions who offer similar services.

We believe that we face a range of competitors in our Investment Management business, with numerous other firms providing competitive services in each of our sectors. In Institutional Asset Management, each of Atalanta Sosnoff, ABS, ECB and ETC face substantial competition from a large number of asset management and trust companies, many of which are larger, more established firms with greater brand name recognition and more extensive client networks and product offerings. Wealth Management competes with domestic and global private banks, regional broker-dealers, independent broker-dealers, registered investment advisors, commercial banks, trust companies and other financial services firms offering wealth management services to clients, many of which have substantially greater resources and offer a broader range of services. In Private Equity, our competition includes private equity funds of all sizes.

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

### Regulation

#### United States

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States and elsewhere. As a matter of public policy, regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the United States, the SEC is the federal agency responsible for the administration of the federal securities laws. Evercore Group L.L.C. ("EGL"), a wholly-owned subsidiary of ours through which we conduct our investment banking business, is registered as a broker-dealer with the SEC and the Financial Industry Regulatory Authority ("FINRA"), and is registered as a broker-dealer in various states and the

District of Columbia. EGL is subject to regulation and oversight by the SEC. FINRA, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including EGL. The SEC, FINRA, and regulators in various non-U.S. jurisdictions impose both conduct-based and disclosure-based requirements with respect to research reports and research analysts. State securities regulators also have regulatory or oversight authority over EGL. On December 31, 2015, the operations of International Strategy & Investment Group L.L.C. were transferred to EGL. The Private Funds Group is impacted by various state and local regulations that restrict or prohibit the use of placement agents in connection with

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investments by public pension funds, including regulations in New York, Illinois, Ohio, California and New Mexico. Similar measures are being considered or have been implemented in other jurisdictions.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. EGL is also subject to the SEC's Market Access Rule, Rule 15c3-5. The Market Access Rule requires EGL to have controls and procedures in place to limit financial exposure caused by having direct market access. Our broker-dealer subsidiaries are also subject to regulations, including the USA PATRIOT Act of 2001 (the "Patriot Act"), which impose obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures. Failure to comply with these requirements may result in monetary, regulatory and, in certain cases, criminal penalties.

We are also subject to the U.S. Foreign Corrupt Practices Act, which prohibits offering, promising, giving, or authorizing others to give anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business. Three of our affiliates, EWM, ABS and Atalanta Sosnoff, are registered as investment advisors with the SEC. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients, state and local political contributions, as well as general anti-fraud prohibitions. EWM is also an investment advisor to a mutual fund, which subjects EWM to additional regulations under the Investment Company Act of 1940 (the "1940 Act"). ETC, which is limited to fiduciary activities, is regulated by the Office of the Comptroller of the Currency ("OCC"), is a member bank of the Federal Reserve System and is subject to the Patriot Act and to the state laws in the jurisdictions in which it operates. Evercore Trust Company of Delaware ("ETCDE"), established in 2016, is a limited purpose trust company regulated by the Office of the Delaware State Bank Commissioner. ETCDE is subject to the rules and regulations applicable to limited purpose trust companies operating in Delaware.

### Mexico

ECB is authorized by the Mexican Ministry of Finance to act as a broker-dealer and financial advisor in accordance with the Mexican Securities Market Law. ECB is subject to regulation and oversight by the Mexican Ministry of Finance and the Mexican National Banking and Securities Commission, including the maintenance of minimum capital requirements. In addition, the Mexican Broker Dealer Association, a self-regulatory organization that is subject to oversight by the Mexican National Banking and Securities Commission, adopts and enforces rules governing the conduct, and examines the activities of, its member broker-dealers, including ECB. ECB has been authorized by the Mexican National Banking and Securities Commission to act as a trustee and to operate in the equity markets.

### United Kingdom

Authorization by the Financial Conduct Authority ("FCA"). The FCA is responsible for regulating Evercore Partners International LLP ("Evercore UK") and International Strategy & Investment (UK) Limited ("ISI UK"), the London vehicle of the recently acquired ISI business. The Financial Services and Markets Act 2000 ("FSMA") is the basis for the UK's financial services regulatory regime. FSMA is supported by secondary legislation and other rules made under

FSMA, including the FCA Handbook of Rules and Guidance. A key FSMA provision is section 19, which contains a "general prohibition" against any person carrying on a "regulated activity" (or purporting to do so) in the UK unless he is an authorized or exempt person. It is a criminal offense to breach this general prohibition and certain agreements made in breach may not be enforceable. The "regulated activities" are set out in the FSMA (Regulated Activities) Order 2001 (as amended). Evercore UK is authorized to carry out regulated activities including: advising on investments; arranging (bringing about) deals in investments and making arrangements with a view to transactions in investments. ISI UK is also authorized to carry out these activities and, additionally,



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is authorized to carry out the regulated activity of dealing in investments as agent. As UK authorized persons, Evercore UK and ISI UK are subject to the FCA's high level principles for businesses, conduct of business obligations and organizational requirements. The FCA has extensive powers to supervise and intervene in the affairs of the firms. It can take a range of disciplinary enforcement actions, including public censure, restitution, fines or sanctions and the award of compensation.

FSMA also has a civil penalty regime for market abuse, supplemented by the FCA's Code of Market Conduct, which exists independently of a separate criminal regime for insider dealing. The civil regime implements the Market Abuse Directive ("MAD") in the UK. MAD is being replaced by a new Markets Abuse Regulation ("MAR"), which will expand and develop the existing EU market abuse regime. MAR will apply from July 3, 2016.

**Regulatory Capital.** Regulatory capital requirements form an integral part of the FCA's prudential supervision of FCA authorized firms. The regulatory capital rules oblige firms to hold a certain amount of capital at all times (taking into account the particular risks to which the firm may be exposed given its business activities), thereby helping to ensure that firms can meet their liabilities as they fall due and safeguarding their (and their counterparties') financial stability. The FCA also expects firms to take a proactive approach to monitoring and managing risks, consistent with its high level requirement for firms to have adequate financial resources. However, as a so-called "exempt-CAD firm", Evercore UK is subject only to limited minimum capital requirements. ISI UK is a so-called "BIPRU investment firm". As a result, it is potentially subject to a greater minimum regulatory capital requirement, currently based on its annual fixed expenditure (its "fixed overhead requirement"). The FCA may impose a higher capital requirement than the minimum requirement on BIPRU investment firms.

**Anti-Money Laundering, Counter-Terrorist Financing and Anti-Bribery.** The Money Laundering Regulations 2007 came into force on December 15, 2007 and implement the Third EU Money Laundering Directive ("MLD 3"). The MLD 3 harmonizes standards across the EU with higher-level, risk-based requirements and require relevant firms to have procedures in place to prevent money laundering and to take a risk-based approach to focus the efforts where they are most needed. This approach includes client due diligence, monitoring, staff training and awareness. Failure to maintain the necessary procedures is a criminal offense. The Fourth EU Money Laundering Directive ("MLD 4"), which entered into force on June 25, 2015 amends and replaces MLD 3. MLD 4 is designed to reinforce the efficacy of EU law in countering money laundering and terrorist financing and to ensure that the EU framework is aligned with the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation adopted by the Financial Action Task Force's anti-money in 2012. Member states are required to bring into force the laws, regulations and administrative provisions necessary to comply with MLD 4 by June 26, 2017 although the Commission of the European Union has called on member states to agree to bring forward the date for effective transposition and application of MLD 4 to the fourth quarter of 2016. The Commission has also announced that it intends to publish a legislative proposal with amendments to MLD 4 by the second quarter of 2016.

The Proceeds of Crime Act 2002 and the Terrorism Act 2000 also contain a number of offenses in relation to money laundering and terrorist financing, respectively. Evercore UK, ISI UK (and potentially other Evercore entities with a 'close connection' to the UK) are also subject to the UK Bribery Act 2010 which came into force on July 1, 2011. It provides for criminal penalties for bribery of, or receipt of a bribe from, public officials, corporations and individuals, as well as for the failure of an organization to prevent a person with whom it is associated from providing bribes for the organization's benefit.

**Regulatory Framework in the European Union.** Both Evercore UK and ISI UK have obtained the appropriate European investment services passport rights to provide cross-border services into a number of other members of the European Economic Area ("EEA"). Evercore UK has also obtained a passport to provide specific investment services from a Spanish branch. These "passports" derive from the pan-European regime established by the EU Markets in Financial Instruments Directive ("MiFID"), which regulates the provision of investment services and activities throughout the EEA. MiFID provides investment firms which are authorized in any one EEA member state the right to provide investment services on a cross-border basis, or through the establishment of a branch to clients located in other EEA member states (known as "host member states") on the basis of their home member state authorization

without the need for separate authorization by the competent authorities in the relevant host member state. This practice is known as "passporting".

MiFID has been recast and replaced with a new directive ("MiFID 2") and a new Markets in Financial Instruments Regulation ("MiFIR"). Among the measures introduced by MiFID 2 and MiFIR are enhanced investor protection and conduct of business rules. One aspect of the enhanced conduct of business rules is stricter restrictions on investment firms making or receiving so-called "inducements" including dealing (or broker) commissions. MiFID 2 and MiFIR also introduce a harmonized regime for access by non-European firms to the EU investment services market. This could impact the ability of Evercore entities outside of Europe to provide investment services within Europe. Both MiFID 2 and MiFIR entered into force on July 2, 2014 and must generally be applied by member states by January 3, 2017 (although this application date is expected to be postponed by at least one year).

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### Hong Kong

In Hong Kong, the Securities and Futures Commission ("SFC") regulates our subsidiary, Evercore Asia Limited ("Evercore Asia"). The compliance requirements of the SFC include, among other things, net capital requirements and stockholders' equity requirements. The SFC regulates the activities of the officers, directors, employees and other persons affiliated with Evercore Asia, and require the registration of such persons.

### Singapore

In Singapore, corporate finance advisory activities are regulated by the Monetary Authority of Singapore ("MAS") and subject to licensing requirements. Evercore Asia (Singapore) Pte. Ltd. maintains a Capital Market Services license issued by the MAS for dealing in securities and advising on corporate finance matters.

### General

Certain of our businesses are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Additional legislation, changes in rules promulgated by financial authorities and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

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

### Item 1A. Risk Factors

#### Risks Related to Our Business

Difficult market conditions may adversely affect our business in many ways, including reducing the volume of the transactions involving our Investment Banking business and reducing the value of the assets we manage in our Investment Management businesses, which, in each case, may materially reduce our revenue or income.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. Global financial markets and economic conditions are negatively impacted by many factors beyond our control, including the inability to access credit markets, rising interest rates or inflation, terrorism, political uncertainty, uncertainty in the U.S. federal fiscal policy and the fiscal policy of foreign governments and the timing and nature of regulatory reform. Financial market and economic conditions have been volatile in the last several years, and challenging conditions have persisted. Concerns over the rate of economic recovery, the level of U.S. national debt and foreign debt, unemployment, the availability and cost of credit, the global housing market, inflation levels, currency fluctuations, energy costs (including significant declines in oil prices) and geopolitical issues have contributed to increased volatility, uncertainty and diminished expectations for the economy and for the markets. These conditions could reduce the demand for our services and present new challenges. Revenue generated by our Investment Banking business is related to the volume and value of the transactions in which we are involved. The majority of our bankers are focused on covering clients in the context of providing M&A services and those activities generate a substantial portion of our revenues. During periods of unfavorable market and economic conditions, our operating results may be adversely affected by a decrease in the volume and value of M&A transactions and increasing price competition among financial services companies seeking advisory engagements. Additionally, our clients engaging in M&A transactions often rely on access to the credit and/or capital markets to finance their transactions. The uncertainty of available credit and the volatility of the capital markets can adversely affect the size, volume, timing and ability of such clients to successfully complete M&A transactions and adversely affect our Investment Banking business.

In the event of a decline in M&A activity we may seek to generate greater business from our restructuring and capital markets services and our Evercore ISI business. However, it is unlikely that we will be able to offset lower revenues in their entirety from our M&A activities with revenues generated from restructuring and capital markets services or

from our Evercore ISI business. Our restructuring services, which provide financial advice and investment banking services to companies in financial transition, as well as to creditors, shareholders and potential acquirers, our capital markets services, which provide

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corporations and financial sponsors with advice relating to a broad array of financing issues and our Evercore ISI business, which provides equity research and agency-only securities sales and trading for institutional investors, are intentionally smaller than our M&A advisory business and we expect that they will remain that way for the foreseeable future.

Unfavorable market conditions also may lead to a reduction in revenues from our trading, underwriting and placement agent activities. In addition, Europe's ongoing debt crisis could have a material adverse effect on our U.K. advisory business. The European sovereign debt crisis has continued to negatively impact economic conditions and global markets. The uncertainty over the outcome of international and the EU's financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. See "-A portion of our revenues are derived from our international operations, which are subject to certain risks."

During a market or general economic downturn, our Institutional Asset Management and Wealth Management businesses would also be expected to generate lower revenue because the management fees we receive are typically based on the market value of the securities that comprise the assets we manage. In addition, due to uncertainty or volatility in the market or in response to difficult market conditions, clients may withdraw funds from these businesses in favor of investments they perceive as offering greater opportunity or lower risk. Difficult market conditions can also materially adversely affect our ability to launch new products or offer new services in our Institutional Asset Management or Wealth Management businesses, which could negatively affect our ability to increase AUM. In each case, management fees based on AUM would be negatively affected. Moreover, difficult market conditions may negatively impact the private equity funds that we manage by further reducing valuations and curtailing opportunities to exit and realize value from their investments.

Certain aspects of our cost structure are largely fixed, and we may incur costs associated with new or expanded lines of business prior to these lines of business generating significant revenue. If our revenue declines or fails to increase commensurately with the expenses associated with new or expanded lines of business, our profitability may be materially adversely affected.

We may incur costs associated with new or expanded lines of business, including guaranteed or fixed compensation costs, prior to these lines of business generating significant revenue. In addition, certain aspects of our cost structure, such as costs for occupancy and equipment rentals, communication and information technology services, and depreciation and amortization are largely fixed, and we may not be able to timely adjust these costs to match fluctuations in revenue. If our revenue declines, or fails to increase commensurately with the expenses associated with new or expanded lines of business, our profitability may be materially adversely affected.

We depend on our senior professionals, including our executive officers, and the loss of their services could have a material adverse effect on us.

Our senior leadership team's expertise, skill, reputation and relationships with clients and potential clients are critical elements in maintaining and expanding our businesses. For example, our Investment Banking business, including Advisory and Evercore ISI, is dependent on our senior Investment Banking professionals and on a small number of senior research analysts, traders and executives. In addition, EWM and ETC are dependent on a small number of senior portfolio managers and executives. Further, the operations and performance of G5 Evercore, ABS and Atalanta Sosnoff are dependent on a small number of senior executives. Our professionals possess substantial experience and expertise and strong client relationships. However, they are not obligated to remain employed with us. If these personnel were to retire, join an existing competitor, form a competing company or otherwise leave us, it could jeopardize our relationships with clients and result in the loss of client engagements and revenues.

If we are unable to successfully identify and hire productive individuals to join our firm or consummate additional acquisitions, alliances or joint ventures on attractive terms, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on expanding our various businesses through additional acquisitions, entering into joint ventures and strategic alliances, and internally developing new opportunities that are complementary to our existing businesses and where we think we can add substantial value or generate substantial returns. The success of

this strategy will depend on, among other things:

- the availability of suitable opportunities and capital resources to effect our strategy;

- the level of competition from other companies that may have greater financial resources than we do or may not require the same level of disclosure of these activities;

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our ability to value acquisition and investment candidates accurately and negotiate acceptable terms for those acquisitions and investments; and

our ability to identify and enter into mutually beneficial relationships with joint venture partners.

Our growth strategy also relies on our ability to attract and retain profitable senior finance professionals across all of our businesses. To the extent we award compensation based on our business performance, we may not be able to retain our professionals, which could result in increased recruiting expenses or our recruiting professionals at higher compensation levels. For example, in connection with the formation of Evercore ISI, we issued to a large number of employees Class G and H limited partnership interests of Evercore LP ("Class G and H LP Interests") that become exchangeable for common stock only upon the satisfaction of multi-year performance conditions. If business and economic conditions are such that satisfaction of these conditions becomes less likely, the effectiveness of these interests in retaining employees, including key senior employees, may be reduced.

Due to the early stage of development of certain of our businesses and competition from other firms, we may face difficulties in recruiting and retaining professionals of a caliber consistent with our business strategy. In particular, many of our competitors may be able to offer more attractive compensation packages or broader career opportunities. Additionally, it may take more than one year for us to determine whether new advisory professionals will be profitable or effective, during which time we may incur significant expenses and expend significant time and resources on training, integration and business development.

If we are not successful in implementing our growth strategy, our business and results and the market price for our Class A common stock may be adversely affected.

Our inability to develop, integrate and manage recently added capabilities, joint ventures, alliances and acquired businesses successfully could have adverse consequences to our business.

Integrating acquired businesses, providing a platform for new businesses and partnering with other firms involve a number of risks and present financial, managerial and operational challenges, including the following factors, among others:

- loss of key employees or customers;

- possible inconsistencies in or conflicts between standards, controls, procedures and policies and the need to implement company-wide financial, accounting, information technology and other systems;

- failure to maintain the quality of services that have historically been provided;

- failure to coordinate geographically diverse organizations;

- compliance with regulatory requirements in regions in which new businesses and ventures are located; and

- the diversion of management's attention from our day-to-day business as a result of the need to manage any disruptions and difficulties and the need to add management resources to do so.

For example, acquisitions and internally developed initiatives generally result in increased operating and administrative costs as the necessary infrastructure, IT, legal and compliance systems, controls and personnel are put in place. Our inability to develop, integrate and manage acquired companies, joint ventures or other strategic relationships and growth initiatives in an efficient and cost-effective manner, or at all, could have material adverse short- and long-term effects on our operating results, financial condition and liquidity.

We may not realize the cost savings, revenue enhancements or other benefits that we expected from our acquisitions and other growth initiatives.

Our analyses of the benefits and costs of expanding our businesses necessarily involve assumptions as to future events, including general business and industry conditions, the longevity of specific customer engagements and relationships, operating costs and competitive factors, many of which are beyond our control and may not materialize. While we believe our analyses and their underlying assumptions to be reasonable, they are estimates that are necessarily speculative in nature. In addition, new regulatory requirements and conflicts may reduce the synergies that we expect to result from our growth initiatives. Even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame. Also, the cost savings and other synergies from these acquisitions may be offset by costs incurred in integrating the companies, increases in other expenses or problems in the business

unrelated to these acquisitions. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to personnel, systems and activities that are not under our direct and sole control, and conflicts and disagreements between us and our joint venture partners may negatively impact our business.



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Additionally, acquiring the equity of an existing business or substantially all of the assets of a company may expose us to liability for actions taken by an acquired business and its management before the acquisition. The due diligence we conduct in connection with an acquisition and any contractual guarantees or indemnities that we receive from the sellers of acquired companies may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition, especially where there is no right to indemnification, could adversely affect our operating results, financial condition and liquidity.

Our growth has placed, and will continue to place, significant demands on our administrative, operational and financial resources.

We have experienced significant growth in the past several years, including in our Investment Banking business, by expanding into sales, trading, research and underwriting activities, entering into strategic alliances, acquiring ISI and The Lexicon Partnership LLP ("Lexicon") and the hiring of additional senior professionals in our advisory group, and in our Investment Management business through the acquisitions of Atalanta Sosnoff and Mt. Eden Investment Advisors, LLC and our investment in ABS. Supporting this growth has placed significant demands on our operational, legal, regulatory and financial systems and resources for integration, training and business development efforts. We are often required to commit additional resources to maintain appropriate operational, legal, regulatory and financial systems to adequately support expansion, even when we only partner, enter into strategic alliances or take minority stakes in other businesses. We expect our growth to continue, which could place additional demands on our resources and increase our expenses. We cannot provide assurance that our financial controls, the level of knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our expanding operations effectively. Any failure to do so could adversely affect our ability to pursue our growth strategy, generate revenue and control expenses.

Our revenue and profits are highly volatile, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Class A common stock to decline.

Our revenue and profits are highly volatile and we can experience significant fluctuations in quarterly results. We generally derive Investment Banking revenue from engagements that generate significant fees at key transaction milestones, such as closing, and the timing of these milestones is outside of our control. As a result, our financial results will likely fluctuate from quarter to quarter based on the timing of when those fees are earned. It may be difficult for us to achieve steady earnings growth on a quarterly basis, which could, in turn, lead to large adverse movements in the price of our Class A common stock or increased volatility in our stock price generally.

We earn a majority of our revenue from advisory engagements, and, in many cases, we are not paid until the successful consummation of the transactions. As a result, our Investment Banking revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, a client could delay or terminate an acquisition transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business is experiencing unexpected operating or financial problems. Anticipated bidders for assets of a client during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness due to a failure to reach agreement with its principal creditors. In these circumstances, we often do not receive any advisory fees other than the reimbursement of certain out-of-pocket expenses, despite the fact that we have devoted considerable resources to these transactions.

In Institutional Asset Management and Wealth Management, our revenue includes management fees from assets we manage. These revenues are dependent upon the amount of AUM, which can decline as a result of market depreciation, withdrawals or otherwise, as well as the performance of the assets. The timing of flows, contributions and withdrawals are often out of our control, can occur on short notice, and may be inconsistent from quarter to quarter. See "—The amount and mix of our AUM are subject to significant fluctuations." In addition, a portion of our Institutional Asset Management revenue is derived from performance fees, which vary depending on the performance of the investments we select for the funds and clients we manage, which could cause our revenue and profits to

fluctuate. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce AUM and asset management revenues.

In Private Equity, we record revenue from performance fees, or carried interest, upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable. Our Private Equity revenue also includes our allocable share, based on our investments in the funds managed by our Private Equity business, of unrealized ("mark-to-market") as well as realized gains and losses reported by such funds. As a result, because the investment returns of our Private

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Equity funds are uncertain and difficult to predict, the revenue we derive from our Private Equity business can be volatile from quarter to quarter and year to year.

Our failure to deal appropriately with conflicts of interest could damage our reputation and materially adversely affect our business.

As we have expanded the scope of our businesses and client base, we increasingly confront actual and potential conflicts of interest relating to our Investment Banking and Investment Management businesses. It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Appropriately identifying and managing actual or perceived conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation which would materially adversely affect our business in a number of ways, including an inability to raise additional assets and a reluctance of potential clients and counterparties to do business with us. Additionally, client-imposed conflicts requirements could place additional limitations on us, for example, by limiting our ability to accept Investment Banking advisory engagements or provide fiduciary services to our Investment Management clients.

Policies, controls and procedures that we may be required to implement to address additional regulatory requirements, including as a result of Evercore ISI's business and our expansion into underwriting activities, or to mitigate actual or potential conflicts of interest, may result in increased costs, including for additional personnel and infrastructure and IT improvements, as well as limit our activities and reduce the positive synergies that we seek to cultivate across our businesses. For example, due to our expanded equity research activities through Evercore ISI, we face an increased potential for conflicts of interest, including situations where our provision or publication of research conflicts with the interests of a client, or allegations that research objectivity is being inappropriately impacted by client considerations. Such conflicts may also arise if our Investment Banking advisory business has access to material non-public information that may not be shared with our equity research business or vice versa. In addition, ETC may seek independent fiduciary assignments which might present an actual or perceived conflict with our Advisory business. Certain of our executive officers and employees responsible for managing Discovery Americas I, L.P. (the "Discovery Fund") have invested their own capital in side-by-side investments in specific portfolio companies along with the Discovery Fund. These side-by-side investments are not subject to management fees or carried interest. As a result, some of our executive officers and private equity portfolio managers have a different economic interest in the performance of investments in certain portfolio companies compared to the interests of investors in our private equity funds. This lack of a total alignment of interests and incentives could result in our executive officers and private equity portfolio managers devoting a disproportionate amount of time and attention to certain investments, and could result in the underperformance of our private equity fund as a whole.

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

There have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry, and there is a risk that our employees could engage in misconduct that adversely affects our business. Our Investment Banking business also often requires that we deal with confidential matters of great significance to our clients. If our employees were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients and employees. We are also subject to a number of obligations and standards arising from our Investment Management business and our authority over the assets managed by our Investment Management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our employees engage in misconduct, our business may be adversely affected.

In addition, in recent years, the U.S. Department of Justice and the SEC have also devoted greater resources to the enforcement of the Foreign Corrupt Practices Act, and the United Kingdom has recently significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance with anti-bribery and other laws, such policies and procedures may not be effective in all instances to prevent violations. Any determination that any of our employees have violated these laws (or similar laws of other jurisdictions in which we do business) could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunction on future conduct, securities litigation and reputational damage, any one of which could adversely affect our business, financial position or results of operations.

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The financial services industry faces substantial litigation risks, and we may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or for other reasons.

As a financial services firm, we depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services or if there are allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, whether or not valid, may harm our reputation and may be more damaging to our business than to other types of businesses.

Moreover, our role as advisor to our clients on important mergers and acquisitions or restructuring transactions often involves complex analysis and the exercise of professional judgment, including, if appropriate, rendering fairness opinions in connection with mergers and other transactions.

In recent years, particularly in highly volatile markets, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against M&A financial advisors has been increasing. Our business is also subject to regulation in the countries in which it operates. As this regulatory environment continues to change (in some cases potentially significantly) it is difficult to assess future litigation and regulatory risks. This regulatory change also makes it harder for our clients to estimate future potential losses that may be incurred. Our M&A advisory activities may subject us to the risk of significant legal liability to our clients and third parties, including our clients' stockholders, under securities or other laws for materially false or misleading statements made in connection with securities and other transactions and potential liability for the fairness opinions and other advice provided to participants in corporate transactions. In addition, a portion of our M&A advisory fees are obtained from restructuring clients, and often these clients do not have sufficient resources to indemnify us for costs and expenses associated with third-party subpoenas and, to the extent claims are not barred as part of the reorganization process, direct claims. Our engagements typically include broad indemnities from our clients and provisions designed to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be adhered to in all cases. As a result, we may incur significant legal expenses in defending against litigation. In our Investment Management business, we make investment decisions on behalf of our clients that could result in substantial losses. This also may subject us to the risk of legal liability or actions alleging negligent misconduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Substantial legal liability or legal expenses incurred in defending against litigation could materially adversely affect our business, financial condition, operating results or liquidity or cause significant reputational harm to us, which could seriously harm our business.

Extensive and evolving regulation of our businesses exposes us to the potential for significant penalties and fines due to compliance failures, increases our costs and limits our ability to engage in certain activities.

The financial services industry is subject to extensive regulation, as described further under "Business - Regulation" above. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate. Our failure to comply with applicable laws or regulations could result in adverse publicity and reputational harm as well as fines, suspensions of personnel or other sanctions, including revocation of the registration of us or any of our subsidiaries as an investment adviser or broker-dealer. For example, we are subject to extensive bribery and anti-corruption regulation, which can present heightened risks for us due to certain jurisdictions in which we operate and our significant client relationships with governmental entities and certain businesses that receive support from government agencies. Our businesses are subject to periodic examination by various regulatory authorities, and we cannot predict the outcome of any such examinations or estimate the amount of monetary fines or penalties which could be assessed. In addition, adverse regulatory scrutiny of any of our strategic partners could have a material adverse effect on our business and reputation. For example, the SEC has recently focused on investment advisers, investigating and bringing enforcement actions where such advisers have breached or are alleged to have breached their fiduciary duties to clients. Any investigation by the SEC, even in the absence of wrongdoing, could damage our reputation with clients and adversely affect our operations.

In recent years, the U.S. and other governments have taken actions, and may continue to take further actions, including expanding current or enacting new standards, requirements and rules that may be applicable to us and our subsidiaries and in particular our Investment Management business. For example, several states and municipalities in the United States have adopted "pay-to-play" rules, which could limit our ability to charge advisory fees, and could therefore affect the profitability of that portion of our business. In addition, the use of "soft dollars", where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, is periodically reexamined and may in the future be limited or modified. Although a substantial portion of the research relied on by our Investment Management business in the investment decision-making process is generated internally by our investment analysts, external research, including external research paid for with soft dollars, is important to the process. This external research

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generally is used for information gathering or verification purposes, and includes broker-provided research, as well as third-party provided databases and research services. If the use of soft dollars is limited, we may have to bear some of these costs. Furthermore, new regulations regarding the management of hedge funds and the use of certain investment products may impact our Investment Management business and result in increased costs. For example, many regulators around the world adopted disclosure and reporting requirements relating to the hedge fund businesses or other businesses, and changes to the laws, rules and regulations in the U.S. related to the over-the-counter swaps and derivatives markets require additional registration, recordkeeping and reporting obligations.

Over the last several years, global financial markets have experienced extraordinary disruption and volatility, and there have been a number of highly-publicized financial scandals involving misconduct by financial market participants and their employees. As a result, various U.S. and foreign government agencies and regulatory bodies have taken, and may take further, actions to expand laws, rules, regulations and standards that may be applicable to our activities. Our ability to conduct business and our operating results, including compliance costs, may be adversely affected as a result of any new requirements imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that regulate financial services firms or supervise financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. In addition, some of our clients or prospective clients may adopt policies that exceed regulatory requirements and impose additional restrictions. For example, certain public pension funds will not invest in funds where a placement agent or other solicitor was involved.

The full extent of the effects of governmental economic and regulatory involvement in the wake of disruption and volatility in global financial markets remains uncertain.

As a result of market volatility and disruption in the last several years, the U.S. and other governments have taken unprecedented steps to try to stabilize the financial system, including investing in financial institutions and taking certain regulatory actions. The full extent of the effects of these actions and legislative and regulatory initiatives (including the Dodd-Frank Act) effected in connection with, and as a result of, such extraordinary disruption and volatility is uncertain, both as to the financial capital markets and participants in general, and as to us in particular. Furthermore, there can be no assurance that governmental or other measures to aid economic recovery, including economic stimulus legislation, will be effective. As these conditions persist, our business, financial condition, results of operation and ability to make distributions to our stockholders could be materially adversely affected.

Our business is subject to various operational risks.

We face various operational risks related to our businesses on a day-to-day basis. We rely heavily on financial, accounting, communication and other data processing systems. These systems, including the systems of third parties on whom we rely, may fail to operate properly or become disabled as a result of tampering or a breach of our network security systems or otherwise, including for reasons beyond our control. In addition, our systems and those of third parties on which we rely have been, and we expect they will continue to be, subject to cyberattacks. Breaches of our network security systems could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer viruses, cyberattacks and other means and could originate from a wide variety of sources, including state actors or other unknown third parties outside the firm. The increased use of mobile technologies can heighten these and other operational risks. Although we take various measures to ensure the integrity of our systems, there can be no assurance that these measures will provide adequate protection, and we expect to incur significant costs in maintaining and enhancing appropriate protections to keep pace with developing methods of attack. Although cyber attacks have not, to date, had a material impact on our operations, if our systems are compromised, do not operate properly or are disabled, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and damage to our reputation.

We operate in businesses that are highly dependent on information systems and technology. In Evercore ISI, and our Institutional Asset Management and Wealth Management businesses in particular, we must consistently and reliably obtain securities pricing information, properly execute and process client transactions and provide reports and other

customer service to our clients. The expansion of our equities business has increased the size and scope of our trading activities and, accordingly, increased the opportunities for trade errors and other operational errors in connection with the processing of transactions. The occurrence of trade or other operational errors or the failure to keep accurate books and records can render us liable to disciplinary action by governmental and self-regulatory authorities, as well as to claims by our clients. We also rely on third-party service providers for certain aspects of our business. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair our operations, affect our reputation and adversely affect our businesses.



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In providing services to clients, we may manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we may be subject to numerous laws and regulations designed to protect this information, such as the U.S. federal and state laws governing the protection of health or other personally identifiable information and international laws. These laws and regulations are increasing in complexity and number. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and their related revenue in the future. Potential liability in the event of a security breach of client data could be significant and depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages.

In addition, if we were to experience a disaster or other business continuity problem, such as a pandemic, other man-made or natural disaster or disruption involving electronic communications or other services used by us or third parties with whom we conduct business, our continued success will depend, in part, on the availability of our personnel and office facilities and the proper functioning of our computer, telecommunications, transaction processing and other related systems and operations, as well as those of third parties on whom we rely. In particular, we depend on our headquarters in New York City, where a large number of our personnel are located, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Any such event could lead us to experience operational challenges, and our inability to timely and successfully recover could materially disrupt our businesses and cause material financial loss, regulatory actions, reputational harm or legal liability.

We may not be able to generate sufficient cash to service all of our indebtedness.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal of, and interest on, our indebtedness, including the \$120.0 million principal amount of the senior credit facility issued to Mizuho Corporate Bank, Ltd. ("Mizuho") subject to annual amortization of principal beginning in the second year, with the final payment of all amounts outstanding, plus accrued interest, being due 2020 (the "New Loan") and \$22.6 million principal amount of subordinated borrowings with an executive officer of the Company due 2019 with a 5.5% coupon. If our cash flows and capital resources are insufficient to fund our debt service obligations, including the principal noted above and quarterly and semi-annual interest payments of \$0.8 million and \$0.6 million, respectively, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the New Loan, subordinated borrowings and other contractual commitments.

Goodwill and other intangible assets represent a significant portion of our assets, and an impairment of these assets could have a material adverse effect on our financial condition and results of operation.

Goodwill and other intangible assets represent a significant portion of our assets. We may need to perform impairment tests more frequently if events occur or circumstances indicate that the carrying amount of these assets may not be recoverable. These events or circumstances could include a significant change in the business climate, attrition of key personnel, a prolonged decline in our stock price and market capitalization, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of one of our businesses and other factors. During the third quarter of 2015, the Institutional Asset Management reporting unit was impacted by adverse market and operating conditions, including a decline in AUM that was greater than anticipated at the time of the Company's previous impairment assessment, investment performance below benchmarks and lower market multiples for asset managers in response to market volatility. As a result, the Company determined that these events indicated that the

carrying amount of these assets may not be recoverable. The Company performed Step 1 and Step 2 impairment assessments, as contemplated by Accounting Standards Codification ("ASC") 350, "Intangibles - Goodwill and Other" ("ASC 350") and recorded a goodwill impairment charge of \$28.5 million in 2015 in its Institutional Asset Management reporting unit as a result of this assessment. The valuation of the reporting units requires judgment in estimating future cash flows, discount rates and other factors. In making these judgments, we evaluate the financial health of our reporting units, including such factors as market performance, changes in our client base and projected growth rates. Because these factors are ever changing, due to market and general business conditions, we cannot predict whether, and to what extent, our goodwill and long-lived intangible assets may be impaired in future periods.

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A change in relevant income tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could result in an audit adjustment or revaluation of our net deferred tax assets that may cause our effective tax rate and tax liability to be higher than what is currently presented in the consolidated financial statements.

As part of the process of preparing our consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. This process requires us to estimate our actual current tax liability and to assess temporary differences resulting from differing book versus tax treatment of items, such as deferred revenue, compensation and benefits expense, unrealized gains and losses on long-term investments and depreciation. Our effective tax rate and tax liability is based on the application of current income tax laws, regulations and treaties. These laws, regulations and treaties are complex, and the manner which they apply to our facts and circumstances is sometimes open to interpretation. Management believes its application of current laws, regulations and treaties to be correct and sustainable upon examination by the tax authorities. However, the tax authorities could challenge our interpretation resulting in additional tax liability or adjustment to our income tax provision that could increase our effective tax rate. In addition, tax laws, regulations or treaties enacted in the future may cause us to revalue our net deferred tax assets and have a material change to our effective tax rate.

### **Risks Related to Our Investment Banking Business**

A majority of our revenue is derived from advisory assignments for Investment Banking clients, which are not long-term contracted sources of revenue and are subject to intense competition, and declines in these engagements could have a material adverse effect on our financial condition and operating results.

We historically have earned a substantial portion of our revenue from fees paid to us by our Investment Banking clients for advisory services. These fees are typically payable upon the successful completion of a particular transaction or restructuring. Investment Banking services accounted for 93%, 90% and 87% of Net Revenues in 2015, 2014 and 2013, respectively, a substantial portion of which represents fees generated by our advisory services. We expect that we will continue to rely on Investment Banking fees from advisory services for a substantial portion of our revenue for the foreseeable future. Accordingly, a decline in our Investment Banking advisory engagements or the market for advisory services would adversely affect our business.

In addition, our Advisory professionals operate in a highly-competitive environment where typically there are no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately solicited, awarded and negotiated. In addition, many businesses do not routinely engage in transactions requiring our services. As a consequence, our fee-paying engagements with many clients are not likely to be predictable and high levels of revenue in one quarter are not necessarily predictive of continued high levels of revenue in future periods. We also lose clients each year as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and other causes. As a result, our advisory fees could decline materially due to such changes in the volume, nature and scope of our engagements.

A high percentage of our net revenue is derived from a small number of Investment Banking clients, and the termination of any one advisory engagement could reduce our revenue and harm our operating results.

Our top five Investment Banking clients accounted for 9%, 14% and 14% of Net Revenues in 2015, 2014 and 2013, respectively. The composition of the group comprising our largest Investment Banking clients varies significantly from year to year, and a relatively small number of clients may account for a significant portion of our Investment Banking Revenues. As a result, our operating results, financial condition and liquidity may be significantly affected by even one lost mandate or the failure of one advisory assignment to be completed, however, no clients accounted for more than 10% of our Net Revenues for the years ended December 31, 2015, 2014 and 2013.

We face strong competition from other financial advisory firms, many of which have the ability to offer clients a wider range of products and services than we can offer, which could cause us to fail to win advisory mandates and subject us to pricing pressures that could materially adversely affect our revenue and profitability.

The financial advisory industry is intensely competitive, and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our employees, transaction execution, our products and services, innovation, reputation and price. We have experienced intense competition over obtaining advisory mandates in recent years, and we may

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experience pricing pressures in our Investment Banking business in the future as some of our competitors seek to obtain increased market share by reducing fees.

Several of our competitors include large financial institutions, many of which have far greater financial and other resources than us and, unlike us, have the ability to offer a wider range of products, which may enhance their competitive position. They also regularly support services we do not provide, such as commercial lending and other financial services and products, which puts us at a competitive disadvantage and could result in pricing pressures or lost opportunities, which could materially adversely affect our revenue and profitability. In addition, we may be at a competitive disadvantage with regard to certain of our competitors who are able to provide financing or market making services that are often a crucial component of the Investment Banking transactions on which we advise. In addition to our larger competitors, over the last few years a number of independent investment banks that offer only independent advisory services have emerged, with several showing rapid growth, stressing their lack of other businesses as a competitive advantage. As these independent firms or new entrants into the market seek to gain market share, there could be pricing and competitive pressures, which could adversely affect our revenues and earnings. Evercore ISI's business relies on non-affiliated third-party service providers.

Evercore ISI has entered into service agreements with third-party service providers for client order management and the execution and settlement of client securities transactions. This business faces the risk of operational failure of any of our clearing agents, the exchanges, clearing houses or other intermediaries we use to facilitate our securities transactions. Our senior management and officers oversee and manage these relationships. Poor oversight and control or inferior performance or service on the part of the service provider could result in loss of customers and violations of applicable rules and regulations. Any such failure could adversely affect our ability to effect transactions and to manage our exposure to risk.

Underwriting and trading activities expose us to risks.

We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are subject to liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite. In such cases, any indemnification provisions in the applicable underwriting agreement may not be available to us or may not be sufficient to protect us against losses arising from such liability. In addition, through indemnification provisions in our agreement with our clearing organization, customer activities may expose us to off-balance sheet credit risk. Securities may have to be purchased or sold at prevailing market prices in the event a customer fails to settle a trade on its original terms. We seek to manage the risks associated with customer trading activities through customer screening and trading procedures, but such procedures and processes may not be effective. If the number of debt defaults or bankruptcies declines or other factors affect demand for our restructuring services, our restructuring revenue could be adversely affected.

We provide financial advice and investment banking services to companies in financial transition, as well as to creditors, shareholders and potential acquirers. Our services may include reviewing and analyzing the business, financial condition and prospects of the company or providing advice on strategic transactions, capital raising or restructurings. We also may provide advisory services to companies that have sought or are planning to seek protection under Chapter 11 of the U.S. Bankruptcy Code or other similar processes in non-U.S. jurisdictions. A number of factors affect demand for these advisory services, including general economic conditions, the availability and cost of debt and equity financing, governmental policy and changes to laws, rules and regulations, including those that protect creditors. In addition, providing restructuring advisory services entails the risk that the transaction will be unsuccessful or take considerable time and be subject to a bankruptcy court's authority to disallow or discount our fees. If the number of debt defaults or bankruptcies declines or other factors affect the demand for our restructuring advisory services, our restructuring business would be adversely affected.

**Risks Relating to Our Investment Management Business**

The amount and mix of our AUM are subject to significant fluctuations.

The revenues and profitability of our Institutional Asset Management and Wealth Management businesses are derived from providing investment management and related services. The level of our revenues depends largely on the level and mix of AUM. Fluctuations in the amount and mix of our AUM may be attributable in part to market conditions outside of our control that have had, and in the future could have, a negative impact on our revenues and income. Any decrease in the value or amount

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of our AUM because of market volatility or other factors negatively impacts our revenues and income. We are subject to an increased risk of asset volatility from changes in the global financial and equity markets. Individual financial and equity markets may be adversely affected by economic, political, financial, or other instabilities that are particular to the country or regions in which a market is located, including without limitation local acts of terrorism, health emergencies, economic crises or other business, social or political crises. Declines in these markets have caused in the past, and may cause in the future, a decline in our revenues and income. Global economic conditions, exacerbated by war or terrorism, health emergencies or financial crises, changes in the equity market place, currency exchange rates, commodity prices, interest rates, inflation rates, the yield curve, and other factors that are difficult to predict affect the mix, market values and levels of our AUM. A decline in the price of stocks or bonds, or in particular market segments, or in the securities market generally, could cause the value and returns on our AUM to decline, resulting in a decline in our revenues and income. Moreover, changing market conditions may cause a shift in our asset mix between international and U.S. assets, potentially resulting in a decline in our revenue and income depending upon the nature of our AUM and the level of management fees we earn based on them. Additionally, changing market conditions may cause a shift in our asset mix towards fixed-income products and a related decline in our revenue and income, as in the U.S. we generally derive higher fee revenues and income from equity assets than from fixed-income products we manage.

If the investments we make on behalf of our funds and clients perform poorly, we will suffer a decline in our investment management revenue and earnings, and our Investment Management business may be adversely affected. Revenue from our Institutional Asset Management and Wealth Management businesses is derived from fees earned for the management of client assets, generally based on the market value of AUM. Poor investment performance by these businesses, on an absolute basis or as compared to third-party benchmarks or competitors, could stimulate higher redemptions, thereby lowering AUM and reducing the fees we earn, even in periods when securities prices are generally rising. In addition, if the investments we make on behalf of our funds and clients perform poorly, it may be more difficult for us to attract new investors, launch new products or offer new services in our Institutional Asset Management or Wealth Management businesses. Furthermore, if the volatility in the U.S. and global markets cause a decline in the price of securities that constitutes a significant portion of our AUM, our clients could withdraw funds from, or be hesitant to invest in, our Investment Management business due to the uncertainty or volatility in the market or in favor of investments they perceive as offering greater opportunity or lower risk, which would also result in lower investment management revenue. In our Private Equity business, our revenues include management fees based on committed or invested capital and performance fees. If our private equity investments perform poorly, whether on a realized or unrealized basis, our revenues and earnings will suffer. Poor performance by our private equity investments may also make it more difficult for us to raise any new funds in the future, may result in such fundraising taking longer to complete than anticipated or may prevent us from raising such funds. In addition, to the extent that, over the life of the funds, we have received an amount of carried interest that exceeds a specified percentage of distributions made to the third-party investors in our funds, we may be obligated to repay the amount of this excess to the third-party investors.

Our Investment Management business' reliance on non-affiliated third-party service providers subjects the Company to operational risks.

We have entered into services agreements with third-party service providers for custodial services and trust and investment administration processing and reporting services. Our officers oversee and manage these relationships; however, poor oversight and control on our part or inferior performance or service on the part of the service providers could result in loss of customers, violation of applicable rules and regulations, including, but not limited to, privacy and anti-money laundering laws and otherwise adversely affect our business and operations.

Our agreements with the OCC require us to maintain and segregate certain assets, and our failure to comply with these agreements (including if we are required to access these assets for other purposes) could adversely affect us.

In connection with the organization of ETC, the OCC required the Company and Evercore LP to enter into a Capital and Liquidity Support Agreement, a Capital and Liquidity Maintenance Agreement and other related agreements

(collectively, the "OCC Agreements"). The OCC Agreements require the Company's and Evercore LP's continuing obligation to provide ETC necessary capital and liquidity support in order to ensure that ETC continues to operate safely and soundly and in accordance with applicable laws and regulations. In particular, the OCC Agreements require that the Company and Evercore LP (1) maintain at least \$5 million 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 \$3.5 million or 90 days coverage of ETC's operating expenses and (3) provide at least \$10 million of certain collateral held in a segregated account at a third-party depository institution.



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If we fail to comply with any of the OCC Agreements, we could become subject to civil money penalties, regulatory enforcement actions, payment of damages and, if the OCC deems it likely that we are unable to fulfill our obligations or breach the OCC Agreements, a forced disposition of ETC. The occurrence of any of these events or the disclosure that these events are probable or under consideration may cause reputational harm and erosion of client trust, due to a perception that we are unable to comply with applicable regulatory requirements, unable to successfully launch new initiatives and businesses, or that our reputation for integrity and high-caliber professional services is no longer valid, any of which could adversely affect our business and operations.

Valuation methodologies for certain assets in our private equity funds can be subject to significant subjectivity, and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds.

We have made principal investments in Evercore Mexico Capital Partners II, L.P. ("EMCP II"), Evercore Mexico Capital Partners III, L.P. ("EMCP III"), the Discovery Fund, CITIC Securities International Partners, LTD, Trilantic IV and Trilantic V. These funds generally invest in relatively high-risk, illiquid assets. In addition, some of these investments are, or may in the future be, in industries or sectors which are unstable, in distress or undergoing some uncertainty. Such investments may be subject to rapid changes in value caused by sudden company-specific or industry-wide developments. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments. There are no regularly quoted market prices for a number of investments in our funds. The value of the investments of our funds is determined using fair value methodologies described in the funds' valuation policies, which may consider, among other things, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment and the trading price of recent sales of securities (in the case of publicly-traded securities), restrictions on transfer and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on estimates and assumptions specific to the particular investments. Therefore, the value of our investments does not necessarily reflect the prices that would actually be obtained by us on behalf of the fund when such investments are sold. Realizations at values significantly lower than the values at which investments have been reflected in fund values would result in losses for the applicable fund and the loss of potential incentive income and principal investments.

The limited partners of the private equity funds we manage may terminate their relationship with us at any time. The limited partnership agreements of the funds we manage provide that the limited partners of each fund may terminate their relationship with us without cause with a simple majority vote of each fund's limited partners. If the limited partners of the funds we manage terminate their relationship with us, we would lose fees earned for our management of the funds and carried interest from those funds.

### Risks Related to Our International Operations

A portion of our revenues are derived from our international operations, which are subject to certain risks.

In 2015, we earned 27% of our Total Revenues, excluding Other Revenue, and 27% of our Investment Banking Revenues from clients and private equity funds located outside of the United States. We intend to grow our non-U.S. business, and this growth is critical to our overall success. In addition, many of our larger clients for our Investment Banking business are non-U.S. entities seeking to enter into transactions involving U.S. businesses. Our international operations carry special financial and business risks, which could include the following:

- greater difficulties managing and staffing foreign operations;
- language and cultural differences;
- fluctuations in foreign currency exchange rates that could adversely affect our results;
- unexpected and costly changes in trading policies, regulatory requirements, tariffs and other barriers;
- greater difficulties in collecting accounts receivable;
- longer transaction cycles;
- higher operating costs;
- adverse consequences or restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;

less stable political and economic environments, including the sovereign debt crisis in Europe; and  
civil disturbances or other catastrophic events that reduce business activity.

If our international business increases relative to our total business, these factors could have a more pronounced effect on our operating results. See also "—Difficult market conditions may adversely affect our business in many ways, including

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reducing the volume of the transactions involving our Investment Banking business and reducing the value of the assets we manage in our Investment Management businesses, which, in each case, may materially reduce our revenue or income."

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

Because our financial statements are denominated in U.S. dollars and we receive a portion of our net revenue from continuing operations in other currencies, predominantly in Mexican pesos, Euros, British pounds, Brazilian real, Canadian dollars, Singapore dollars and Hong Kong dollars, we are exposed to fluctuations in foreign currencies. In addition, we pay certain of our expenses in such currencies. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact, respectively, to our financial results. Fluctuations in foreign currency exchange rates may also affect the levels of our AUM and, as a result, our investment advisory fees.

Adverse economic conditions and political events in Mexico may result in disruptions to our business operations and adversely affect our revenue.

Our Mexican company has all of its assets located in Mexico and most of its revenue derived from operations in Mexico. As a financial services firm, our businesses in Mexico are materially affected by Mexico's financial markets and economic conditions. For example, for our ECB business, a lack of liquidity in Mexican government bonds could have a material adverse effect on ECB's business. Historically, interest rates in Mexico have been volatile, particularly in times of economic unrest and uncertainty. Mexico has had, and may continue to have, high real and nominal interest rates. In addition, because the Mexican government exercises significant influence over many aspects of the Mexican economy, political events in Mexico, including a change in state and municipal political leadership, may result in disruptions to our business operations and adversely affect its revenue. Any action by the government, including changes in the regulation of Mexico's financial sector, could have an adverse effect on the operations of our Mexican business, especially on its asset management business.

Our Mexican business derives a significant portion of its revenue from advisory contracts with state and local governments in Mexico. The term limit system in Mexico may prevent us from maintaining relationships with the same clients in the same political positions beyond these periods. After an election takes place, there is no guarantee that we will be able to remain as advisors of the new government, even if the new administration is of the same political party as the previous one.

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

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

### **Risks Related to Our Organizational Structure**

We are required to pay some of our Senior Managing Directors for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we received in connection with exchanges of Evercore LP partnership units ("LP Units") for shares and related transactions.

As of December 31, 2015, there were 4,189,348 vested Class A partnership units in Evercore LP ("Class A LP Units") held by some of our Senior Managing Directors that may in the future be exchanged for shares of our Class A common stock. The exchanges may result in increases in the tax basis of the assets of Evercore LP that otherwise would not have been available. These increases in tax basis may reduce the amount of tax that we would otherwise be

required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with some of our Senior Managing Directors that provides for the payment by us to these Senior Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis. While the actual increase in tax

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basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Evercore LP attributable to our interest in Evercore LP, during the expected term of the tax receivable agreement, the payments that we may make to our Senior Managing Directors could be substantial.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, Senior Managing Directors who receive payments will not reimburse us for any payments that may previously have been made under the tax receivable agreement. As a result, in certain circumstances we could make payments to some of the Senior Managing Directors under the tax receivable agreement in excess of our cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

Our only material asset is our interest in Evercore LP, and we are accordingly dependent upon distributions from Evercore LP to pay dividends and taxes and other expenses.

The Company is a holding company and has no material assets other than its ownership of partnership units in Evercore LP. The Company has no independent means of generating revenue. We intend to cause Evercore LP to make distributions to its partners in an amount sufficient to cover all applicable taxes payable, other expenses and dividends, if any, declared by us.

Payments of dividends, if any, will be at the sole discretion of the Company's board of directors after taking into account various factors, including:

- economic and business conditions;
- our financial condition and operating results;
- our available cash and current and anticipated cash needs;
- our capital requirements;
- applicable contractual, legal, tax and regulatory restrictions;
- implications of the payment of dividends by us to our stockholders or by our subsidiaries (including Evercore LP) to us; and
- such other factors as our board of directors may deem relevant.

In addition, Evercore LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Evercore LP (with certain exceptions) exceed the fair value of its assets. Furthermore, certain subsidiaries of Evercore LP may be subject to similar legal limitations on their ability to make distributions to Evercore LP. Moreover, our regulated subsidiaries may be subject to regulatory capital requirements that limit the distributions that may be made by those subsidiaries. Deterioration in the financial condition, earnings or cash flow of Evercore LP and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that the Company requires funds and Evercore LP is restricted from making such distributions under applicable law or regulation or under the terms of financing arrangements, or is otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected.

As of December 31, 2015, Evercore LP and its consolidated subsidiaries had approximately \$388.8 million in cash and cash equivalents available for distribution without prior regulatory approval.

If Evercore Partners Inc. were deemed an "investment company" under the 1940 Act as a result of its ownership of Evercore LP, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

If Evercore Partners Inc. were to cease participation in the management of Evercore LP, its interest in Evercore LP could be deemed an "investment security" for purposes of the 1940 Act. Generally, a person is deemed to be an "investment company" if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. Evercore Partners Inc. will

have no material assets other than its equity interest in Evercore LP. A determination that this interest was an investment security could result in Evercore Partners Inc. being an investment company under the 1940 Act and becoming subject to the registration and other requirements of the 1940 Act.

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The 1940 Act and the rules thereunder contain detailed parameters for the organization and operations of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. We intend to conduct our operations so that Evercore Partners Inc. will not be deemed to be an investment company under the 1940 Act. However, if anything were to happen which would cause Evercore Partners Inc. to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among Evercore Partners Inc., Evercore LP or our Senior Managing Directors, or any combination thereof and materially adversely affect our business, financial condition and results of operations.

Certain of our affiliates and businesses operate with relative autonomy, which limits our ability to alter their management practices and policies.

Although we are represented on the management committees of Atalanta Sosnoff, G5 Evercore and ABS, we are not able to exercise significant operational control over these affiliates and are not directly involved in managing their day-to-day activities, including investment management policies and procedures, fee levels, marketing and product development and client relationships. Moreover, the founders of these affiliates have certain protective and participating rights, including the ability to block certain major corporate actions and approval of the annual budget and compensation arrangements. In addition, the executive committee of Evercore ISI is responsible for conducting the day-to-day business and guiding the strategic direction of Evercore ISI, and is controlled by senior management of that business, with representation on the committee by senior management of Evercore. As a consequence, our reputation, financial condition and results of operations may be adversely affected by problems arising from the day-to-day operations of one of these businesses, or from other matters regarding one of these businesses over which we cannot exercise full control. Future acquisitions of, and investments in, investment management or investment banking businesses may be structured in a similar manner.

### **Risks Related to Our Class A Common Stock**

Our Senior Managing Directors control a significant portion of the voting power in Evercore Partners Inc., which may give rise to conflicts of interests.

Our Senior Managing Directors own shares of our Class A common stock and our Class B common stock. Our certificate of incorporation provides that the holders of the shares of our Class B common stock are entitled to a number of votes that is determined pursuant to a formula that relates to the number of LP Units held by such holders. Each holder of Class B common stock is entitled, without regard to the number of shares of Class B common stock held by such holder, to one vote for each partnership unit in Evercore LP held by such holder. Our Senior Managing Directors, and certain trusts benefiting their families, collectively have a significant portion of the voting power in Evercore Partners Inc. As a result, our Senior Managing Directors have the ability to exercise influence over the election of the members of our board of directors and, therefore, influence over our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends. In addition, they are able to exercise influence over the outcome of all matters requiring stockholder approval. This concentration of ownership could deprive our Class A stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Our share price may decline or we may have a significant increase in the number of shares of common stock outstanding due to the large number of shares eligible for future sale and for exchange.

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

Further, we have historically repurchased in the open market a significant number of shares of our Class A common stock. If we were to cease or were unable to repurchase shares of Class A common stock, or choose to allocate available capital to the repayment of borrowings, the number of shares outstanding would increase over time, diluting the ownership of existing stockholders.



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At December 31, 2015, we had a total of 39,623,271 shares of our Class A common stock outstanding. In addition, our current and former Senior Managing Directors own an aggregate of 4,189,348 Class A LP Units, which were all fully vested as of December 31, 2015. Further, in conjunction with our acquisition of the operating businesses of ISI and our acquisition of the noncontrolling interest in our Institutional Equities business that we did not already own, we issued consideration in the form of vested and unvested Class E limited partnership units of Evercore LP ("Class E LP Units") and vested and unvested Class G and H LP Interests (which convert into Class E LP Units based on the satisfaction of multi-year performance goals). At December 31, 2015, there were 2,114,545 vested and unvested Class E LP Units and 5,366,694 vested and unvested Class G and H LP Interests outstanding. Our amended and restated certificate of incorporation allows the exchange of Class A and Class E LP Units (other than those held by us) for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. The shares of Class A common stock issuable upon exchange of the partnership units that are held by our Senior Managing Directors and certain other employees of the Company are eligible for resale from time to time, subject to certain contractual and Securities Act restrictions.

As of February 17, 2016, we had a total of 51,512,371 shares of Class A common stock outstanding and units and interests which were convertible, or potentially convertible, into Class A common stock. This is comprised of 39,724,730 shares of our Class A common stock outstanding, 4,189,348 Class A LP Units, 2,325,885 Class E LP Units and 5,272,408 Class G and H LP Interests.

Further, as part of annual bonuses and incentive compensation, we award restricted stock units ("RSUs") to employees, as well as to new hires. As of December 31, 2015, 5,787,480 RSUs issued pursuant to the Evercore Partners Inc. 2006 Stock Incentive Plan were outstanding. Of these RSUs, 141,090 were fully vested and 5,646,390 were unvested. Each restricted stock unit represents the holder's right to receive one share of our Class A common stock following the applicable vesting date. Should we issue RSUs in excess of the amount remaining as authorized for issuance under the Evercore Partners Inc. 2006 Stock Incentive Plan, these awards would be accounted for as liability awards, with changes in the fair value of these awards reflected as compensation expense until authorization is obtained.

Some of our Senior Managing Directors are parties to registration rights agreements with us. Under these agreements, these persons have the ability to cause us to register the shares of our Class A common stock they could acquire. The market price of our Class A common stock may be volatile, which could cause the value of our Class A common stock to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our Class A common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our Class A common stock could decrease significantly. Anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control. Our certificate of incorporation and by-laws may delay or prevent a merger or acquisition that a stockholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock, requiring advance notice for stockholder proposals and nominations and placing limitations on convening stockholder meetings. In addition, we are subject to provisions of the Delaware General Corporation Law that restrict certain business combinations with interested stockholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

Our principal offices are located in leased office space at 55 East 52nd Street, New York, New York, at 666 Fifth Avenue, New York, New York, at Pedregal 24, 15th Floor, Col. Molino del Rey, Del. Miguel Hidalgo in Mexico City, Mexico and at 15 Stanhope Gate in London, UK. We do not own any real property.

### Item 3. Legal Proceedings

In the normal course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including

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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 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. On April 13, 2015, ETC filed an answer along with a motion to dismiss. On June 13, 2015 Plaintiffs filed an opposition to ETC's motion to dismiss and on July 13, 2015, ETC filed its reply to Plaintiffs' opposition. On February 17, 2016, the U.S. District Court for the District of Columbia granted Evercore's motion to dismiss without prejudice.

Item 4. Mine Safety Disclosures

Not applicable.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Price Range of Evercore Class A Common Stock

Our Class A common stock is listed on the NYSE and is traded under the symbol "EVR." At the close of business on February 17, 2016, there were five Class A common stockholders of record. This is not the actual number of beneficial owners of the Company's common stock, as shares are held in "street name" by brokers and others on behalf of individual owners.

The following table sets forth for the periods indicated the high and low reported intra-day sale prices per share for the Class A common stock, as reported on the NYSE:

	2015		2014	
	High	Low	High	Low
First Quarter	\$53.63	\$46.67	\$63.66	\$51.71
Second Quarter	\$56.42	\$46.75	\$59.43	\$48.61
Third Quarter	\$59.40	\$46.08	\$58.50	\$45.43
Fourth Quarter	\$60.63	\$47.91	\$54.54	\$44.67

There is no trading market for the Evercore Partners Inc. Class B common stock. As of February 17, 2016, there were 25 holders of record of the Class B common stock.

## Dividend Policy

The Company paid quarterly cash dividends of \$0.31 per share of Class A common stock for the quarter ended December 31, 2015, \$0.28 per share for the quarters ended September 30, 2015, June 30, 2015, March 31, 2015 and December 31, 2014, and \$0.25 per share of Class A common stock for the quarters ended September 30, 2014, June 30, 2014 and March 31, 2014.

We pay dividend equivalents, in the form of unvested RSU awards, concurrently with the payment of dividends to the holders of Class A common shares, on all unvested RSU grants awarded in conjunction with annual bonuses and new hire awards granted after April 2012, as well as awards issued in conjunction with the acquisition of Lexicon in 2011. The dividend equivalents have the same vesting and delivery terms as the underlying RSU award.

The declaration and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors will take into account: general economic and business conditions; our financial condition and operating results; our available cash and current and anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries (including Evercore LP) to us; and such other factors as our board of directors may deem relevant.

We are a holding company and have no material assets other than our ownership of partnership units in Evercore LP. We intend to cause Evercore LP to make distributions to us in an amount sufficient to cover dividends, if any, declared by us and tax distributions. If Evercore LP makes such distributions, the limited partners of Evercore LP will be entitled to receive equivalent distributions from Evercore LP on their partnership units.

## Recent Sales of Unregistered Securities

None



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## Share Repurchases for the period January 1, 2015 through December 31, 2015

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	49,193	50.82	41,614	6,053,352
Total	1,746,818	\$51.05	839,118	6,053,352
April 1 to April 30	385,705	\$48.24	380,820	5,672,532
May 1 to May 31	314,630	49.17	307,000	5,365,532
June 1 to June 30	28,103	51.22	20,000	5,345,532
Total	728,438	\$48.76	707,820	5,345,532
July 1 to July 31	18,109	\$54.47	—	5,345,532
August 1 to August 31	323,883	54.35	309,796	5,035,736
September 1 to September 30	184,742	51.08	176,134	4,859,602
Total	526,734	\$53.21	485,930	4,859,602
October 1 to October 31	21,534	\$49.20	—	4,859,602
November 1 to November 30 (3)	2,477,167	52.63	2,474,545	2,385,057
December 1 to December 31	2,839	52.05	—	2,385,057
Total	2,501,540	\$52.60	2,474,545	2,385,057

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

In October 2014, our Board authorized the repurchase of shares of additional Class A common stock ("Class A Shares") and/or LP Units so that we will be able to repurchase an aggregate of seven 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.

(3) Includes the repurchase of 2.35 million shares of stock in conjunction with Mizuho's exercise of its warrants to acquire 5.45 million Class A Shares.

Information relating to compensation plans under which the Company's equity securities are authorized for issuance is set forth in Part III, Item 12 of this report.

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## Item 6. Selected Financial Data

The following table sets forth the historical selected financial data for the Company for all periods presented. For more information on our historical financial information, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 "Financial Statements and Supplementary Data." On December 31, 2015, the Operating Agreement of Atalanta Sosnoff was amended such that, as a result of the amendments, the Company has deconsolidated assets and liabilities of Atalanta Sosnoff and will account for its interest in Atalanta Sosnoff as an equity method investment going forward. See Note 4 of the Company's consolidated financial statements for further information.

	2015	2014	2013	2012	2011
	(dollars in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA					
Revenues					
Investment Banking Revenue	\$1,133,860	\$821,359	\$666,806	\$568,238	\$430,597
Investment Management Revenue	95,129	98,751	95,759	79,790	99,161
Other Revenue	11,259	11,292	16,868	9,646	13,897
Total Revenues	1,240,248	931,402	779,433	657,674	543,655
Interest Expense	16,975	15,544	14,005	15,301	19,391
Net Revenues	1,223,273	915,858	765,428	642,373	524,264
Expenses					
Operating Expenses	946,532	719,474	598,806	523,386	427,155
Other Expenses	148,071	25,437	36,447	53,452	61,297
Total Expenses	1,094,603	744,911	635,253	576,838	488,452
Income before Income from Equity Method Investments and Income Taxes	128,670	170,947	130,175	65,535	35,812
Income from Equity Method Investments	6,050	5,180	8,326	4,852	919
Income before Income Taxes	134,720	176,127	138,501	70,387	36,731
Provision for Income Taxes	77,030	68,756	63,689	30,908	22,724
Net Income from Continuing Operations	57,690	107,371	74,812	39,479	14,007
Net Income (Loss) from Discontinued Operations	—	—	(2,790)	) —	(3,476)
Net Income	57,690	107,371	72,022	39,479	10,531
Net Income Attributable to Noncontrolling Interest	14,827	20,497	18,760	10,590	3,579
Net Income Attributable to Evercore Partners Inc.	\$42,863	\$86,874	\$53,262	\$28,889	\$6,952
Dividends Declared per Share	\$1.15	\$1.03	\$0.91	\$0.82	\$0.74
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:					
From Continuing Operations	\$0.98	\$2.08	\$1.42	\$0.89	\$0.27
From Discontinued Operations	—	—	(0.04)	) —	(0.04)
Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders	\$0.98	\$2.08	\$1.38	\$0.89	\$0.23
STATEMENT OF FINANCIAL CONDITION DATA					

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Total Assets	\$1,479,171	\$1,446,556	\$1,180,783	\$1,145,218	\$1,043,592
Long-term Liabilities	\$363,906	\$345,229	\$296,661	\$283,836	\$252,602
Total Long-term Debt	\$141,800	\$127,776	\$103,226	\$101,375	\$99,664
Total Liabilities	\$771,955	\$730,309	\$580,820	\$604,742	\$555,499
Noncontrolling Interest	\$202,664	\$164,966	\$97,382	\$111,970	\$80,429
Total Equity	\$707,216	\$712,233	\$563,158	\$490,749	\$465,826

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Item 7. 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 consolidated financial statements and the related notes included elsewhere in this Form 10-K.

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 \$120.0 million principal amount of 5.20% Senior Notes, due 2020 ("Senior Notes"), the New Loan 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 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.

**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 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 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 Consolidated Statements of Operations on the later of the date an engagement letter is executed or the date we pay or accrue the expense.

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**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, the New Loan 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 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, acquisition and transition costs 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 modification and vesting of Class A LP Units, the vesting of Class E LP Units and Class G and H LP Interests issued in conjunction with the acquisition of ISI 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 in 2015 primarily related to an impairment charge associated with the impairment of goodwill in the Company's Institutional Asset Management reporting unit and charges related to the restructuring of our investment in Atalanta Sosnoff, primarily related to the conversion of certain of Atalanta Sosnoff's profits interests held by management to equity interests. Special Charges for 2015 also include separation benefits and costs associated with the termination of certain contracts within the Company's Evercore ISI business, as well as the finalization of a matter associated with the wind-down of the Company's U.S. Private Equity business. Special

Charges in 2014 primarily related to separation benefits and certain exit costs related to combining the equities business upon the ISI acquisition during 2014 and a provision recorded in 2014 against contingent consideration due on the 2013 disposition of Evercore Pan-Asset Capital Management ("Pan"). Special Charges in 2013 includes expenses related to the write-off of intangible assets from the Company's acquisition of Morse, Williams and Company, Inc.

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- Professional Fees - Includes expense associated with share based awards resulting from increases in the share price, which is required upon change in employment status.
  - Acquisition and Transition Costs - Includes professional fees for legal and other services incurred related to the Company's acquisitions, as well as costs related to certain regulatory settlements and transitioning ISI's infrastructure.
  - Fair Value of Contingent Consideration - Includes expense associated with changes in the fair value of contingent consideration issued to the sellers of certain of the Company's acquisitions.
  - Intangible Asset and Other Amortization - Includes amortization of intangible assets and other purchase accounting-related amortization associated with certain acquisitions.
- Income from Equity Method Investments**
- Our share of the income (loss) from our equity interests in G5 Evercore, ABS and Pan (consolidated on March 15, 2013 and sold on December 3, 2013) are included within Income from Equity Method Investments, as a component of Income Before Income Taxes, on the Consolidated Statements of Operations. On December 31, 2015 the Company deconsolidated the assets and liabilities of Atalanta Sosnoff and will account for its interest as an equity method investment from that date forward.
- 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.
- Discontinued Operations**
- We completed the sale of Pan in December 2013. Accordingly, the historical results of Pan have been included within Discontinued Operations on the Consolidated Statements of Operations.
- 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 15 to our 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 continuing operations for the years ended December 31, 2015, 2014 and 2013. 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.

	For the Years Ended December 31,			Change			
	2015	2014	2013	2015 v. 2014	2014 v. 2013		
	(dollars in thousands, except per share data)						
<b>Revenues</b>							
Investment Banking Revenue	\$1,133,860	\$821,359	\$666,806	38	%	23	%
Investment Management Revenue	95,129	98,751	95,759	(4	%)	3	%
Other Revenue	11,259	11,292	16,868	—	%	(33	%)
Total Revenues	1,240,248	931,402	779,433	33	%	19	%
Interest Expense	16,975	15,544	14,005	9	%	11	%
Net Revenues	1,223,273	915,858	765,428	34	%	20	%
<b>Expenses</b>							
Operating Expenses	946,532	719,474	598,806	32	%	20	%
Other Expenses	148,071	25,437	36,447	482	%	(30	%)
Total Expenses	1,094,603	744,911	635,253	47	%	17	%
Income Before Income from Equity Method Investments and Income Taxes	128,670	170,947	130,175	(25	%)	31	%
Income from Equity Method Investments	6,050	5,180	8,326	17	%	(38	%)
Income Before Income Taxes	134,720	176,127	138,501	(24	%)	27	%
Provision for Income Taxes	77,030	68,756	63,689	12	%	8	%
Net Income from Continuing Operations	57,690	107,371	74,812	(46	%)	44	%
<b>Discontinued Operations</b>							
Income (Loss) from Discontinued Operations	—	—	(4,260	) NM		NM	
Provision (Benefit) for Income Taxes	—	—	(1,470	) NM		NM	
Net Income (Loss) from Discontinued Operations	—	—	(2,790	) NM		NM	
Net Income	57,690	107,371	72,022	(46	%)	49	%
Net Income Attributable to Noncontrolling Interest	14,827	20,497	18,760	(28	%)	9	%
Net Income Attributable to Evercore Partners Inc.	\$42,863	\$86,874	\$53,262	(51	%)	63	%
<b>Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders</b>							
From Continuing Operations	\$0.98	\$2.08	\$1.42	(53	%)	46	%
From Discontinued Operations	—	—	(0.04	) NM		NM	
Diluted Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders	\$0.98	\$2.08	\$1.38	(53	%)	51	%

## 2015 versus 2014

Net Revenues were \$1.223 billion in 2015, an increase of \$307.4 million, or 34%, versus Net Revenues of \$915.9 million in 2014. Investment Banking Revenue increased 38% and Investment Management Revenue decreased 4% compared to 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 in 2015 was flat from 2014. Net Revenues include interest expense on our Senior Notes, New Loan, subordinated borrowings and line of credit.

Total Operating Expenses were \$946.5 million in 2015, as compared to \$719.5 million in 2014, an increase of \$227.0 million, or 32%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$703.0 million in 2015, an increase of \$164.8 million, or 31%, versus expense of \$538.2 million in 2014. The increase was primarily due to the acquisition of ISI and other increased compensation costs resulting from the expansion of our businesses, and higher costs from share-based and other deferred compensation arrangements. Non-compensation expenses as a component of Operating Expenses were \$243.5 million in 2015, an increase of \$62.2 million, or 34%, over non-compensation operating expenses of \$181.3 million in 2014. Non-compensation operating expenses increased compared to 2014 primarily driven by the acquisition of ISI, as well as increased headcount, increased new business costs associated with higher levels of global transaction activity and higher professional fees.

Total Other Expenses of \$148.1 million in 2015 included compensation costs associated with the vesting of LP Units and Interests and certain other awards of \$83.7 million, primarily related to Evercore LP units and interests granted in conjunction with the acquisition of ISI, other acquisition related compensation costs of \$1.5 million, special charges of \$41.1 million, primarily related to an impairment charge associated with the impairment of goodwill in the Company's Institutional Asset Management reporting unit, acquisition and transition costs of \$4.9 million, changes to the fair value of contingent consideration of \$2.7 million and intangible asset and other amortization of \$14.1 million. Total Other Expenses of \$25.4 million in 2014 included compensation costs associated with the vesting of LP Units and certain other awards of \$3.4 million, other acquisition related compensation costs of \$7.9 million, special charges of \$4.9 million, professional fees of \$1.7 million, acquisition and transition costs of \$4.7 million and intangible asset and other amortization of \$2.8 million.

As a result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues was 64% for the year ended December 31, 2015, compared to 60% for the year ended December 31, 2014. Income from Equity Method Investments was \$6.1 million in 2015, an increase of 17% as compared to \$5.2 million in 2014. The increase was a result of an increase in earnings from ABS and G5 Evercore.

The provision for income taxes in 2015 was \$77.0 million, which reflected an effective tax rate of 57%. The provision for income taxes in 2014 was \$68.8 million, which reflected an effective tax rate of 39%. The provision for income taxes for 2015 and 2014 reflects the effect of certain nondeductible expenses, including expenses related to Class E LP Units, Class G and H LP Interests and the equity interest issued by Atalanta Sosnoff in 2015, as well as the noncontrolling interest associated with LP Units and other adjustments.

Noncontrolling Interest was \$14.8 million in 2015 compared to \$20.5 million in 2014.

2014 versus 2013

Net Revenues were \$915.9 million in 2014, an increase of \$150.4 million, or 20%, versus Net Revenues of \$765.4 million in 2013. Investment Banking Revenue increased 23% and Investment Management Revenue increased 3% compared to 2013. 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 in 2014 was 33% lower than in 2013 primarily as a result of changes in state and local tax rates in 2013, which resulted in a \$6.9 million adjustment in amounts due pursuant to tax receivable agreements during 2013. Net Revenues include interest expense on our Senior Notes.

Total Operating Expenses were \$719.5 million in 2014 as compared to \$598.8 million in 2013, an increase of \$120.7 million, or 20%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$538.2 million in 2014, an increase of \$88.4 million, or 20%, versus expense of \$449.8 million in 2013. The increase was primarily due to increased compensation costs resulting from the expansion of our businesses and higher costs from share-based and other deferred compensation arrangements. Non-compensation expenses as a component of Operating Expenses were \$181.3 million in 2014, an increase of \$32.3 million, or 22%, over non-compensation operating expenses of \$149.0 million in 2013. Non-compensation operating expenses increased compared to 2013 primarily as a result of the addition of personnel, increased new business costs associated with higher levels of global transaction activity and higher professional fees associated with a limited number of investment bankers serving under consulting contracts.

Total Other Expenses of \$25.4 million in 2014 included compensation costs associated with the vesting of LP Units and certain other awards of \$3.4 million, other acquisition related compensation costs of \$7.9 million, special charges of \$4.9 million, professional fees of \$1.7 million, acquisition and transition costs of \$4.7 million and intangible asset



and other amortization of \$2.8 million. Total Other Expenses of \$36.4 million in 2013 included compensation costs associated with the vesting of LP Units and certain other awards of \$20.0 million, other acquisition related compensation costs of \$15.9 million, special charges of \$0.2 million and amortization of intangibles of \$0.3 million.

As a result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues was 60% for the year ended December 31, 2014, compared to 63% for the year ended December 31, 2013. Income from Equity Method Investments was \$5.2 million in 2014, as compared to \$8.3 million in 2013. The decrease was primarily a result of a decrease in earnings from G5 Evercore and ABS.

The provision for income taxes in 2014 was \$68.8 million, which reflected an effective tax rate of 39%. 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 in 2013 was \$63.7 million, which reflected an effective tax rate of 46%. The provision was impacted by the vesting of LP Units, which were fully vested as of December 31, 2013, as well as the noncontrolling interest associated with LP Units and the release of valuation allowances for certain deferred tax assets.

Noncontrolling Interest was \$20.5 million in 2014 compared to \$18.8 million in 2013 (which included noncontrolling interest related to discontinued operations of (\$1.2) million).

#### Impairment of Assets

At November 30, 2015, in accordance with ASC 350, we performed our annual Goodwill impairment assessment. We concluded that the fair value of our reporting units substantially exceeded their carrying values as of November 30, 2015, with the exception of our Institutional Asset Management reporting unit, which exceeded its carrying value by greater than 15% as of November 30, 2015.

During the third quarter of 2015, the Institutional Asset Management reporting unit was impacted by adverse market and operating conditions, including a decline in AUM that was greater than anticipated at the time of the Company's previous Step 1 impairment assessment, investment performance below benchmarks and lower market multiples for asset managers in response to market volatility during the third quarter. As a result, the Company determined that the Step 1 impairment assessment criteria were satisfied, as contemplated by ASC 350 for the goodwill in its Institutional Asset Management reporting unit as of August 31, 2015.

The amount of Goodwill allocated to the Institutional Asset Management reporting unit was \$94.7 million as of August 31, 2015, of which \$27.3 million was related to noncontrolling interest. In determining the fair value of this reporting unit, the Company utilized both a market multiple approach and a discounted cash flow methodology based on the adjusted cash flows from operations. The market multiple approach included applying the average earnings multiples of comparable public companies, multiplied by the forecasted earnings of the reporting unit, to yield an estimate of fair value. The discounted cash flow methodology began with the forecasted cash flows of the reporting unit and applied a discount rate of 15%, which reflected the weighted average cost of capital adjusted for the risks inherent in the future cash flows. The forecast inherent in the valuation assumes a stabilization of AUM flows by the end of 2015, with AUM from client flows beginning to increase in the first half of 2016 and, over the longer term, assumes a compound annual growth rate in revenues of 9% from the trailing twelve month period ended August 31, 2015.

As a result of the above analysis, the Company determined that the fair value of the Institutional Asset Management reporting unit was less than its carrying value as of August 31, 2015. As a result, during the third quarter of 2015, the Company began a Step 2 impairment assessment, which it completed during the fourth quarter of 2015. The Company recorded a goodwill impairment charge of \$28.5 million in the Investment Management segment, which is included within Special Charges on the Consolidated Statement of Operations for the year ended December 31, 2015. This charge resulted in a decrease of \$9.8 million to Net Income Attributable to Evercore Partners Inc. (after adjustments for noncontrolling interest and income taxes).



## Business Segments

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

## Investment Banking

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

	For the Years Ended December 31,			Change			
	2015	2014	2013	2015 v. 2014		2014 v. 2013	
	(dollars in thousands)						
Revenues							
Investment Banking Revenue:							
Advisory Fees	\$865,494	\$727,678	\$602,256	19	%	21	%
Commissions and Related Fees	228,229	65,580	30,741	248	%	113	%
Underwriting Fees	40,137	28,101	33,809	43	%	(17	%)
Total Investment Banking Revenue (1)	1,133,860	821,359	666,806	38	%	23	%
Other Revenue, net (2)	(2,945	) (1,722	) 3,979	(71	%)	NM	
Net Revenues	1,130,915	819,637	670,785	38	%	22	%
Expenses							
Operating Expenses	869,301	632,927	516,921	37	%	22	%
Other Expenses	108,739	25,109	33,740	333	%	(26	%)
Total Expenses	978,040	658,036	550,661	49	%	19	%
Operating Income (3)	152,875	161,601	120,124	(5	%)	35	%
Income from Equity Method Investments	978	495	2,906	98	%	(83	%)
Pre-Tax Income from Continuing Operations	\$153,853	\$162,096	\$123,030	(5	%)	32	%

(1) Includes client related expenses of \$22.6 million, \$17.7 million and \$15.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) Includes interest expense on the Senior Notes, New Loan, subordinated borrowings and line of credit of \$6.0 million, \$4.5 million and \$4.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(3) Includes Noncontrolling Interest of \$2.0 million, (\$2.9) million and \$0.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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For 2015, the dollar value of North American announced and completed M&A activity increased 58% and 26%, respectively, compared to 2014, while the dollar value of Global announced and completed M&A activity for 2015 increased 43% and 26%, respectively, compared to 2014:

	For the Years Ended December 31,			Change		
	2015	2014	2013	2015 v. 2014	2014 v. 2013	
Industry Statistics (\$ in billions) *						
Value of North American M&A Deals Announced	\$2,385	\$1,508	\$1,059	58	% 42	%
Value of North American M&A Deals Completed	\$1,582	\$1,251	\$957	26	% 31	%
Value of Global M&A Deals Announced	\$4,696	\$3,278	\$2,284	43	% 44	%
Value of Global M&A Deals Completed	\$3,141	\$2,495	\$2,112	26	% 18	%
Evercore Statistics **						
Total Number of Advisory Client Transactions	484	418	358	16	% 17	%
Investment Banking Fees of at Least \$1 million from Advisory Client Transactions	180	173	132	4	% 31	%

\* Source: Thomson Reuters January 4, 2016

\*\* Includes revenue generating clients only

### Investment Banking Results of Operations

#### 2015 versus 2014

Net Investment Banking Revenues were \$1.131 billion in 2015 compared to \$819.6 million in 2014, which represented an increase of 38%. We earned advisory fees from 484 client transactions in 2015 compared to 418 in 2014, representing a 16% increase. We had 180 fees in excess of \$1.0 million in 2015, compared to 173 in 2014, representing a 4% increase. The increase in revenues from 2014 primarily reflects an increase in our Commissions and Related Fees following our acquisition of ISI on October 31, 2014 and an increase of 19% in Advisory Fees, principally driven by higher volume and value of deals in our U.S. and U.K. businesses. Underwriting fees increased 43% from 2014 primarily due to an increase in fees from our U.S. and Mexico businesses.

Operating Expenses were \$869.3 million in 2015 compared to \$632.9 million in 2014, an increase of \$236.4 million, or 37%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$648.9 million in 2015, as compared to \$481.3 million in 2014, an increase of \$167.6 million, or 35%. The increase was primarily due to the acquisition of ISI and other increased compensation costs resulting from the expansion of our businesses, and higher costs from share-based and other deferred compensation arrangements. Non-compensation expenses, as a component of Operating Expenses, were \$220.4 million in 2015, as compared to \$151.6 million in 2014, an increase of \$68.8 million, or 45%. Non-compensation operating expenses increased from the prior year primarily driven by the acquisition of ISI, as well as increased headcount within the business, increased new business costs associated with higher levels of global transaction activity and higher professional fees.

Other Expenses of \$108.7 million in 2015 included compensation costs associated with the vesting of LP Units and Interests and certain other awards of \$83.7 million, primarily related to Evercore LP units and interests granted in conjunction with the acquisition of ISI, other acquisition related compensation costs of \$1.5 million, special charges of \$2.2 million, acquisition and transition costs of \$4.9 million, changes to the fair value of contingent consideration of \$2.7 million and intangible asset and other amortization of \$13.8 million. Other Expenses of \$25.1 million in 2014 included compensation costs associated with the vesting of LP Units and certain other awards of \$3.4 million, other acquisition related compensation costs of \$7.9 million, special charges of \$4.9 million, professional fees of \$1.7 million, acquisition and transition costs of \$4.7 million and intangible asset and other amortization of \$2.5 million.

#### 2014 versus 2013

Net Investment Banking Revenues were \$819.6 million in 2014 compared to \$670.8 million in 2013, which represented an increase of 22%. We earned advisory fees from 418 client transactions in 2014 compared to 358 in

2013, representing a 17% increase. We had 173 fees in excess of \$1.0 million in 2014, compared to 132 in 2013, representing a 31% increase. The increase in revenues from 2013 primarily reflects an increase in Advisory Fees in 2014 in our U.S. and U.K. businesses.

Commissions and Related Fees increased 113% from 2013 primarily from our acquisition of ISI, which closed on October 31, 2014. Underwriting Fees decreased 17% from 2013 primarily due to a decrease in underwriting deals in our Mexico business.

Operating Expenses were \$632.9 million in 2014 compared to \$516.9 million in 2013, an increase of \$116.0 million, or 22%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$481.3 million in 2014, as compared to \$396.8 million in 2013, an increase of \$84.5 million, or 21%. 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 \$151.6 million in 2014, as compared to \$120.1 million in 2013, an increase of \$31.5 million, or 26%. Non-compensation operating expenses increased from the prior year primarily driven by the addition of personnel within the business, increased new business costs associated with high levels of global transaction activity and higher professional fees associated with a limited number of investment bankers serving under consulting contracts.

Other Expenses of \$25.1 million in 2014 included compensation costs associated with the vesting of LP Units and certain other awards of \$3.4 million, other acquisition related compensation costs of \$7.9 million, special charges of \$4.9 million, intangible asset and other amortization of \$2.5 million, professional fees of \$1.7 million and acquisition and transition costs of \$4.7 million. Other Expenses of \$33.7 million in 2013 included compensation costs associated with the vesting of LP Units and certain other awards of \$17.8 million and other acquisition related compensation costs of \$15.9 million.

## Investment Management

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

	For the Years Ended December 31,			Change			
	2015	2014	2013	2015 v. 2014		2014 v. 2013	
	(dollars in thousands)						
Revenues							
Investment Advisory and Management Fees:							
Wealth Management	\$34,659	\$30,827	\$27,179	12	%	13	%
Institutional Asset Management	46,100	45,872	43,971	—	%	4	%
Private Equity	5,603	8,127	10,622	(31	%)	(23	%)
Total Investment Advisory and Management Fees	86,362	84,826	81,772	2	%	4	%
Realized and Unrealized Gains:							
Institutional Asset Management	3,681	6,067	5,927	(39	%)	2	%
Private Equity	5,086	7,858	8,060	(35	%)	(3	%)
Total Realized and Unrealized Gains	8,767	13,925	13,987	(37	%)	—	%
Investment Management Revenue (1)	95,129	98,751	95,759	(4	%)	3	%
Other Revenue, net (2)	(2,771	) (2,530	) (1,116	) (10	%)	(127	%)
Net Investment Management Revenues	92,358	96,221	94,643	(4	%)	2	%
Expenses							
Operating Expenses	77,231	86,547	81,885	(11	%)	6	%
Other Expenses (3)	39,332	328	2,707	NM		(88	%)
Total Expenses	116,563	86,875	84,592	34	%	3	%
Operating Income (Loss) (4)	(24,205	) 9,346	10,051	NM		(7	%)
Income from Equity Method Investments (5)	5,072	4,685	5,420	8	%	(14	%)
Pre-Tax Income (Loss) from Continuing Operations	\$(19,133	) \$14,031	\$15,471	NM		(9	%)

(1) Includes client related expenses of \$0.07 million, \$0.05 million and \$0.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) Includes interest expense on the Senior Notes, New Loan and line of credit of \$3.6 million, \$3.8 million and \$3.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(3) Includes an impairment charge associated with the impairment of goodwill in the Company's Institutional Asset Management reporting unit of \$28.5 million and charges of \$7.1 million related to the restructuring of our investment in Atalanta Sosnoff for the year ended December 31, 2015, and an impairment charge associated with the impairment of intangible assets of \$0.2 million for the year ended December 31, 2013.

(4) Includes Noncontrolling Interest of \$4.0 million, \$4.0 million and \$1.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(5) 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. On December 31, 2015, we amended the Operating Agreement of Atalanta Sosnoff, resulting in the deconsolidation of its assets and liabilities, and we will account for its interest as an equity method investment from that date forward. See Note 4 of our consolidated financial statements for further information.



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 9 of our consolidated financial statements for further information.

Evercore Capital Partners II L.P. and its affiliated entities ("ECP II") earned management fees of 1% of invested capital through December 21, 2013, the technical termination of the fund. No management fees were earned by the Company in 2013,

2014 or 2015. We earn management fees on EMCP II and EMCP III of 2.25% and 2.0%, respectively, per annum of committed capital during its investment period, and 2.25% and 2.0%, respectively, 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 December 31, 2015, there was no previously distributed carried interest that was 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 \$8.2 billion at December 31, 2015 decreased compared to \$14.0 billion at December 31, 2014, primarily due to the deconsolidation of Atalanta Sosnoff on December 31, 2015. 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 66% of Level I investments and 34% of Level II investments as of December 31, 2015 and 2014, and Institutional Asset Management maintained 87% of Level I investments and 13% of Level II investments as of December 31, 2015 and 2014. 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.

	Wealth Management	Institutional Asset Management	Private Equity	Total
Balance at December 31, 2013	\$4,874	\$8,374	\$385	\$13,633
Inflows	936	2,920	—	3,856
Outflows	(534)	(3,525)	(69)	(4,128)
Market Appreciation	389	298	—	687
Balance at December 31, 2014	\$5,665	\$8,067	\$316	\$14,048
Inflows	1,024	1,805	1	2,830
Outflows	(446)	(2,739)	(13)	(3,198)
Deconsolidation of Atalanta Sosnoff (December 31, 2015)	—	(5,297)	—	(5,297)
Market Appreciation (Depreciation)	(34)	(181)	—	(215)
Balance at December 31, 2015	\$6,209	\$1,655	\$304	\$8,168

Unconsolidated Affiliates - Balance at December 31, 2015:

Atalanta Sosnoff	\$—	\$5,297	\$—	\$5,297
G5 Evercore	\$1,537	\$—	\$—	\$1,537
ABS	\$—	\$5,122	\$—	\$5,122

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

	Wealth Management	Institutional Asset Management	
Equities	56	% 19	%
Fixed Income	33	% 81	%
Liquidity (1)	10	% —	%
Alternatives	1	% —	%
Total	100	% 100	%

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

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.

In 2015, AUM for Wealth Management increased 10%, reflecting a 10% increase due to flows, partially offset by a slight decrease due to market depreciation. Wealth Management lagged the S&P 500 on a 1 year basis by 3% and outperformed the S&P 500 on a 3 year basis by 2% during the period and lagged the fixed income composite on a 1 year basis by 40 bps and tracked the fixed income composite on a 3 year basis. For the period, the S&P 500 was up 1%, while the fixed income composite increased by 3%.

In 2014, AUM for Wealth Management increased 16%, reflecting an 8% increase due to flows and an 8% 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 outperformed the fixed income composite by 30 bps. For the period, the S&P 500 was up 14%, while the fixed income composite increased by 4%.

Our Institutional Asset Management business reflects assets managed by Atalanta Sosnoff (deconsolidated on December 31, 2015) 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.

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, as benchmarks in reviewing their performance and managing their investment decisions.

In 2015, AUM for Institutional Asset Management decreased 79%, primarily reflecting a 66% decrease due to the deconsolidation of Atalanta Sosnoff on December 31, 2015, as well as an 11% decrease due to flows and a 2% decrease due to market depreciation. ECB's AUM decrease primarily reflects the impact of the fluctuation of foreign currency and net outflows.

In 2014, AUM for Institutional Asset Management decreased 4%, reflecting a 7% decrease due to flows partially offset by a 3% increase due to market appreciation. This reflects a decrease in AUM for Atalanta Sosnoff and ECB. ECB's AUM decrease primarily reflects market depreciation. 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% in 2015 from net outflows related to the continued wind-down of the U.S. Private Equity business.

AUM from our unconsolidated affiliates increased 77% from 2014 primarily related to the addition of Atalanta Sosnoff as an equity method investment as of December 31, 2015, as well as positive performance in ABS, partially offset by negative performance in G5 Evercore.

2015 versus 2014

Net Investment Management Revenues were \$92.4 million in 2015, compared to \$96.2 million in 2014. Investment Advisory and Management Fees earned from the management of client portfolios and other investment advisory services increased 2% from 2014, primarily reflecting an increase in AUM in Wealth Management, partially offset by a decrease in Private Equity fees. Fee-based revenues included \$0.9 million of revenues from performance fees during 2015 compared to \$0.2 million during 2014. Realized and Unrealized Gains decreased 37% from the prior year primarily resulting from lower gains in our private equity funds and Institutional Asset Management. Income from Equity Method Investments increased from 2014 as a result of an increase in earnings from our investments in ABS and G5 Evercore.

Operating Expenses were \$77.2 million in 2015, as compared to \$86.5 million in 2014, a decrease of \$9.3 million, or 11%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$54.1 million in 2015, as compared to \$56.9 million in 2014, a decrease of \$2.8 million, or 5%. Non-compensation expenses, as a component of Operating Expenses, were \$23.1 million in 2015, as compared to \$29.7 million in 2014, a decrease of \$6.6 million, or 22%.

Other Expenses of \$39.3 million in 2015 primarily included special charges of \$28.5 million related to an impairment charge associated with the impairment of goodwill in the Company's Institutional Asset Management reporting unit. See "Impairment of Assets" above for further information. Other Expenses of \$0.3 million in 2014 were related to intangible asset amortization.

2014 versus 2013

Net Investment Management Revenues were \$96.2 million in 2014, compared to \$94.6 million in 2013. Investment Advisory and Management Fees earned from the management of client portfolios and other investment advisory services increased 4% from 2013, primarily reflecting an increase in AUM in Wealth Management, partially offset by a decrease in Private Equity fees. Fee-based revenues included \$0.2 million of revenues from performance fees during 2014 compared to \$0.5 million during 2013. Realized and Unrealized Gains were flat from the prior year primarily resulting from increased gains in Institutional Asset Management, which were partially offset by decreased gains in our private equity funds. Income from Equity Method Investments decreased from 2013 primarily as a result of a decrease in earnings from our investment in ABS.

Operating Expenses were \$86.5 million in 2014, as compared to \$81.9 million in 2013, an increase of \$4.7 million, or 6%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$56.9 million in 2014, as compared to \$53.1 million in 2013, an increase of \$3.8 million, or 7%. The increase was due primarily to higher costs from share-based and other deferred compensation arrangements. Non-compensation expenses, as a component of Operating Expenses, were \$29.7 million in 2014, as compared to \$28.8 million in 2013, an increase of \$0.9 million, or 3%.

Other Expenses of \$0.3 million in 2014 were related to amortization of intangibles. Other Expenses of \$2.7 million in 2013 included compensation costs associated with the vesting of LP Units and certain other awards of \$2.2 million,

special charges of \$0.2 million and amortization of intangibles of \$0.3 million.

#### 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 Senior Notes and New Loan. 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. We periodically draw down on our line of credit to balance the timing of our operating, investing and financing cash flow needs. A summary of our operating, investing and financing cash flows is as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Cash Provided By (Used In)			
Operating activities:			
Net income	\$57,690	\$107,371	\$72,022
Non-cash charges	271,691	147,857	149,933
Other operating activities	27,470	(39,256)	(23,241)
Operating activities	356,851	215,972	198,714
Investing activities	(26,117)	) 25,035	(8,864)
Financing activities	(223,803)	) (179,595)	) (149,796)
Effect of exchange rate changes	(10,327)	) (7,705)	) (1,032)
Net Increase in Cash and Cash Equivalents	96,604	53,707	39,022
Cash and Cash Equivalents			
Beginning of Period	352,160	298,453	259,431
End of Period	\$448,764	\$	