Evercore Partners Inc.
Form 10-Q
August 08, 2014
Table of Contents

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

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to

001-32975
(Commission File Number)

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

Delaware	20-4748747
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

55 East 52 nd Street
38th floor
New York, New York 10055
(Address of principal executive offices)
Registrant's telephone number: (212) 857-3100

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

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

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

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

The number of shares of the registrant's Class A common stock, par value $0.01 per share, outstanding as of July 30, 2014 was 36,282,668. The number of shares of the registrant's Class B common stock, par value $0.01 per share, outstanding as of July 30, 2014 was 27 (excluding 73 shares of Class B common stock held by a subsidiary of the registrant).

Table of Contents

Table of Contents

In this report, references to “Evercore”, the “Company”, “we”, “us”, “our” refer to Evercore Partners Inc., a Delaware corporation, and its consolidated subsidiaries. Unless the context otherwise requires, references to (1) “Evercore Partners Inc.” refer solely to Evercore Partners Inc., and not to any of its consolidated subsidiaries and (2) “Evercore LP” refer solely to Evercore LP, a Delaware limited partnership, and not to any of its consolidated subsidiaries. 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.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Financial Statements (Unaudited)

Table of Contents

EVERCORE PARTNERS INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(UNAUDITED)
(dollars in thousands, except share data)

	June 30, 2014	December 31, 2013
Assets		
Current Assets		
Cash and Cash Equivalents	$193,096	$298,453
Marketable Securities	36,298	43,407
Financial Instruments Owned and Pledged as Collateral at Fair Value	76,773	56,311
Securities Purchased Under Agreements to Resell	—	19,134
Accounts Receivable (net of allowances of $1,642 and $2,436 at June 30, 2014 and December 31, 2013, respectively)	100,325	83,347
Receivable from Employees and Related Parties	9,455	9,233
Deferred Tax Assets - Current	13,188	11,271
Other Current Assets	44,419	16,703
Total Current Assets	473,554	537,859
Investments	125,927	114,084
Deferred Tax Assets - Non-Current	262,348	251,613
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of $29,864 and $25,992 at June 30, 2014 and December 31, 2013, respectively)	30,817	27,832
Goodwill	193,389	189,274
Intangible Assets (net of accumulated amortization of $31,029 and $27,538 at June 30, 2014 and December 31, 2013, respectively)	23,238	26,731
Assets Segregated for Bank Regulatory Requirements	10,200	10,200
Other Assets	28,424	23,190
Total Assets	$1,147,897	$1,180,783
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	$71,716	$157,856
Accounts Payable and Accrued Expenses	36,156	18,365
Securities Sold Under Agreements to Repurchase	76,874	75,563
Payable to Employees and Related Parties	17,548	19,524
Taxes Payable	4,237	4,713
Other Current Liabilities	8,005	8,138
Total Current Liabilities	214,536	284,159
Notes Payable	104,207	103,226
Amounts Due Pursuant to Tax Receivable Agreements	195,850	175,771
Other Long-term Liabilities	17,948	17,664
Total Liabilities	532,541	580,820
Commitments and Contingencies (Note 15)		
Redeemable Noncontrolling Interest	4,283	36,805
Equity		
Evercore Partners Inc. Stockholders' Equity		
Common Stock		

Class A, par value $0.01 per share (1,000,000,000 shares authorized, 44,813,896 and 40,772,434 issued at June 30, 2014 and December 31, 2013, respectively, and 35,643,336 and 33,069,534 outstanding at June 30, 2014 and December 31, 2013, respectively)	448	408
Class B, par value $0.01 per share (1,000,000 shares authorized, 28 and 42 issued and outstanding at June 30, 2014 and December 31, 2013, respectively)	—	—
Additional Paid-In-Capital	891,220	799,233
Accumulated Other Comprehensive Income (Loss)	(7,820)	(10,784)
Retained Earnings (Deficit)	(46,037)	(59,896)
Treasury Stock at Cost (9,170,560 and 7,702,900 shares at June 30, 2014 and December 31, 2013, respectively)	(311,262)	(226,380)
Total Evercore Partners Inc. Stockholders' Equity	526,549	502,581
Noncontrolling Interest	84,524	60,577
Total Equity	611,073	563,158
Total Liabilities and Equity	$1,147,897	$1,180,783

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE PARTNERS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(dollars and share amounts in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Investment Banking Revenue	$192,251	$183,454	$320,755	$314,837
Investment Management Revenue	26,801	25,089	48,716	46,526
Other Revenue, Including Interest	2,622	1,428	4,691	4,532
Total Revenues	221,674	209,971	374,162	365,895
Interest Expense	3,978	3,174	7,353	6,467
Net Revenues	217,696	206,797	366,809	359,428
Expenses				
Employee Compensation and Benefits	129,346	131,377	220,738	233,386
Occupancy and Equipment Rental	10,138	8,178	19,622	16,915
Professional Fees	11,988	9,288	20,499	17,133
Travel and Related Expenses	10,098	8,272	17,482	15,450
Communications and Information Services	3,922	3,363	7,295	6,782
Depreciation and Amortization	3,537	3,591	7,358	7,148
Acquisition and Transition Costs	1,016	—	1,116	58
Other Operating Expenses	4,616	4,547	8,950	8,125
Total Expenses	174,661	168,616	303,060	304,997
Income Before Income from Equity Method Investments and Income Taxes	43,035	38,181	63,749	54,431
Income from Equity Method Investments	2,038	1,015	2,279	1,771
Income Before Income Taxes	45,073	39,196	66,028	56,202
Provision for Income Taxes	15,387	17,130	22,950	24,865
Net Income from Continuing Operations	29,686	22,066	43,078	31,337
Discontinued Operations				
Income (Loss) from Discontinued Operations	—	(119)	—	(1,425)
Provision (Benefit) for Income Taxes	—	(64)	—	(477)
Net Income (Loss) from Discontinued Operations	—	(55)	—	(948)
Net Income	29,686	22,011	43,078	30,389
Net Income Attributable to Noncontrolling Interest	5,421	5,585	8,245	7,994
Net Income Attributable to Evercore Partners Inc.	$24,265	$16,426	$34,833	$22,395
Net Income (Loss) Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	$24,265	$16,437	$34,833	$22,894
From Discontinued Operations	—	(32)	—	(541)
Net Income Attributable to Evercore Partners Inc. Common Shareholders	$24,265	$16,405	$34,833	$22,353

Weighted Average Shares of Class A Common Stock Outstanding				
Basic	35,744	31,811	35,208	31,836
Diluted	41,860	37,501	41,781	37,738
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	$0.68	$0.52	$0.99	$0.72
From Discontinued Operations	—	—	—	(0.02)
Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders	$0.68	$0.52	$0.99	$0.70
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	$0.58	$0.44	$0.83	$0.61
From Discontinued Operations	—	—	—	(0.02)
Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders	$0.58	$0.44	$0.83	$0.59
Dividends Declared per Share of Class A Common Stock	$0.25	$0.22	$0.50	$0.44

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income	$29,686	$22,011	$43,078	$30,389
Other Comprehensive Income (Loss), net of tax:				
Unrealized Gain (Loss) on Marketable Securities, net	33	(662)	1,002	(205)
Foreign Currency Translation Adjustment Gain (Loss), net	2,387	(1,698)	2,632	(2,179)
Other Comprehensive Income (Loss)	2,420	(2,360)	3,634	(2,384)
Comprehensive Income	32,106	19,651	46,712	28,005
Comprehensive Income Attributable to Noncontrolling Interest	5,858	5,036	8,915	7,439
Comprehensive Income Attributable to Evercore Partners Inc.	$26,248	$14,615	$37,797	$20,566

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

EVERCORE PARTNERS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)
(dollars in thousands, except share data)

For the Six Months Ended June 30, 2014

	Class A Common Stock Shares	Class A Common Stock Dollars	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Dollars	Noncontrolling Interest	Total Equity
Balance at December 31, 2013	40,772,434	$408	$799,233	$(10,784)	$(59,896)	(7,702,900)	$(226,380)	$60,577	$563,158
Net Income	—	—	—	—	34,833	—	—	8,245	43,078
Other Comprehensive Income	—	—	—	2,964	—	—	—	670	3,634
Treasury Stock Purchases	—	—	—	—	—	(1,718,110)	(92,983)	—	(92,983)
Evercore LP Units Converted into Class A Common Stock	950,672	9	10,468	—	—	—	—	(6,637)	3,840
Equity-based Compensation Awards	3,090,790	31	75,722	—	—	—	—	—	75,753
Shares Issued as Consideration for Acquisitions and Investments	—	—	2,987	—	—	131,243	4,245	—	7,232
Dividends and Equivalents	—	—	3,096	—	(20,974)	—	—	—	(17,878)
Noncontrolling Interest (Note 12)	—	—	(286)	—	—	119,207	3,856	21,669	25,239
Balance at June 30, 2014	44,813,896	$448	$891,220	$(7,820)	$(46,037)	(9,170,560)	$(311,262)	$84,524	$611,073

For the Six Months Ended June 30, 2013

	Class A Common Stock Shares	Class A Common Stock Dollars	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock Shares	Treasury Stock Dollars	Noncontrolling Interest	Total Equity
Balance at December 31,	35,040,501	$350	$654,275	$(9,086)	$(77,079)	(5,463,515)	$(139,954)	$62,243	$490,749

2012									
Net Income	—	—	—	—	22,395	—	—	7,994	30,389
Other Comprehensive Income (Loss)	—	—	—	(1,829)	—	—	—	(555)	(2,384)
Treasury Stock Purchases	—	—	—	—	—	(2,141,121)	(81,108)	—	(81,108)
Evercore LP Units Purchased or Converted into Class A Common Stock	1,326,127	13	9,406	—	—	—	—	(13,187)	(3,768)
Equity-based Compensation Awards	1,887,385	19	55,355	—	—	2,600	65	10,725	66,164
Dividends and Equivalents	—	—	3,041	—	(17,162)	—	—	—	(14,121)
Noncontrolling Interest (Note 12)	—	—	(2,483)	—	—	—	—	(11,628)	(14,111)
Balance at June 30, 2013	38,254,013	$382	$719,594	$(10,915)	$(71,846)	(7,602,036)	$(220,997)	$55,592	$471,810

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

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

	For the Six Months Ended June 30, 2014	2013
Cash Flows From Operating Activities		
Net Income	$43,078	$30,389
Adjustments to Reconcile Net Income to Net Cash Provided by (Used In) Operating Activities:		
Net (Gains) Losses on Investments, Marketable Securities and Contingent Consideration	(1,916)	(2,964)
Equity Method Investments	6,024	4,115
Equity-Based and Other Deferred Compensation	57,640	63,802
Depreciation, Amortization and Accretion	8,339	8,126
Bad Debt Expense	716	317
Deferred Taxes	10,883	(3,633)
Decrease (Increase) in Operating Assets:		
Marketable Securities	203	133
Financial Instruments Owned and Pledged as Collateral at Fair Value	(20,006)	42,901
Securities Purchased Under Agreements to Resell	19,063	(4,022)
Accounts Receivable	(17,169)	(28,910)
Receivable from Employees and Related Parties	(222)	(4,920)
Other Assets	(32,721)	(3,163)
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(90,898)	(62,331)
Accounts Payable and Accrued Expenses	7,498	2,966
Securities Sold Under Agreements to Repurchase	925	(38,908)
Payables to Employees and Related Parties	(3,606)	4,213
Taxes Payable	(475)	(11,879)
Other Liabilities	(30)	(1,865)
Net Cash Provided by (Used in) Operating Activities	(12,674)	(5,633)
Cash Flows From Investing Activities		
Investments Purchased	(8,107)	(1,274)
Distributions of Private Equity Investments	108	154
Marketable Securities:		
Proceeds from Sales and Maturities	20,839	23,062
Purchases	(11,743)	(21,055)
Cash Acquired from Acquisitions	—	170
Purchase of Furniture, Equipment and Leasehold Improvements	(5,971)	(1,540)
Net Cash Provided by (Used in) Investing Activities	(4,874)	(483)
Cash Flows From Financing Activities		
Issuance of Noncontrolling Interests	49	2,750
Distributions to Noncontrolling Interests	(6,414)	(11,527)
Short-Term Borrowing	50,000	—
Repayment of Short-Term Borrowing	(50,000)	—
Purchase of Treasury Stock and Noncontrolling Interests	(94,459)	(87,875)

Excess Tax Benefits Associated with Equity-Based Awards	29,460	6,581
Dividends - Class A Stockholders	(17,878)	(14,121)
Net Cash Provided by (Used in) Financing Activities	(89,242)	(104,192)
Effect of Exchange Rate Changes on Cash	1,433	(1,688)
Net Increase (Decrease) in Cash and Cash Equivalents	(105,357)	(111,996)
Cash and Cash Equivalents-Beginning of Period	298,453	259,431
Cash and Cash Equivalents-End of Period	$193,096	$147,435
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Payments for Interest	$6,400	$5,616
Payments for Income Taxes	$7,740	$33,986
Furniture, Equipment and Leasehold Improvements Accrued	$595	$637
Increase (Decrease) in Fair Value of Redeemable Noncontrolling Interest	$3,530	$(921)
Dividend Equivalents Issued	$3,096	$3,041
Notes Exchanged for Equity in Subsidiary	$—	$1,042
Settlement of Contingent Consideration	$7,232	$1,000
Receipt of Marketable Securities in Settlement of Accounts Receivable	$63	$1,772
Commitment to Purchase Noncontrolling Interest	$—	$7,890
Purchase of Noncontrolling Interest	$7,100	$—
Contingent Consideration Accrued	$2,243	$—
Reclassification to Noncontrolling Interest	$27,477	$—

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents
EVERCORE PARTNERS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

Note 1 – Organization

Evercore Partners Inc. and subsidiaries (the “Company”) is an investment banking and investment management firm, incorporated in Delaware on July 21, 2005 and headquartered in New York, New York. The Company is a holding company which owns a controlling interest in Evercore LP, a Delaware limited partnership (“Evercore LP”). Subsequent to the Company’s initial public offering, the Company became the sole general partner of Evercore LP. The Company operates from its offices in the United States, the United Kingdom, Mexico, Hong Kong, Canada, Singapore and, through its affiliate G5 Holdings S.A. (“G5 Evercore”), in Brazil.

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

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

Note 2 – Significant Accounting Policies

For a complete discussion of the Company’s accounting policies, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. As permitted by the rules and regulations of the United States Securities and Exchange Commission, the unaudited condensed consolidated financial statements contain certain condensed financial information and exclude certain footnote disclosures normally included in audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying condensed consolidated financial statements are unaudited and are prepared in accordance with U.S. GAAP. In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, including normal recurring accruals, necessary to fairly present the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2013. The December 31, 2013 Unaudited Condensed Consolidated Statement of Financial Condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2014.

The unaudited condensed consolidated financial statements of the Company are comprised of the consolidation of Evercore LP and Evercore LP’s wholly-owned and majority-owned direct and indirect subsidiaries, including Evercore Group L.L.C. (“EGL”), a registered broker-dealer in the U.S. The Company’s policy is to consolidate all subsidiaries in which it has a controlling financial interest, as well as any variable interest entities (“VIEs”) where the Company is deemed to be the primary beneficiary, when it has the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE, except for certain VIEs that qualify for accounting purposes as investment companies. The Company reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment is a VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date.

Table of Contents
EVERCORE PARTNERS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

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

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

All intercompany balances and transactions with the Company's subsidiaries have been eliminated upon consolidation.

Performance Fees - Performance fees, or carried interest, are computed in accordance with the underlying private equity funds' partnership agreements and are based on investment performance over the life of each investment partnership. Historically, the Company recorded performance fee revenue from its managed private equity funds when the private equity funds' investment values exceeded certain threshold minimums. During the second quarter of 2014, the Company changed its method of recording performance fees such that the Company records performance fees upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable. This method is considered the more preferable of the two methods accepted under ASC 605-20-S99-1. This change in accounting policy had no effect on the prior period information included on the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Financial Condition in this Form 10-Q, or the Consolidated Statements of Operations and Consolidated Statements of Financial Condition in the Company's most recent Annual Report on Form 10-K.

Note 3 – Recent Accounting Pronouncements

ASU 2013-05 – In March 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" ("ASU 2013-05"). ASU 2013-05 provides amendments to Accounting Standards Codification ("ASC") No. 830, "Foreign Currency Matters", which are intended to resolve diversity in practice by clarifying the guidance for the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The amendments also clarify the guidance for the release of the cumulative translation adjustment into net income for business combinations achieved in stages involving a foreign entity. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2013, with early adoption permitted. The adoption of ASU 2013-05 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2013-08 – In June 2013, the FASB issued ASU No. 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" ("ASU 2013-08"). ASU 2013-08 provides amendments to ASC No. 946, "Financial Services - Investment Companies", and clarifies the approach to be used for determining whether an entity is an investment company and provides new measurement and disclosure requirements. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2013, with early adoption prohibited. The adoption of ASU 2013-08 did not have a material impact on the Company’s financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2013-11 – In July 2013, the FASB issued ASU No. 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists” (“ASU 2013-11”). ASU 2013-11 provides amendments to ASC No. 740, “Income Taxes”, which clarify the guidance for the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments require that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. If a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2013, with early adoption permitted. The adoption of ASU 2013-11 did not have a material impact on the Company’s financial condition, results of operations and cash flows, or disclosures thereto.

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

ASU 2014-09 – In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 provides amendments to ASC No. 605, “Revenue Recognition”, and creates ASC No. 606, "Revenue from Contracts with Customers", which change the requirements for revenue recognition and amend disclosure requirements. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2016, with early adoption not permitted. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2014-11 – In June 2014, the FASB issued ASU No. 2014-11, “Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures” (“ASU 2014-11”). ASU 2014-11 provides amendments to ASC No. 806, “Transfers and Servicing”, which expand secured borrowing accounting for certain repurchase agreements and require that in a repurchase financing arrangement the repurchase agreement be accounted for separately from the initial transfer of the financial asset. The amendments also require additional disclosures for certain transactions accounted for as a sale and repurchase agreements, and for securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings. The amendments in this update for the additional disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings are effective prospectively during annual periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015, and all other amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2014, with early adoption not permitted. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2014-12 – In June 2014, the FASB issued ASU No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (“ASU 2014-12”). ASU 2014-12 provides amendments to ASC No. 718, “Compensation - Stock Compensation”, which clarify the guidance for whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

Table of Contents
EVERCORE PARTNERS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

Note 4 – Acquisition and Transition Costs and Intangible Asset Amortization
Acquisition and Transition Costs
The Company recognized $1,016 and $1,116 for the three and six months ended June 30, 2014, respectively, and $58 for the six months ended June 30, 2013 as Acquisition and Transition Costs incurred in connection with acquisitions and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services.
Intangible Asset Amortization
Expenses associated with the amortization of intangible assets for Investment Banking were $77 and $241 for the three and six months ended June 30, 2014, respectively, and $204 and $408 for the three and six months ended June 30, 2013, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations. Expenses associated with the amortization of intangible assets for Investment Management were $1,486 and $3,250 for the three and six months ended June 30, 2014, respectively, and $1,851 and $3,641 for the three and six months ended June 30, 2013, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations.

Note 5 – Related Parties
Investment Management Revenue includes income from related parties earned from the Company’s private equity funds for portfolio company fees, management fees, expense reimbursements and realized and unrealized gains and losses of private equity fund investments. Total Investment Management revenues from related parties amounted to $4,196 and $9,075 for the three and six months ended June 30, 2014, respectively, and $4,983 and $7,135 for the three and six months ended June 30, 2013, respectively.
Investment Banking Revenue includes advisory fees earned from clients that have a Senior Managing Director as a member of their Board of Directors of $10,750 for the six months ended June 30, 2013.
Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition includes the long-term portion of loans receivable from certain employees of $5,294 and $5,560 as of June 30, 2014 and December 31, 2013, respectively. See Note 14 for further information.

Note 6 – Marketable Securities
The amortized cost and estimated fair value of the Company’s Marketable Securities as of June 30, 2014 and December 31, 2013 were as follows:

	June 30, 2014				December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Investments	$5,056	$1,330	$14	$6,372	$11,268	$754	$623	$11,399
Debt Securities Carried by EGL	24,052	102	—	24,154	22,542	87	1	22,628
Mutual Funds	4,619	1,194	41	5,772	7,917	1,600	137	9,380
Total	$33,727	$2,626	$55	$36,298	$41,727	$2,441	$761	$43,407

12

EVERCORE PARTNERS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

Scheduled maturities of the Company's available-for-sale debt securities within the Securities Investments portfolio as of June 30, 2014 and December 31, 2013 were as follows:

	June 30, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$303	$304	$306	$307
Due after one year through five years	1,252	1,266	1,250	1,264
Due after five years through 10 years	100	102	100	100
Total	$1,655	$1,672	$1,656	$1,671

Securities Investments

Securities Investments include seed capital and other equity and debt securities, which are classified as available-for-sale securities within Marketable Securities on the Unaudited Condensed Consolidated Statements of Financial Condition. These securities are stated at fair value with unrealized gains and losses included in Accumulated Other Comprehensive Income (Loss) and realized gains and losses included in earnings. The Company had net realized gains (losses) of $279 and $294 for the three and six months ended June 30, 2014, respectively, and ($286) and ($189) for the three and six months ended June 30, 2013, respectively.

Debt Securities Carried by EGL

EGL invests in a fixed income portfolio consisting primarily of municipal bonds. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest, on the Unaudited Condensed Consolidated Statements of Operations, as required for broker-dealers in securities. The Company had net realized and unrealized gains (losses) of ($104) and ($203) for the three and six months ended June 30, 2014, respectively, and ($122) and ($133) for the three and six months ended June 30, 2013, respectively.

Mutual Funds

The Company invests in a portfolio of mutual funds as an economic hedge against the Company's deferred compensation program. See Note 14 for further information. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest, on the Unaudited Condensed Consolidated Statements of Operations. The Company had net realized and unrealized gains (losses) of $212 and $324 for the three and six months ended June 30, 2014, respectively, and ($136) and $461 for the three and six months ended June 30, 2013, respectively.

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

The Company, through Evercore Casa de Bolsa, S.A. de C.V. ("ECB"), enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market, which the Company reflects as Financial Instruments Owned and Pledged as Collateral at Fair Value on the Unaudited Condensed Consolidated Statements of Financial Condition, or by entering into reverse repurchase agreements with unrelated third parties. The Company accounts for these repurchase and reverse repurchase agreements as collateralized financing transactions, which are carried at their contract amounts, which approximate fair value given that the contracts generally mature the following business day. The Company records a liability on its Unaudited Condensed Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. The Company records as assets on its Unaudited Condensed Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where the Company has acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to Resell (where the Company has acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities had an estimated average time to maturity of approximately 1.7 years, as of June 30, 2014, and are pledged as collateral against repurchase agreements. Generally, collateral is posted equal

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

to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by ECB and permit the counterparty to pledge the securities.
As of June 30, 2014 and December 31, 2013, a summary of the Company's assets, liabilities and collateral received or pledged related to these transactions was as follows:

	June 30, 2014		December 31, 2013	
	Asset (Liability) Balance	Market Value of Collateral Received or (Pledged)	Asset (Liability) Balance	Market Value of Collateral Received or (Pledged)
Assets				
Financial Instruments Owned and Pledged as Collateral at Fair Value	$76,773		$56,311	
Securities Purchased Under Agreements to Resell	—	$ —	19,134	$ 19,112
Total Assets	$76,773		$75,445	
Liabilities				
Securities Sold Under Agreements to Repurchase	$(76,874)	$ (76,972)	$(75,563)	$ (75,708)

Note 8 – Investments

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

The Company's investments in private equity partnerships consist of investment interests in private equity funds which are voting interest entities. Realized and unrealized gains and losses on the private equity investments are included within Investment Management Revenue, as the Company considers this activity integral to its Private Equity business.
The Company also has investments in G5 Evercore and ABS Investment Management, LLC ("ABS"), which are voting interest entities. The Company's investment in Evercore Pan-Asset Capital Management ("Pan") became a VIE and was subsequently sold in December 2013. The Company's share of earnings (losses) on its investments in G5 Evercore, ABS and Pan (prior to its consolidation on March 15, 2013) are included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.
Investments in Private Equity
Private Equity Funds
The Company's investments related to private equity partnerships and associated entities include investments in Evercore Capital Partners II, L.P. ("ECP II"), Discovery Americas I, L.P. (the "Discovery Fund"), Evercore Mexico Capital Partners II, L.P. ("EMCP II"), Evercore Mexico Capital Partners III, L.P. ("EMCP III"), CSI Capital, L.P. ("CSI Capital"), Trilantic Capital Partners Associates IV, L.P. ("Trilantic IV") and Trilantic Capital Partners V, L.P. ("Trilantic V"). Portfolio holdings of the private equity funds are carried at fair value. Accordingly, the Company reflects its pro rata share of the unrealized gains and losses occurring from changes in fair value. Additionally, the Company reflects its pro rata share of realized gains, losses and carried interest associated with any investment realizations.
In 2013, the Company held a fourth and final closing on EMCP III, a private equity fund focused on middle market investments in Mexico. The total subscribed capital commitments of $201,000 included a capital commitment of

$10,750 by the general partner of EMCP III, Evercore Mexico Partners III ("EMP III"), of which $1,000 relates to the Company and $9,750 relates to noncontrolling interest holders. At June 30, 2014, unfunded commitments of EMP III were $6,841, including $639 due from the Company.

EVERCORE PARTNERS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and share / unit amounts in thousands, except per share amounts, unless otherwise noted)

A summary of the Company’s investment in the private equity funds as of June 30, 2014 and December 31, 2013 was as follows:

	June 30, 2014	December 31, 2013
ECP II	$3,125	$3,251
Discovery Fund	2,545	5,015
EMCP II	12,531	11,125
EMCP III	5,394	3,852
CSI Capital	3,778	3,248
Trilantic IV	5,264	4,356