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

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		Additional Paid-In	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling	Total
	Shares	Dollars	Capital			Shares	Dollars	Interest	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		Additional Paid-In	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling	Total
	Shares	Dollars	Capital			Shares	Dollars	Interest	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.

7

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.

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.

(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

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.

(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
Trilantic V	1,604	1,532
Total Private Equity Funds	$34,241	$32,379

Net realized and unrealized gains on private equity fund investments were $4,023 and $3,962 for the three and six months ended June 30, 2014, respectively, and $2,073 and $2,550 for the three and six months ended June 30, 2013, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of June 30, 2014, the Company had $2,701 of previously received carried interest that may be subject to repayment.

General Partners of Private Equity Funds which are VIEs

The Company has concluded that EP II L.L.C., the general partner of ECP II, is a VIE pursuant to ASC 810, "Consolidation" ("ASC 810"). The Company owns 8%-9% of the carried interest earned by the general partner of ECP II. The Company's assessment of the design of EP II L.L.C. resulted in the determination that the Company is not acting as an agent for other members of the general partner and is a passive holder of interests in the fund, evidenced by the fact that the Company is a non-voting, non-managing member of the general partner and, therefore, has no authority in directing the management operations of the general partner. Furthermore, the Company does not have the obligation to absorb significant losses or the right to receive benefits that could potentially have a significant impact to EP II L.L.C. Accordingly, the Company has concluded that it is not the primary beneficiary of EP II L.L.C and has not consolidated EP II L.L.C. in the Company's unaudited condensed consolidated financial statements.

In 2013, EMP III amended and restated its Limited Partnership Agreement and admitted certain limited partners, which are related parties of the Company. The Company viewed this modification as a reconsideration event under ASC 810-10, and concluded that EMP III is a VIE and that the Company is the primary beneficiary of this VIE. Specifically, the Company's general partner interests in EMP III provide the Company the ability to make decisions that significantly impact the economic performance of EMP III, while the limited partners do not possess substantive participating rights over EMP III. The Company's assessment of the primary beneficiary of EMP III included assessing which parties have the power to significantly impact the economic performance of EMP III and the obligation to absorb losses, which could be potentially significant to EMP III, or the right to receive benefits from EMP III that could be potentially significant. The Company had previously consolidated EMP III as a voting interest entity; accordingly, consolidating as a VIE had no impact on the assets and liabilities of the Company. The Company consolidated EMP III assets of $5,458 and liabilities of $42 at June 30, 2014 and assets of $4,287 and liabilities of $32 at December 31, 2013, in the Company's Unaudited Condensed Consolidated Statements of Financial Condition. The assets retained by EMP III are for the benefit of the interest holders of EMP III and the liabilities are generally non-recourse to the Company.

Investment in Trilantic Capital Partners

In 2010, the Company made a limited partnership investment in Trilantic in exchange for 500 Evercore LP partnership units ("LP Units") having a fair value of $16,090. This investment gave the Company the right to invest in Trilantic’s current and future private equity funds, beginning with Trilantic Fund IV. The Company accounts for this investment under the cost method, subject to impairment. The Company allocates the cost of this investment to its investments in current and future Trilantic funds, as the Company satisfies the capital calls of these funds. The Company bases this allocation on its expectation of Trilantic’s future fundraising ability and performance. During 2014, $36 of this investment was allocated to Trilantic Fund V. During 2013, $825 and $29 of this investment was allocated to Trilantic Fund V and Trilantic Fund IV, respectively. From 2010 to 2012, $1,091 of this investment was allocated to Trilantic Fund IV. This investment had a balance of $14,109 and $14,145 as of June 30, 2014 and December 31, 2013, respectively. The Company has a $5,000 commitment to invest in Trilantic Fund V, of which $4,227 was unfunded at June 30, 2014. The Company and Trilantic anticipate that the Company will participate in the successor funds to Trilantic Fund V. The Company further anticipates that participation in successor funds will be at amounts comparable to those of Trilantic Fund V.

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

Equity Method Investments

A summary of the Company’s other investments accounted for under the equity method of accounting as of June 30, 2014 and December 31, 2013 was as follows:

	June 30, 2014	December 31, 2013
G5 Evercore	$35,328	$20,001
ABS	42,249	47,559
Total	$77,577	$67,560

G5 Evercore

In 2010, the Company made an investment accounted for under the equity method of accounting in G5 Evercore. During the second quarter of 2014, the Company settled its contingent consideration arrangement entered into in conjunction with its initial investment in G5 Evercore. Accordingly, in June 2014 the Company issued 131 shares of restricted Class A common stock, with a fair value of $7,232, and $7,916 of cash to the owners of G5 Evercore. At June 30, 2014, the Company’s economic ownership interest in G5 Evercore was 49%. This investment resulted in earnings (losses) of $817 and ($20) for the three and six months ended June 30, 2014, respectively, and $247 and $184 for the three and six months ended June 30, 2013, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

ABS

In 2011, the Company made an investment accounted for under the equity method of accounting in ABS. At June 30, 2014, the Company’s economic ownership interest in ABS was 45%. This investment resulted in earnings of $1,221 and $2,299 for the three and six months ended June 30, 2014, respectively, and $768 and $1,642 for the three and six months ended June 30, 2013, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Pan

In 2008, the Company made an investment accounted for under the equity method of accounting of $4,158 in Pan. This investment resulted in losses of ($55) for the six months ended June 30, 2013, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statement of Operations. In 2011 and 2012, the Company concluded that Pan was a VIE, and that the Company was not the primary beneficiary of the VIE. On March 15, 2013, the Company exchanged its notes receivable from Pan for additional common equity, increasing its common equity ownership interest to 68%, from 50%. The Company viewed this transaction as a reconsideration event and concluded that it had become the primary beneficiary of Pan, and therefore consolidated Pan in the Company's unaudited condensed consolidated financial statements as of that date. The Company determined that it was the primary beneficiary of Pan because it possessed the power to significantly impact the economic performance of Pan and maintained the obligation to absorb losses of Pan, which could be potentially significant, or the right to receive benefits from Pan, that could be potentially significant. The assets retained by Pan are not generally available to the Company and the liabilities are generally non-recourse to the Company. The consolidation also resulted in goodwill of $3,020 and intangible assets relating to client relationships of $1,440, recognized in the Investment Management Segment. The intangible assets were being amortized over an estimated useful life of seven years. The Company subsequently sold its investment on December 3, 2013. Accordingly, Pan's results are reflected in

Discontinued Operations on the Unaudited Condensed Consolidated Statements of Operations.

Other

The Company allocates the purchase price of its equity method investments, in part, to the inherent finite-lived identifiable intangible assets of the investees. The Company's share of the earnings of the investees has been reduced by the amortization of these identifiable intangible assets inherent in the investments of $647 and $1,294 for the three and six months ended June 30, 2014 and 2013, respectively.

Note 9 – Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820") establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily-available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by ASC 820, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The estimated fair values of the Corporate Bonds, Municipal Bonds, Other Debt Securities and Securities Investments held at June 30, 2014 and December 31, 2013 are based on quoted market prices provided by external pricing services.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following table presents the categorization of investments and certain other financial assets measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013:

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

	June 30, 2014			
	Level I	Level II	Level III	Total
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	$—	$33,827	$—	$33,827
Securities Investments (1)	7,700	1,672	—	9,372
Mutual Funds	5,772	—	—	5,772
Financial Instruments Owned and Pledged as Collateral at Fair Value	76,773	—	—	76,773
Total Assets Measured At Fair Value	$90,245	$35,499	$—	$125,744

	December 31, 2013			
	Level I	Level II	Level III	Total
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	$—	$33,882	$—	$33,882
Securities Investments (1)	12,001	2,398	—	14,399
Mutual Funds	9,380	—	—	9,380
Financial Instruments Owned and Pledged as Collateral at Fair Value	56,311	—	—	56,311
Total Assets Measured At Fair Value	$77,692	$36,280	$—	$113,972

(1) Includes $12,673 and $14,254 of treasury bills, municipal bonds and commercial paper classified within Cash and Cash Equivalents on the Unaudited Condensed Consolidated Statements of Financial Condition as of June 30, 2014 and December 31, 2013, respectively.

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

The Company had no transfers between fair value levels during the six months ended June 30, 2014 or the year ended December 31, 2013.

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

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

		June 30, 2014			
	Carrying	Estimated Fair Value			
	Amount	Level I	Level II	Level III	Total
Financial Assets:					
Cash and Cash Equivalents	$180,423	$180,423	$—	$—	$180,423
Accounts Receivable	100,325	—	100,325	—	100,325
Receivable from Employees and Related Parties	9,455	—	9,455	—	9,455
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Financial Liabilities:					
Accounts Payable and Accrued Expenses	$36,156	$—	$36,156	$—	$36,156
Securities Sold Under Agreements to Repurchase	76,874	—	76,874	—	76,874
Payable to Employees and Related Parties	17,548	—	17,548	—	17,548
Notes Payable	104,207	—	131,257	—	131,257

		December 31, 2013			
	Carrying	Estimated Fair Value			
	Amount	Level I	Level II	Level III	Total
Financial Assets:					
Cash and Cash Equivalents	$284,199	$284,199	$—	$—	$284,199
Securities Purchased Under Agreements to Resell	19,134	—	19,134	—	19,134
Accounts Receivable	83,347	—	83,347	—	83,347
Receivable from Employees and Related Parties	9,233	—	9,233	—	9,233
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Financial Liabilities:					
Accounts Payable and Accrued Expenses	$18,365	$—	$18,365	$—	$18,365
Securities Sold Under Agreements to Repurchase	75,563	—	75,563	—	75,563
Payable to Employees and Related Parties	19,524	—	19,524	—	19,524
Notes Payable	103,226	—	127,425	—	127,425

The following methods and assumptions were used to estimate the fair value of these financial assets and liabilities:
The fair value of the Company’s Notes Payable is estimated based on a present value analysis utilizing aggregate market yields obtained from independent pricing sources for similar financial instruments.
The carrying amounts reported on the Unaudited Condensed Consolidated Statements of Financial Condition for Cash and Cash Equivalents, Securities Purchased Under Agreements to Resell, Securities Sold Under Agreements to Repurchase, Accounts Receivable, Receivables from Employees and Related Parties, Accounts Payable and Accrued Expenses, Payables to Employees and Related Parties and Assets Segregated for Bank Regulatory Requirements

approximate fair value due to the short-term nature of these items.

Note 10 – Issuance of Notes Payable and Warrants

On August 21, 2008, the Company entered into a Purchase Agreement with Mizuho Corporate Bank, Ltd. (“Mizuho”) pursuant to which Mizuho purchased from the Company $120,000 principal amount of Senior Notes, due 2020 with a 5.20% coupon ("Senior Notes"), and warrants to purchase 5,455 shares of the Company’s Class A common stock, par value $0.01 per

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)

share ("Class A Shares") at $22.00 per share (the "Warrants") expiring in 2020. Based on their relative fair value at issuance, plus accretion, the Senior Notes and Warrants were reflected in Notes Payable and Additional Paid-In-Capital on the Unaudited Condensed Consolidated Statements of Financial Condition. The Senior Notes have an effective yield of 7.94%.

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

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

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

Note 11 – Evercore Partners Inc. Stockholders' Equity

Dividends – The Company's Board of Directors declared on July 21, 2014, a quarterly cash dividend of $0.25 per share, to the holders of Class A Shares as of August 29, 2014, which will be paid on September 12, 2014. During the six months ended June 30, 2014, the Company declared and paid dividends of $0.50 per share, totaling $17,878.

Treasury Stock – During the six months ended June 30, 2014, the Company purchased 1,457 Class A Shares primarily from employees at values ranging from $52.42 to $61.82 per share, primarily for the net settlement of stock-based compensation awards, and 261 Class A Shares at market values ranging from $52.87 to $55.00 per share pursuant to the Company's share repurchase program. The result of these purchases was an increase in Treasury Stock of $92,983 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2014. During the six months ended June 30, 2014, the Company issued 131 Class A Shares from treasury stock as an earnout payment to certain G5 Evercore employees and 119 Class A Shares to certain Evercore Wealth Management ("EWM") employees in exchange for their noncontrolling interest in EWM. The result of these issuances was a decrease in Treasury Stock of $8,101 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2014.

LP Units – During the six months ended June 30, 2014, 951 LP Units were exchanged for Class A Shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of $9 and $10,468, respectively, on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2014.

Accumulated Other Comprehensive Income (Loss) – As of June 30, 2014, Accumulated Other Comprehensive Income (Loss) on the Company's Unaudited Condensed Consolidated Statement of Financial Condition includes an accumulated Unrealized Gain (Loss) on Marketable Securities, net, and a Foreign Currency Translation Adjustment Gain (Loss), net, of ($1,600) and ($6,220), respectively.

Income (Loss) from Discontinued Operations, and the Provision (Benefit) for Income Taxes from Discontinued Operations on the Unaudited Condensed Consolidated Statement of Operations for the six months ended June 30, 2013 includes ($1,683) and ($573), respectively, reclassified from Accumulated Other Comprehensive Income (Loss) related to the recognition of a cumulative foreign exchange translation loss as a result of the consolidation of Pan.

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

Note 12 – Noncontrolling Interest

Noncontrolling Interest recorded in the unaudited condensed consolidated financial statements of the Company relates to a 12% interest in Evercore LP, a 28% interest in ECB, a 38% interest in EWM, a 34% equity interest in Atalanta Sosnoff Capital LLC ("Atalanta Sosnoff"), a 39% interest in Institutional Equities ("IE"), a 20% interest in Private Capital Advisory ("PCA"), a 14% interest in Evercore Trust Company, N.A. ("ETC") through the second quarter of 2013, a 32% interest in Pan (sold December 3, 2013) and other private equity partnerships. The Atalanta Sosnoff interest excludes the Series C Profits Interest, which has been reflected in Employee Compensation and Benefits Expense on the Unaudited Condensed Consolidated Statements of Operations. The Noncontrolling Interest for Evercore LP, EWM, Atalanta Sosnoff, Institutional Equities and PCA have rights, in certain circumstances, to convert into Class A Shares.

Changes in Noncontrolling Interest for the six months ended June 30, 2014 and 2013 were as follows:

	For the Six Months Ended June 30,	
	2014	2013
Beginning balance	$60,577	$62,243
Comprehensive income (loss)		
Net Income Attributable to Noncontrolling Interest	8,245	7,994
Other comprehensive income (loss)	670	(555)
Total comprehensive income	8,915	7,439
Other items		
Evercore LP Units Converted into Class A Shares	(6,637)	(13,187)
Amortization and Vesting of LP Units	—	10,725
Distributions to Noncontrolling Interests	(6,414)	(10,953)
Fair value of Noncontrolling Interest in Pan	—	774
Fair value of Noncontrolling Interest in EWM	27,477	—
Issuance of Noncontrolling Interest	268	3,080
Purchase of Noncontrolling Interest	—	(4,529)
Other	338	—
Total other items	15,032	(14,090)
Ending balance	$84,524	$55,592

Net Income (Loss) Attributable to Noncontrolling Interest related to Pan from Discontinued Operations was ($23) and ($407) for the three and six months ended June 30, 2013, respectively.

Other comprehensive income (loss) attributed to Noncontrolling Interest includes Unrealized Gain (Loss) on Marketable Securities, net, of $6 and $193 for the three and six months ended June 30, 2014, respectively, and ($156) and ($39) for the three and six months ended June 30, 2013, respectively, and Foreign Currency Translation Adjustment Gain (Loss), net, of $431 and $477 for the three and six months ended June 30, 2014, respectively, and ($393) and ($516) for the three and six months ended June 30, 2013, respectively.

In February 2010, Evercore LP issued 500 LP Units to Trilantic. The original terms were such that at December 31, 2014, at the option of the holder, these LP Units were exchangeable on a one-for-one basis for Class A Shares or may be redeemed for cash of $16,500. Accordingly, this value was being accreted to the minimum redemption value of $16,500 over the five-year period ending December 31, 2014. Accretion was $21 and $42 for the three and six months ended June 30, 2013, respectively. In October of 2013, the Board of Directors of the Company agreed to release the transfer restrictions associated with these LP Units and the holders of these units exchanged them into Class A Shares. In conjunction with the Company's purchase agreement with Atalanta Sosnoff, the Company issued a management member of Atalanta Sosnoff certain capital interests in Atalanta Sosnoff, which are redeemable for cash, at their fair value. Accordingly, these capital interests have been reflected at their fair value of $4,283 within Redeemable Noncontrolling Interest on the Unaudited Condensed Consolidated Statements of Financial Condition at June 30, 2014 and December 31, 2013.

In April 2014, the Company entered into a commitment to purchase 3 units, or 22%, of the aggregate amount of the outstanding EWM Class A units held by members of EWM for 119 Class A Shares and 11 LP Units of the Company, at a fair value of $7,100. This transaction settled on May 22, 2014 and resulted in an increase in the Company's ownership in EWM to 62%. In conjunction with this purchase, the Company amended the Amended and Restated Limited Liability Company Agreement of EWM. Per the amended agreement, the holders of certain EWM interests no longer have the option to redeem these capital interests for cash upon the event of the death or disability of the holder. Accordingly, the value of these interests has been reclassified from Redeemable Noncontrolling Interest to Noncontrolling Interest on the Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2014. The above transactions had the effect of reducing Redeemable Noncontrolling Interest and Treasury Stock by $34,577 and $3,856, respectively, and increasing Noncontrolling Interest and Additional Paid-in Capital by $27,477 and $3,244, respectively, at June 30, 2014. These interests were reflected at their fair value of $34,577 and $32,523 within Redeemable Noncontrolling Interest on the Unaudited Condensed Consolidated Statements of Financial Condition at March 31, 2014 and December 31, 2013, respectively.

Note 13 – Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders

The calculations of basic and diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders for the three and six months ended June 30, 2014 and 2013 are described and presented below.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders				
Numerator:				
Net income from continuing operations attributable to Evercore Partners Inc.	$24,265	$16,458	$34,833	$22,936
Associated accretion of redemption price of noncontrolling interest in Trilantic (See Note 12)	—	(21)	—	(42)
Net income from continuing operations attributable to Evercore Partners Inc. common shareholders	24,265	16,437	34,833	22,894
Net income (loss) from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	(32)	—	(541)
Net income attributable to Evercore Partners Inc. common shareholders	$24,265	$16,405	$34,833	$22,353
Denominator:				
Weighted average shares of Class A common stock outstanding, including vested restricted stock units ("RSUs")	35,744	31,811	35,208	31,836
Basic net income per share from continuing operations attributable to Evercore Partners Inc. common shareholders	$0.68	$0.52	$0.99	$0.72
Basic net income (loss) per share from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	—	—	(0.02)
Basic 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				
Numerator:				
Net income from continuing operations attributable to Evercore Partners Inc. common shareholders	$24,265	$16,437	$34,833	$22,894
Noncontrolling interest related to the assumed exchange of LP Units for Class A Shares	(a)	(a)	(a)	(a)
Associated corporate taxes related to the assumed elimination of Noncontrolling Interest described above	(a)	(a)	(a)	(a)
Diluted net income from continuing operations attributable to Evercore Partners Inc. common shareholders	24,265	16,437	34,833	22,894
Net income (loss) from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	(32)	—	(541)

Diluted net income attributable to Evercore Partners Inc. common shareholders	$24,265	$16,405	$34,833	$22,353
Denominator:				
Weighted average shares of Class A common stock outstanding, including vested RSUs	35,744	31,811	35,208	31,836
Assumed exchange of LP Units for Class A Shares	(a)	(a)	(a)	(a)
Additional shares of the Company's common stock assumed to be issued pursuant to non-vested RSUs and deferred consideration, as calculated using the Treasury Stock Method	2,718	3,332	3,095	3,551
Shares that are contingently issuable	130	—	166	—
Assumed conversion of Warrants issued	3,268	2,358	3,312	2,351
Diluted weighted average shares of Class A common stock outstanding	41,860	37,501	41,781	37,738
Diluted net income per share from continuing operations attributable to Evercore Partners Inc. common shareholders	$0.58	$0.44	$0.83	$0.61
Diluted net income (loss) per share from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	—	—	(0.02)
Diluted net income per share attributable to Evercore Partners Inc. common shareholders	$0.58	$0.44	$0.83	$0.59

(a) The Company has outstanding LP Units in its subsidiary, Evercore LP, which give the holders the right to receive Class A Shares upon exchange on a one for one basis. During the three and six months ended June 30, 2014 and 2013, the LP Units were antidilutive and consequently the effect of their exchange into Class A Shares has been excluded from the calculation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders. The units that would have been included in the denominator of the computation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders if the effect would have been dilutive were 4,719 and 4,901 for the three and six months ended June 30, 2014, respectively, and 6,680 and 6,734 for the three and six months ended June 30, 2013, respectively. The adjustment to the numerator, Diluted net income attributable to Class A common shareholders, if the effect would have been dilutive, would have been $3,197 and $4,786 for the three and six months ended June 30, 2014, respectively, and $3,598 and $4,845 for the three and six months ended June 30, 2013, respectively. In computing this adjustment, the Company assumes that all vested LP Units, and all unvested LP Units after applying the treasury stock method, are converted into Class A Shares, that all earnings attributable to those shares are attributed to Evercore Partners Inc. and, that it has adopted a conventional corporate tax structure and is taxed as a C Corporation in the U.S. at prevailing corporate tax rates. The Company does not anticipate that the LP Units will result in a dilutive computation in future periods.

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

Note 14 – Share-Based and Other Deferred Compensation

During the six months ended June 30, 2014, the Company granted employees 1,830 Service-based Awards. These awards had grant date fair values from $53.86 to $58.67 per share. During the six months ended June 30, 2014, 3,010 Service-based Awards vested and 136 Service-based Awards were forfeited.

During 2011, the Company launched a deferred compensation program providing participants the ability to elect to receive a portion of their deferred compensation in cash, which is indexed to a notional investment portfolio and vests ratably over four years and requires payment upon vesting. Compensation expense related to this deferred compensation program was $946 and $1,840 for the three and six months ended June 30, 2014, respectively, and $838 and $1,829 for the three and six months ended June 30, 2013, respectively.

Compensation expense related to Service-based Awards, excluding compensation expense related to the amortization of LP Units, was $24,847 and $47,091 for the three and six months ended June 30, 2014, respectively, and $20,634 and $41,227 for the three and six months ended June 30, 2013, respectively. Compensation expense related to the amortization of the LP Units was $4,813 and $10,423 for the three and six months ended June 30, 2013, respectively.

Compensation expense related to acquisition-related Awards and deferred cash consideration was $1,757 and $767, respectively, for the three months ended June 30, 2014, and $3,998 and $1,699, respectively, for the six months ended June 30, 2014. Compensation expense related to acquisition-related Awards and deferred cash consideration was $3,618 and $1,214, respectively, for the three months ended June 30, 2013, and $7,226 and $2,263, respectively, for the six months ended June 30, 2013.

During the third quarter of 2013, the Board of Directors of the Company approved the Long-term Incentive Plan, which provides for incentive compensation awards to Advisory Senior Managing Directors, excluding executive officers of the Company, who exceed defined benchmark results over a four-year performance period beginning January 1, 2013. These awards will be paid, in cash or Class A Shares, at the Company's discretion, in the two years following the performance period, to Senior Managing Directors employed by the Company at the time of payment. These awards are subject to retirement eligibility requirements. The Company periodically assesses the probability of the benchmarks being achieved and expenses the probable payout over the requisite service period of the award.

Periodically, the Company provides new and existing employees with cash payments in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements ranging from one to five years. Generally, the terms of these awards include a requirement of either full or partial repayment of these awards based on the terms of their employment agreements with the Company. In circumstances where the employee meets the

Company's minimum credit standards, the Company amortizes these awards to compensation expense over the relevant service period which is generally the period they are subject to forfeiture. Compensation expense related to these awards was $3,003 and $5,650 for the three and six months ended June 30, 2014, respectively, and $1,672 and $2,839 for the three and six months ended June 30, 2013, respectively. The remaining unamortized amount of these awards was $13,229 as of June 30, 2014.

Note 15 – Commitments and Contingencies

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

Operating Leases – The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2023. The Company reflects lease expense over the lease terms on a straight-line basis. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of $6,895 and $13,279 for the three and six months ended June 30, 2014, respectively, and $5,981 and $11,891 for the three and six months ended June 30, 2013, respectively.

During the first quarter of 2014, the Company entered into lease agreements, which expire on various dates through 2023, with annual base rental payments of approximately $2,000.

Other Commitments – As of June 30, 2014, the Company had unfunded commitments for capital contributions of $9,882 to private equity funds. These commitments will be funded as required through the end of each private equity fund’s investment period, subject to certain conditions. Such commitments are satisfied in cash and are generally required to be made as investment opportunities are consummated by the private equity funds.

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

In addition, the Company enters into commitments to pay contingent consideration related to certain of its acquisitions. At June 30, 2014, the Company had one remaining commitment for contingent consideration, related to its acquisition of Protego in 2006. Under the terms of the acquisition agreement, the Company is obligated to pay the partners that sold Protego 90% of the return proceeds and performance fees received from Protego's investment in the general partner of the Discovery Fund. During 2014, the Company received distributions from Discovery Americas Associated L.P., the general partner of the Discovery Fund. Accordingly, as of June 30, 2014, the Company recorded Goodwill of $2,243 pursuant to this agreement. The carrying value of the Company's investment in the Discovery Fund is $2,545 at June 30, 2014. See Note 8 for further information.

In 2013, Evercore Partners Services East L.L.C. ("East"), a wholly-owned subsidiary of the Company, obtained a line of credit from First Republic Bank in an aggregate principal amount of up to $25,000, to be used for working capital and other corporate activities. This facility is secured by (i) cash and cash equivalents of East held in a designated account with First Republic Bank, (ii) certain of East's intercompany receivables and (iii) third party accounts receivable of EGL. Drawings under the facility bear interest at the prime rate. The facility was renewed on June 24, 2014, and the maturity date was extended to June 27, 2015. On April 22, 2014, the Company drew down $25,000 on this facility, which was repaid on May 28, 2014.

In April 2014, the Company entered into a commitment to purchase 3 units, or 22%, of the aggregate amount of the outstanding EWM Class A units held by members of EWM for Class A Shares and LP Units of the Company, for a fair value of $7,100. This transaction settled on May 22, 2014 and increased the Company's ownership in EWM to 62%.

On August 3, 2014, the Company entered into definitive contribution and exchange agreements to acquire all of the outstanding equity interests of the operating businesses of International Strategy & Investment ("ISI"), a leading independent research-driven equity sales and agency trading firm, and to acquire the approximately 40% interest in the Company's Institutional Equities business that it does not currently own. The sellers will receive consideration of up to an aggregate of 2,601 vested and unvested Class E Units that are exchangeable one-for-one into Class A common stock subject to timing and other limitations, and up to an aggregate of 5,463 vested and unvested Class G and H Interests in Evercore LP that will convert into a number of Class E Units dependent on the financial performance of the combined business over the five years following closing, as well as a currently estimated $8,000 in cash for certain sellers of the IE business who are not receiving LP Units or Interests. For accounting purposes, these units and interests will be allocated between purchase price and future compensation based on their underlying terms. These transactions are expected to close in the fourth quarter of 2014, subject to receiving required regulatory approvals. Following the closing of the transactions, the Company will combine ISI's business with the Company's existing Institutional Equities business within the Investment Banking segment.

Contingencies

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 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.

Note 16 – Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beginning in the second quarter of 2013, the Company made the election to compute its minimum net capital requirement in accordance with the Alternative Net Capital Requirement, as permitted by Rule 15c3-1. Under the Alternative Net Capital Requirement, EGL's minimum net capital requirement is $250. EGL's regulatory net capital as of June 30, 2014 and December 31, 2013 was $50,384 and $30,480, respectively, which exceeded the minimum net capital requirement by $50,134 and $30,230, respectively. Certain other non-U.S. subsidiaries are subject to various securities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries are in excess of their local capital adequacy requirements at June 30, 2014.

ETC, which is limited to fiduciary activities, is regulated by the Office of the Comptroller of the Currency ("OCC") and is a member bank of the Federal Reserve System. The Company, Evercore LP and ETC are subject to written agreements with the OCC that, among other things, require the Company and Evercore LP to (1) maintain at least $5,000 in Tier 1 capital in ETC (or such other amount as the OCC may require), (2) maintain liquid assets in ETC in an amount at least equal to the greater of $3,500 or 90 days coverage of ETC's operating expenses and (3) provide at least $10,000 of certain collateral held in a segregated account at a third-party depository institution. The collateral is included in Assets Segregated for Bank Regulatory Requirements on the Unaudited Condensed Consolidated Statements of Financial Condition. The Company was in compliance with the aforementioned agreements as of June 30, 2014.

Note 17 – Income Taxes

The Company's Provision for Income Taxes was $15,387 and $22,950 for the three and six months ended June 30, 2014, respectively and $17,130 and $24,865 for the three and six months ended June 30, 2013, respectively. The effective tax rate was 34% and 35% for the three and six months ended June 30, 2014, respectively, and 44% for the three and six months ended June 30, 2013. The effective tax rate for 2014 and 2013 reflects the effect of certain nondeductible expenses, including the vesting of LP Units in 2013, as well as the noncontrolling interest associated with LP Units and other adjustments.

The Company reported a decrease in deferred tax assets of $552 associated with changes in Unrealized Gain (Loss) on Marketable Securities and a decrease of $1,453 associated with changes in Foreign Currency Translation Adjustment Gain (Loss), in Accumulated Other Comprehensive Income (Loss) for the six months ended June 30, 2014. The Company reported an increase in deferred tax assets of $77 associated with changes in Unrealized Gain (Loss) on Marketable Securities and an increase of $1,152 associated with changes in Foreign Currency Translation Adjustment Gain (Loss), in Accumulated Other Comprehensive Income (Loss) for the six months ended June 30, 2013.

As of June 30, 2014, the Company had unrecognized tax benefits of $623, $474 of which, if recognized, would affect the effective tax rate. The Company does not anticipate a significant change in unrecognized tax positions as a result of the settlement of income tax audits for examining the Company's income tax returns during the upcoming year.

The Company classifies interest relating to tax matters and tax penalties as a component of income tax expense in its Unaudited Condensed Consolidated Statements of Operations. Related to the unrecognized tax benefits, the Company recognized $18 and $35 of interest and penalties during the three and six months ended June 30, 2014, respectively. The Company has $250 accrued for the payment of interest and penalties as of June 30, 2014.

Note 18 – Segment Operating Results

Business Segments – The Company’s business results are categorized into the following two segments: Investment Banking and Investment Management. Investment Banking includes providing advice to clients on significant mergers, acquisitions, divestitures and other strategic corporate transactions, as well as services related to securities underwriting, private fund placement services and commissions for agency-based equity trading services and equity research. Investment Management includes advising third-party investors in the Institutional Asset Management, Wealth Management and Private Equity sectors. On December 3, 2013, the Company sold its investment in Pan and the results are presented within Discontinued Operations. The following segment information reflects the Company's results from its continuing operations.

The Company’s segment information for the three and six months ended June 30, 2014 and 2013 is prepared using the following methodology:

- Revenue, expenses and income (loss) from equity method investments directly associated with each segment are included in determining pre-tax income.
- Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount, square footage and other performance and time-based factors.
- Segment assets are based on those directly associated with each segment, or for certain assets shared across segments; those assets are allocated based on the most relevant measures applicable, including headcount and other factors.
- Investment gains and losses, interest income and interest expense are allocated between the segments based on the segment in which the underlying asset or liability is held.

Each segment’s Operating Expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segment and b) non-compensation expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Other Expenses include: a) amortization costs associated with the modification and vesting of LP Units and certain other awards, b) the amortization of intangible assets associated with certain acquisitions, c) compensation charges associated with deferred consideration, retention awards and related compensation for The Lexicon Partnership LLP ("Lexicon") employees and d) professional fees for the expense associated with share based awards which will be settled in Class A Shares and which reflect required adjustments for changes in the Company's share price due to changes in employment status.

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

No clients accounted for more than 10% of the Company’s consolidated Net Revenues for the three and six months ended June 30, 2014.

The following information presents each segment’s contribution.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Investment Banking				
Net Revenues (1)	$191,323	$182,605	$319,174	$314,201
Operating Expenses	148,751	138,389	254,283	243,455
Other Expenses (2)	4,237	9,456	7,451	19,311
Operating Income	38,335	34,760	57,440	51,435
Income from Equity Method Investments	813	290	503	460
Pre-Tax Income from Continuing Operations	$39,148	$35,050	$57,943	$51,895
Identifiable Segment Assets	$671,290	$562,690	$671,290	$562,690
Investment Management				
Net Revenues (1)	$26,373	$24,192	$	