

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

Evercore Partners Inc.
Form 10-Q
November 02, 2016

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

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____

001-32975

(Commission File Number)

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

Delaware 20-4748747
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
55 East 52nd Street
38th floor
New York, New York 10055
(Address of principal executive offices)
Registrant's telephone number: (212) 857-3100

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of October 26, 2016 was 38,917,572. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of October 26, 2016 was 24 (excluding 76 shares of Class B common stock held by a subsidiary of the registrant).

Table of Contents

Table of Contents

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

	Page
<u>Part I. Financial Information</u>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>52</u>
Item 4. <u>Controls and Procedures</u>	<u>52</u>
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>53</u>
Item 1A. <u>Risk Factors</u>	<u>53</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
Item 6. <u>Exhibits</u>	<u>55</u>
<u>Signatures</u>	

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Financial Statements (Unaudited)

	Page
<u>Condensed Consolidated Statements of Financial Condition as of September 30, 2016 and December 31, 2015</u>	4
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015</u>	6
<u>Condensed Consolidated Statements of Changes in Equity for the nine months ended September 30, 2016 and 2015</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015</u>	8
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	9

Table of Contents

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

(dollars in thousands, except share data)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 446,029	\$ 448,764
Marketable Securities	66,478	43,787
Financial Instruments Owned and Pledged as Collateral at Fair Value	17,848	41,742
Securities Purchased Under Agreements to Resell	12,881	2,191
Accounts Receivable (net of allowances of \$1,703 and \$1,313 at September 30, 2016 and December 31, 2015, respectively)	146,341	175,497
Receivable from Employees and Related Parties	19,325	21,189
Other Current Assets	18,910	16,294
Total Current Assets	727,812	749,464
Investments	122,160	126,651
Deferred Tax Assets	307,448	298,115
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$51,055 and \$42,656 at September 30, 2016 and December 31, 2015, respectively)	46,036	47,980
Goodwill	163,835	166,461
Intangible Assets (net of accumulated amortization of \$30,873 and \$21,754 at September 30, 2016 and December 31, 2015, respectively)	31,903	41,010
Assets Segregated for Bank Regulatory Requirements	10,200	10,200

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

Other Assets	52,236	39,290
Total Assets	\$ 1,461,630	\$ 1,479,171
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	\$ 217,799	\$ 263,862
Accounts Payable and Accrued Expenses	33,017	43,878
Securities Sold Under Agreements to Repurchase	30,757	44,000
Payable to Employees and Related Parties	25,759	28,392
Taxes Payable	29,859	20,886
Other Current Liabilities	10,231	7,031
Total Current Liabilities	347,422	408,049
Notes Payable	168,035	119,250
Subordinated Borrowings	16,550	22,550
Amounts Due Pursuant to Tax Receivable Agreements	186,030	186,036
Other Long-term Liabilities	43,622	36,070
Total Liabilities	761,659	771,955
Commitments and Contingencies (Note 15)		
Equity		
Evercore Partners Inc. Stockholders' Equity		
Common Stock		
Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 57,913,271 and 55,249,559 issued at September 30, 2016 and December 31, 2015, respectively, and 38,900,114 and 39,623,271 outstanding at September 30, 2016 and December 31, 2015, respectively)	579	552
Class B, par value \$0.01 per share (1,000,000 shares authorized, 24 and 25 issued and outstanding— at September 30, 2016 and December 31, 2015, respectively)	—	—
	1,312,366	1,210,742

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

Additional Paid-In-Capital Accumulated Other Comprehensive Income (Loss)	(45,151)	(34,539)
Retained Earnings (Deficit)	(7,165)	(27,791)
Treasury Stock at Cost (19,013,157 and 15,626,288 shares at September 30, 2016 and December 31, 2015, respectively)	(806,190)	(644,412)
Total Evercore Partners Inc. Stockholders' Equity	454,439		504,552	
Noncontrolling Interest	245,532		202,664	
Total Equity	699,971		707,216	
Total Liabilities and Equity	\$	1,461,630	\$	1,479,171

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 September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Investment Banking Revenue	\$368,434	\$285,561	\$936,234	\$749,749
Investment Management Revenue	17,158	23,812	57,842	70,398
Other Revenue, Including Interest	5,509	4,097	12,650	8,656
Total Revenues	391,101	313,470	1,006,726	828,803
Interest Expense	4,787	4,519	12,043	13,773
Net Revenues	386,314	308,951	994,683	815,030
Expenses				
Employee Compensation and Benefits	231,710	197,375	632,959	533,645
Occupancy and Equipment Rental	12,627	11,717	33,983	35,631
Professional Fees	15,419	13,410	39,872	36,007
Travel and Related Expenses	12,440	12,567	42,258	39,137
Communications and Information Services	10,155	9,295	29,944	27,595
Depreciation and Amortization	5,907	8,398	18,915	21,112
Special Charges	—	28,000	—	33,499
Acquisition and Transition Costs	339	538	10	1,939
Other Operating Expenses	12,632	15,753	32,927	32,458
Total Expenses	301,229	297,053	830,868	761,023
Income Before Income from Equity Method Investments and Income Taxes	85,085	11,898	163,815	54,007
Income from Equity Method Investments	1,178	929	4,129	4,034
Income Before Income Taxes	86,263	12,827	167,944	58,041
Provision for Income Taxes	38,980	7,392	79,390	30,327
Net Income	47,283	5,435	88,554	27,714
Net Income (Loss) Attributable to Noncontrolling Interest	12,588	(1,762)	24,454	5,453
Net Income Attributable to Evercore Partners Inc.	\$34,695	\$7,197	\$64,100	\$22,261
Net Income Attributable to Evercore Partners Inc. Common Shareholders	\$34,695	\$7,197	\$64,100	\$22,261
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	38,912	36,773	39,259	36,649
Diluted	43,734	44,334	44,085	43,100
Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
Basic	\$0.89	\$0.20	\$1.63	\$0.61
Diluted	\$0.79	\$0.16	\$1.45	\$0.52
Dividends Declared per Share of Class A Common Stock	\$0.31	\$0.28	\$0.93	\$0.84

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 September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$47,283	\$5,435	\$88,554	\$27,714
Other Comprehensive Income (Loss), net of tax:				
Unrealized Gain (Loss) on Marketable Securities and Investments, net	(632)	(563)	(1,448)	(1,546)
Foreign Currency Translation Adjustment Gain (Loss), net	(3,322)	(6,592)	(11,861)	(8,504)
Other Comprehensive Income (Loss)	(3,954)	(7,155)	(13,309)	(10,050)
Comprehensive Income (Loss)	43,329	(1,720)	75,245	17,664
Comprehensive Income (Loss) Attributable to Noncontrolling Interest	11,739	(3,348)	21,757	3,186
Comprehensive Income Attributable to Evercore Partners Inc.	\$31,590	\$1,628	\$53,488	\$14,478

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 Nine Months Ended September 30, 2016								
	Class A Common Shares	Additional Dollar Capital	Stock In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock Shares	Dollars	Noncontrolling Interest	Total Equity
Balance at December 31, 2015	55,249,559	\$552	\$1,210,742	\$(34,539)	\$(27,791)	(15,626,288)	\$(644,412)	\$202,664	\$707,216
Net Income	—	—	—	—	64,100	—	—	24,454	88,554
Other Comprehensive Income (Loss)	—	—	—	(10,612)	—	—	—	(2,697)	(13,309)
Treasury Stock Purchases, net	—	—	—	—	—	(3,386,869)	(161,778)	—	(161,778)
Evercore LP Units Converted into Class A Common Stock	326,280	3	9,161	—	—	—	—	(9,164)	—
Equity-based Compensation Awards	2,337,432	24	87,939	—	—	—	—	66,357	154,320
Dividends and Equivalents	—	—	5,781	—	(43,474)	—	—	—	(37,693)
Noncontrolling Interest (Note 12)	—	—	(1,257)	—	—	—	—	(36,082)	(37,339)
Balance at September 30, 2016	57,913,271	\$579	\$1,312,366	\$(45,151)	\$(7,165)	(19,013,157)	\$(806,190)	\$245,532	\$699,971

	For the Nine Months Ended September 30, 2015								
	Class A Common Shares	Additional Dollar Capital	Stock In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock Shares	Dollars	Noncontrolling Interest	Total Equity
Balance at December 31, 2014	46,414,240	\$464	\$950,147	\$(20,387)	\$(17,814)	(10,159,116)	\$(361,129)	\$160,952	\$712,233
Net Income	—	—	—	—	22,261	—	—	5,453	27,714
Other Comprehensive	—	—	—	(7,783)	—	—	—	(2,267)	(10,050)

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

Income (Loss)									
Treasury Stock									
Purchases, net	—	—	—	—	—	(2,965,632)	(151,665)	—	(151,665)
Evercore LP									
Units Purchased									
or Converted	391,487	4	7,547	—	—	—	—	(7,512)	39
into Class A									
Common Stock									
Equity-based									
Compensation	2,720,588	27	90,668	—	—	—	—	65,272	155,967
Awards									
Dividends and									
Equivalents	—	—	4,814	—	(38,801)	—	—	—	(33,987)
Noncontrolling									
Interest (Note	—	—	1,379	—	—	—	—	(14,877)	(13,498)
12)									
Balance at									
September 30,	49,526,315	\$495	\$1,054,555	\$(28,170)	\$(34,354)	(13,124,748)	\$(512,794)	\$207,021	\$686,753
2015									

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

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

	For the Nine Months Ended September 30,	
	2016	2015
Cash Flows From Operating Activities		
Net Income	\$88,554	\$27,714
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Net (Gains) Losses on Investments, Marketable Securities and Contingent Consideration	3,565	3,411
Equity Method Investments	4,118	3,304
Equity-Based and Other Deferred Compensation	177,812	155,174
Impairment of Goodwill	—	28,000
Depreciation, Amortization and Accretion	19,033	22,821
Bad Debt Expense	1,966	1,214
Deferred Taxes	(2,509)	(2,920)
Decrease (Increase) in Operating Assets:		
Marketable Securities	680	342
Financial Instruments Owned and Pledged as Collateral at Fair Value	20,621	36,728
Securities Purchased Under Agreements to Resell	(11,584)	6,870
Accounts Receivable	23,414	(30,743)
Receivable from Employees and Related Parties	1,700	(1,532)
Other Assets	(12,991)	(7,570)
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(49,915)	(69,590)
Accounts Payable and Accrued Expenses	(9,140)	1,216
Securities Sold Under Agreements to Repurchase	(9,070)	(43,713)
Payables to Employees and Related Parties	(2,639)	10,097
Taxes Payable	6,148	1,669
Other Liabilities	(3,855)	350
Net Cash Provided by Operating Activities	245,908	142,842
Cash Flows From Investing Activities		
Investments Purchased	(1,529)	(235)
Distributions of Private Equity Investments	107	6,752
Marketable Securities:		
Proceeds from Sales and Maturities	29,482	25,295
Purchases	(52,851)	(30,859)
Cash Paid for Acquisitions and Deconsolidation of Cash, net of Cash Acquired	(2,877)	(3,253)
(Increase) Decrease in Restricted Cash	(5,385)	—
Loans Receivable	—	(3,500)
Purchase of Furniture, Equipment and Leasehold Improvements	(8,511)	(12,855)
Net Cash Provided by (Used in) Investing Activities	(41,564)	(18,655)
Cash Flows From Financing Activities		
Issuance of Noncontrolling Interests	885	373
Purchase of Noncontrolling Interests	(6,482)	—
Distributions to Noncontrolling Interests	(25,519)	(15,059)

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

Cash Paid for Deferred and Contingent Consideration	(5,050)	—
Short-Term Borrowing	50,000	45,000
Repayment of Short-Term Borrowing	(50,000)	(45,000)
Repayment of Subordinated Borrowings	(6,000)	—
Payment of Notes Payable - Mizuho	(120,000)	—
Issuance of Notes Payable	170,000	—
Debt Issuance Costs	(2,084)	—
Purchase of Treasury Stock and Noncontrolling Interests	(161,778)	(152,788)
Excess Tax Benefits Associated with Equity-Based Awards	4,493	9,905
Dividends - Class A Stockholders	(37,693)	(33,794)
Net Cash Provided by (Used in) Financing Activities	(189,228)	(191,363)
Effect of Exchange Rate Changes on Cash	(17,851)	(6,839)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,735)	(74,015)
Cash and Cash Equivalents-Beginning of Period	448,764	352,160
Cash and Cash Equivalents-End of Period	\$446,029	\$278,145

SUPPLEMENTAL CASH FLOW DISCLOSURE

Payments for Interest	\$11,553	\$14,062
Payments for Income Taxes	\$75,213	\$29,237
Increase (Decrease) in Fair Value of Redeemable Noncontrolling Interest	\$—	\$(1,379)
Dividend Equivalents Issued	\$5,781	\$4,814
Receipt of Securities in Settlement of Accounts Receivable	\$—	\$1,079

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

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

Note 2 – Significant Accounting Policies

For a further discussion of the Company's accounting policies, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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, 2015. The December 31, 2015 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, 2016.

The accompanying 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. The Company reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment is a VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In February 2015, Accounting Standards Update ("ASU") No. 2015-02, "Amendments to the Consolidation Analysis," ("ASU 2015-02") was issued. This ASU eliminates the deferral of ASU No. 2010-10, "Amendments for Certain Investment Funds," which allows reporting entities with interests in certain investment funds to follow the consolidation guidance in Accounting Standards Codification ("ASC") No. 810, "Consolidation," ("ASC 810") and makes other changes to the variable interest model and the voting model. ASU 2015-02 modifies the evaluation performed by reporting entities on limited partnerships and similar entities and also impacts the evaluation performed by reporting entities on VIE determination, and determination of the primary beneficiary of a VIE.

The Company adopted ASU 2015-02 on January 1, 2016. Pursuant to the provisions of ASU 2015-02, Evercore LP is a VIE and the Company is the primary beneficiary. Prior to the adoption of ASU 2015-02, the Company consolidated Evercore LP as a voting interest entity. Specifically, the Company has the majority economic interest in Evercore LP and has decision making authority that significantly affects the economic performance of the entity while the limited partners have no kick-out or substantive participating rights. The assets and liabilities of Evercore LP represent substantially all of the consolidated assets and liabilities of the Company with the exception of U.S. corporate taxes and related items, which are presented on the Company's (Parent Company Only) statements of financial position in Note 23 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

International Strategy & Investment (UK) Limited ("ISI UK") is also a VIE pursuant to ASC 810 and the Company is the primary beneficiary of this VIE. Specifically, the Company provides financial support through a transfer pricing agreement with this entity, which exposes the Company to losses that are potentially significant to the entity, and has decision making authority that significantly affects the economic performance of the entity. The Company previously concluded that Evercore Asia Limited ("Evercore Asia") and Evercore Asia (Singapore) PTE. LTD. ("Evercore Singapore") were also VIEs; on July 1, 2016, the Company terminated the transfer pricing arrangements with Evercore Asia and Evercore Singapore. The Company viewed this modification as a reconsideration event under ASC 810-10 and concluded that Evercore Asia and Evercore Singapore are not VIEs and will continue to be consolidated as voting interest entities. Following the adoption of ASU 2015-02, the Company also concluded that Evercore Partners International LLP ("EPI LLP") is a VIE and that the Company is the primary beneficiary of this VIE. The Company has the majority economic interest in EPI LLP and has decision making authority that significantly affects the economic performance of this entity. The Company included in its Unaudited Condensed Consolidated Statements of Financial Condition ISI UK and EPI LLP assets of \$111,905 and liabilities of \$73,781 at September 30, 2016 and Evercore Asia, Evercore Singapore, ISI UK and EPI LLP assets of \$151,583 and liabilities of \$110,424 at December 31, 2015. See Note 8 for further information on the Company's VIEs.

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

Note 3 – Recent Accounting Pronouncements

ASU 2014-09 – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides amendments to ASC No. 605, "Revenue Recognition" and creates ASC No. 606, "Revenue from Contracts with Customers," which changes the requirements for revenue recognition and amends the disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date," which provides amendments that defer the effective date of ASU 2014-09 by one year. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing," which provides clarification to identifying performance obligations and the licensing implementation guidance in ASU 2014-09. In May 2016, the FASB issued ASU No. 2016-12, "Narrow-Scope Improvements and Practical Expedients," which provides clarification on certain issues identified in the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition in ASU 2014-09. The amendments in these updates are effective either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption, during interim and annual

periods beginning after December 15, 2017, with early adoption permitted beginning after December 15, 2016. The Company is currently assessing the impact of the adoption of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2014-12 – 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

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)

performance condition. The amendments in this update are effective either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2014-12 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-01 – In January 2015, the FASB issued ASU No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). ASU 2015-01 provides amendments to ASC No. 225-20, "Income Statement - Extraordinary and Unusual Items," which eliminate the concept of extraordinary items. The amendments in this update are effective either prospectively or retrospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2015-01 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-02 - In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 provides amendments to ASC 810, which include the following: 1. Modify the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, 2. Eliminate the presumption that a general partner should consolidate a limited partnership, 3. Affect the consolidation analysis of reporting entities that are involved with VIEs, and 4. Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this update are effective during interim and annual periods beginning after December 15, 2015, with early adoption permitted, and may be applied retrospectively or using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The adoption of ASU 2015-02 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto. See Note 2 for further information.

ASU 2015-03 - In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 provides amendments to Subtopic 835-30, "Interest - Imputation of Interest," which require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this update are effective retrospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2015-03 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-05 - In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" ("ASU 2015-05"). ASU 2015-05 provides amendments to ASC No. 350, "Intangibles - Goodwill and Other," Subtopic 350-40, "Internal-Use Software" which help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement and determine whether an arrangement includes the sale or license of software. The amendments in this update are effective either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2015-05 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2015-16 - In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"). ASU 2015-16 provides amendments to ASC No. 805, "Business Combinations," which simplify the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirement to retrospectively account for those adjustments and require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the

reporting period in which the adjustment amounts are determined. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2015, with early adoption permitted. The adoption of ASU 2015-16 did not have a material impact on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2016-01 - In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 provides amendments to ASC No. 740, "Financial Instruments," which change the requirements for certain aspects of recognition, measurement and presentation of financial assets and liabilities and amend the disclosure requirements. The amendments in this update should be applied by means of a cumulative-

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)

effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values are effective prospectively during interim and annual periods beginning after December 15, 2017, 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 2016-02 - In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 supersedes ASC No. 840, "Leases," and includes requirements for the recognition of a right-of-use asset and lease liability on the balance sheet by lessees for those leases classified as operating leases under previous guidance. The amendments in this update are effective using a modified retrospective approach at the beginning of the earliest period presented, during interim and annual periods beginning after December 15, 2018, 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 2016-07 - In March 2016, the FASB issued ASU No. 2016-07, "Simplifying the Transition to the Equity Method of Accounting" ("ASU 2016-07"). ASU 2016-07 provides amendments to ASC No. 323, "Investments - Equity Method and Joint Ventures," which simplify the accounting for equity method investments by eliminating the requirement to adjust the investment, results of operations and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments in this update are effective prospectively to increases in the level of ownership interest or degree of influence that results in the adoption of the equity method, during interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently assessing the impact of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2016-09 - In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 provides amendments to ASC No. 718, "Compensation - Stock Compensation," which simplify the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective during interim and annual periods beginning after December 15, 2016, with early adoption permitted. This update will result in excess tax benefits and deficiencies from the delivery of Class A common stock under share-based payment arrangements being recognized in the Company's Provision for Income Taxes, rather than in Additional Paid-In-Capital under the current standard, which will result in greater volatility in the effective tax rate and could be material to the results of operations and the classifications of cash flows in future periods depending upon the level of earnings and stock price of the Company, among other things.

ASU 2016-13 - In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 provides amendments to ASC No. 326, "Financial Instruments - Credit Losses," which amend the guidance on the impairment of financial instruments and adds an impairment model (the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Entities will recognize an allowance for its estimate of expected credit losses as of the end of each reporting period. The amendments in this update are effective during interim and annual periods beginning after December 15, 2019, with early adoption permitted after December 15, 2018. The Company is currently assessing the impact of this update on the Company's financial condition, results of operations and cash flows, or disclosures thereto.

ASU 2016-15 - In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 provides amendments to ASC No. 230, "Statement of Cash Flows," which provide guidance on the classification of certain cash receipts and payments in the statement of cash flows. The amendments in this update are effective retrospectively, or prospectively, if retrospective application is impracticable, during interim and annual periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the impact of this update on the Company's financial condition, results of operations and cash

flows, or disclosures thereto.

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

Acquisition and Transition Costs

The Company recognized \$339 and \$10 for the three and nine months ended September 30, 2016, respectively, and \$538 and \$1,939 for the three and nine months ended September 30, 2015, respectively, as Acquisition and Transition Costs incurred in connection with acquisitions and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services. In addition, acquisition and transition costs for the nine months ended September

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)

30, 2016 included the reversal of \$733 of a provision for certain settlements previously established in the fourth quarter of 2015.

Special Charges

The Company recognized \$28,000 and \$33,499 for the three and nine months ended September 30, 2015, respectively, as Special Charges incurred related to an impairment charge of \$28,000 in the third quarter of 2015 associated with the impairment of goodwill in the Company's Institutional Asset Management reporting unit, separation benefits and costs associated with the termination of certain contracts within the Company's Evercore ISI business and the finalization of a matter associated with the wind-down of the Company's U.S. Private Equity business.

Intangible Asset Amortization

Expense associated with the amortization of intangible assets for Investment Banking was \$2,582 and \$8,659 for the three and nine months ended September 30, 2016, respectively, and \$4,866 and \$10,750 for the three and nine months ended September 30, 2015, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations. Expense associated with the amortization of intangible assets for Investment Management was \$117 and \$460 for the three and nine months ended September 30, 2016, respectively, and \$937 and \$2,813 for the three and nine months ended September 30, 2015, 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 \$1,433 and \$10,182 for the three and nine months ended September 30, 2016, respectively, and \$3,377 and \$6,264 for the three and nine months ended September 30, 2015, 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 \$11,981 and \$13,282 for the three and nine months ended September 30, 2016, respectively.

Other Assets on the Unaudited Condensed Consolidated Statements of Financial Condition includes the long-term portion of loans receivable from certain employees of \$17,707 and \$6,967 as of September 30, 2016 and December 31, 2015, respectively.

The Company had \$16,550 and \$22,550 in subordinated borrowings, principally with an executive officer of the Company, as of September 30, 2016 and December 31, 2015, respectively. See Note 10 for further information.

Note 6 – Marketable Securities

The amortized cost and estimated fair value of the Company's Marketable Securities as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016				December 31, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Investments	\$6,483	\$ 14	\$ 3,727	\$ 2,770	\$6,463	\$ 10	\$ 2,523	\$ 3,950
Debt Securities Carried by EGL	37,559	90	4	37,645	37,404	94	8	37,490
Investment Funds	24,849	1,312	98	26,063	2,291	155	99	2,347
Total	\$68,891	\$ 1,416	\$ 3,829	\$ 66,478	\$46,158	\$ 259	\$ 2,630	\$ 43,787

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)

Scheduled maturities of the Company's available-for-sale debt securities within the Securities Investments portfolio as of September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$—	\$ —	\$204	\$ 204
Due after one year through five years	1,761	1,773	1,537	1,545
Total	\$1,761	\$ 1,773	\$1,741	\$ 1,749

Since the Company has the ability and intent to hold available-for-sale securities until a recovery of fair value is equal to an amount approximating its amortized cost, which may be at maturity, and has not incurred credit losses on its securities, it does not consider such unrealized loss positions to be other-than-temporarily impaired at September 30, 2016.

Securities Investments

Securities Investments include equity and debt securities, which are classified as available-for-sale securities within Marketable Securities on the Unaudited Condensed Consolidated Statements of Financial Condition. These securities are stated at fair value with unrealized gains and losses included in Accumulated Other Comprehensive Income (Loss) and realized gains and losses included in earnings. The Company had net realized losses of (\$12) and (\$33) for the three and nine months ended September 30, 2016, respectively, and (\$12) and (\$35) for the three and nine months ended September 30, 2015, 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 losses of (\$341) and (\$680) for the three and nine months ended September 30, 2016, respectively, and (\$32) and (\$342) for the three and nine months ended September 30, 2015, respectively.

Investment Funds

The Company invests in a portfolio of exchange traded funds and 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 \$707 and \$1,232 for the three and nine months ended September 30, 2016, respectively, and (\$222) and (\$66) for the three and nine months ended September 30, 2015, 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 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 1.6

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)

years, as of September 30, 2016, and are pledged as collateral against repurchase agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by ECB and permit the counterparty to pledge the securities. ECB has procedures in place to monitor the daily risk limits for positions taken, as well as the credit risk based on the collateral pledged under these agreements against their contract value from inception to maturity date. The daily risk measure is Value at Risk ("VaR"), which is a statistical measure, at a 98% confidence level, of the potential daily losses from adverse market movements in an ordinary market environment based on a historical simulation using the prior year's historical data. ECB's Risk Management Committee (the "Committee") has established a policy to maintain VaR at levels below 0.1% of the value of the portfolio. If at any point in time the threshold is exceeded, ECB personnel are alerted by an automated interface with ECB's trading systems and begin to make adjustments in the portfolio in order to mitigate the risk and bring the portfolio in compliance. Concurrently, ECB personnel must notify the Committee of the variance and the actions taken to reduce the exposure to loss.

In addition to monitoring VaR, ECB periodically performs discrete stress tests to assure that the level of potential losses that would arise from extreme market movements that may not be anticipated by VaR measures are within acceptable levels.

As of September 30, 2016 and December 31, 2015, a summary of the Company's assets, liabilities and collateral received or pledged related to these transactions was as follows:

	September 30, 2016		December 31, 2015	
	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	\$ 17,848		\$ 41,742	
Securities Purchased Under Agreements to Resell	12,881	\$ 12,883	2,191	\$ 2,192
Total Assets	\$ 30,729		\$ 43,933	
Liabilities				
Securities Sold Under Agreements to Repurchase	\$(30,757)	\$ (30,782)	\$(44,000)	\$ (44,063)

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.

The Company also has investments in G5 Holdings S.A. ("G5 Evercore"), ABS Investment Management, LLC ("ABS") and Atalanta Sosnoff Capital, LLC ("Atalanta Sosnoff"), which are voting interest entities. The Company's share of earnings (losses) on its investments in G5 Evercore, ABS and Atalanta Sosnoff (after its deconsolidation on December 31, 2015) 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"), Glisco Mexico Capital Partners II, L.P. ("GMCP II," formerly Evercore Mexico Capital Partners II, L.P., or EMCP II), Glisco Mexico

Capital Partners III, L.P. ("GMCP III," formerly Evercore Mexico Capital Partners III, L.P., or EMCP III), 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

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)

value. Additionally, the Company reflects its pro rata share of realized gains, losses and carried interest associated with any investment realizations.

On December 31, 2014, ECP II was terminated. The Company's investment at September 30, 2016 of \$945 is comprised of its remaining interest in the general partner, including \$863 in cash and \$82 in securities. In addition, on September 12, 2016 the final distribution related to CSI Capital, L.P. ("CSI Capital") was made.

A summary of the Company's investment in the private equity funds as of September 30, 2016 and December 31, 2015 was as follows:

	September 30, 2016	December 31, 2015
ECP II	\$ 945	\$ 983
Discovery Fund	7,459	6,632
GMCP II	5,606	6,091
GMCP III	529	5,786
CSI Capital	—	35
Trilantic IV	227	2,829
Trilantic V	5,114	4,117
Total Private Equity Funds	\$ 19,880	\$ 26,473

Net realized and unrealized gains on private equity fund investments were \$171 and \$6,302 for the three and nine months ended September 30, 2016, respectively, and \$1,933 and \$3,259 for the three and nine months ended September 30, 2015, respectively. During the three and nine months ended September 30, 2016, Trilantic IV made distributions of \$3,092 and \$3,304, respectively. During the nine months ended September 30, 2015, ECP II, GMCP II, CSI Capital and Trilantic IV made distributions of \$3,000, \$3,194, \$2,909 and \$1,650, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of September 30, 2016, the Company had \$1,400 of previously distributed carried interest that may be subject to repayment.

General Partners of Private Equity Funds which are VIEs

The Company has concluded that Evercore Partners II, L.L.C. ("EP II L.L.C."), the general partner of ECP II, is a VIE pursuant to ASC 810. The Company owned 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.

Glisco Transaction

On July 19, 2016, the Company and the principals of its Mexican Private Equity business entered into an agreement to transfer ownership of its Mexican Private Equity business and related entities to Glisco Partners Inc. ("Glisco"), which assumed all responsibility for the management of the existing funds GMCP II and GMCP III, and is controlled by the principals. These principals ceased to be employed by the Company following this transaction. An SMD of the Company will continue to serve on the Investment Committee for the funds. This transaction received consent from the Limited Partner Advisory Committee of the funds and regulatory approval in Mexico during the third quarter of 2016 and closed on September 30, 2016.

As consideration for this transaction, the Company will receive a fixed percentage of the management fees earned by Glisco for a period of up to ten years, as well as a portion of the carried interest in the next two successor funds. The

Company committed to invest capital in those successor funds consistent with the level of carried interest it owns and will retain its carried interest and its capital interests in the existing funds. The Company is entitled to 20% of the carried interest in such successor funds. In conjunction with this transaction, the Company entered into a transition services agreement to provide operational support to Glisco for a period of up to 18 months.

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)

Following this transaction, the Company ceased to have a general partner's interest in and deconsolidated Glisco Mexico Partners II and III ("GMP II" and "GMP III," formerly Evercore Mexico Partners II and III, the General Partners of GMCP II and GMCP III) and related subsidiaries. Going forward the Company will maintain a limited partner's interest in the general partners of the funds.

In addition, the Company maintains a limited partner's interest in Glisco Manager Holdings LP, from which the Company will receive its portion of the management fees earned by Glisco. The Company's investment in Glisco Manager Holdings LP will be accounted for as a cost method investment.

As a result of this transaction, on September 30, 2016 the Company deconsolidated assets and liabilities of \$8,302 and \$2,343, respectively, and recorded an investment in Glisco Manager Holdings LP of \$2,519, representing the fair value of the deferred consideration resulting from this transaction. Furthermore, this resulted in a decrease in Noncontrolling Interest of \$5,808 at September 30, 2016 related to GMP III. In addition, the transaction resulted in a gain on deconsolidation of \$406, included in Other Revenue on the Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016.

Following this transaction, the Company concluded that GMP II, GMP III and Glisco Manager Holdings LP are VIEs and that the Company is not the primary beneficiary of these VIEs. The Company's assessment of the primary beneficiary of these entities included assessing which parties have the power to significantly impact the economic performance of these entities and the obligation to absorb losses, which could be potentially significant to the entities, or the right to receive benefits from the entities that could be potentially significant. Neither the Company nor its related parties will have the ability to make decisions that significantly impact the economic performance of these entities. Further, as a limited partner in these entities, the Company does not possess substantive participating rights. The Company had assets of \$8,654 included in its Unaudited Condensed Consolidated Statement of Financial Condition at September 30, 2016 related to these unconsolidated VIEs, representing the carrying value of the Company's investments in the entities. The Company's exposure to the obligations of these VIEs is generally limited to its investments in these entities. The Company's maximum exposure to loss as of September 30, 2016 was \$10,981, which represents the carrying value of the Company's investments in these VIEs, as well as any unfunded commitments to the current funds.

Investment in Trilantic Capital Partners and Others

In 2010, the Company made a limited partnership investment in Trilantic in exchange for 500 Class A limited partnership units of Evercore LP ("Class A LP Units") having a fair value of \$16,090. This investment gave the Company the right to invest in Trilantic's current and future private equity funds, beginning with Trilantic Fund IV. The Company accounts for this investment under the cost method, subject to impairment. The Company allocates the cost of this investment to its investments in current and future Trilantic funds, as the Company satisfies the capital calls of these funds. The Company bases this allocation on its expectation of Trilantic's future fundraising ability and performance. During the nine months ended September 30, 2016, \$612 and \$50 of this investment was allocated to Trilantic Fund V and IV, respectively. During 2015, \$636 and \$8 of this investment was allocated to Trilantic Fund V and IV, respectively. During 2014, \$689 of this investment was allocated to Trilantic Fund V. From 2010 to 2013, \$825 and \$1,120 of this investment was allocated to Trilantic Fund V and IV, respectively. This investment had a balance of \$12,150 and \$12,812 as of September 30, 2016 and December 31, 2015, respectively. The Company has a \$5,000 commitment to invest in Trilantic Fund V, of which \$2,550 was unfunded at September 30, 2016. 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 the successor fund will be at approximately \$12,000.

In the second quarter of 2015, the Company received an equity security in a private company with a fair value of \$1,079 in exchange for advisory services. This investment is accounted for on the cost basis.

Equity Method Investments

A summary of the Company's other investments accounted for under the equity method of accounting as of September 30, 2016 and December 31, 2015 was as follows:

17

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)

	September 30, 2016	December 31, 2015
G5 Evercore	\$ 25,016	\$ 20,730
ABS	38,364	41,567
Atalanta Sosnoff	23,152	23,990
Total	\$ 86,532	\$ 86,287

G5 Evercore

In 2010, the Company made an investment accounted for under the equity method of accounting in G5 Evercore. At September 30, 2016, the Company's economic ownership interest in G5 Evercore was 49%. This investment resulted in earnings (losses) of (\$107) and (\$78) for the three and nine months ended September 30, 2016, respectively, and (\$388) and \$263 for the three and nine months ended September 30, 2015, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations. In addition, the investment is subject to currency translation from Brazilian Real to the U.S. Dollar.

ABS

In 2011, the Company made an investment accounted for under the equity method of accounting in ABS. At September 30, 2016, the Company's economic ownership interest in ABS was 45%. This investment resulted in earnings of \$1,113 and \$3,687 for the three and nine months ended September 30, 2016, respectively, and \$1,317 and \$3,771 for the three and nine months ended September 30, 2015, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Atalanta Sosnoff

On December 31, 2015, the Company amended the Operating Agreement with Atalanta Sosnoff and deconsolidated its assets and liabilities and accounted for its interest in Atalanta Sosnoff under the equity method of accounting from that date forward. The carrying amount of the investment of \$23,990, at December 31, 2015, represented its fair value on that date. At September 30, 2016, the Company's economic ownership interest in Atalanta Sosnoff was 49%. This investment resulted in earnings of \$172 and \$520 for the three and nine months ended September 30, 2016, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

Other

The Company allocates the purchase price of its equity method investments, in part, to the inherent finite-lived identifiable intangible assets of the investees. The Company's share of the earnings of the investees has been reduced by the amortization of these identifiable intangible assets inherent in the investments of \$884 and \$2,648 for the three and nine months ended September 30, 2016, respectively, and \$621 and \$1,863 for the three and nine months ended September 30, 2015, respectively.

The Company assesses its equity method investments for impairment annually, or more frequently if circumstances indicate impairment may have occurred.

Note 9 – Fair Value Measurements

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

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

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by ASC 820, the Company

does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

18

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)

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 September 30, 2016 and December 31, 2015 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 September 30, 2016 and December 31, 2015:

	September 30, 2016			Total
	Level I	Level II	Level III	
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	\$ —	\$ 44,313	\$ —	\$ 44,313
Securities Investments (1)	3,996	1,773	—	5,769
Investment Funds	26,063	—	—	26,063
Financial Instruments Owned and Pledged as Collateral at Fair Value	17,848	—	—	17,848
Total Assets Measured At Fair Value	\$ 47,907	\$ 46,086	\$ —	\$ 93,993
	December 31, 2015			Total
	Level I	Level II	Level III	
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	\$ —	\$ 44,144	\$ —	\$ 44,144
Securities Investments (1)	5,200	1,749	—	6,949
Investment Funds	2,347	—	—	2,347
	41,742	—	—	41,742

Financial
Instruments
Owned and
Pledged as
Collateral at
Fair Value

Total Assets

Measured At	\$ 49,289	\$ 45,893	\$ —	\$ 95,182
-------------	-----------	-----------	------	-----------

Fair Value

Includes \$9,667 and \$9,653 of treasury bills, municipal bonds and commercial paper classified within Cash and (1)Cash Equivalents on the Unaudited Condensed Consolidated Statements of Financial Condition as of September 30, 2016 and December 31, 2015, 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 nine months ended September 30, 2016 or the year ended December 31, 2015.

During the fourth quarter of 2015, the Company determined that the fair value of the goodwill in its Institutional Asset Management reporting unit was \$66,200. The fair value of the reporting unit was estimated by utilizing both a market multiple approach and a discounted cash flow methodology based on the adjusted cash flows from operations. Goodwill is measured at fair value on a non-recurring basis as a Level III asset.

Table of Contents

EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	September 30, 2016				
	Carrying Amount	Estimated Fair Value			Total
		Level I	Level II	Level III	
Financial Assets:					
Cash and Cash Equivalents	\$436,362	\$436,362	\$—	\$	—\$436,362
Securities Purchased Under Agreements to Resell	12,881	—	12,881	—	12,881
Accounts Receivable	146,341	—	146,341	—	146,341
Receivable from Employees and Related Parties	19,325	—	19,325	—	19,325
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Closely-held Equity Security	1,079	—	—	1,079	1,079
Loans Receivable	3,500	—	3,572	—	3,572
Financial Liabilities:					
Accounts Payable and Accrued Expenses	\$33,017	\$—	\$33,017	\$	—\$33,017
Securities Sold Under Agreements to Repurchase	30,757	—	30,757	—	30,757
Payable to Employees and Related Parties	25,759	—	25,759	—	25,759
Notes Payable	168,035	—	174,707	—	174,707
Subordinated Borrowings	16,550	—	17,142	—	17,142

	December 31, 2015				
	Carrying Amount	Estimated Fair Value			Total
		Level I	Level II	Level III	
Financial Assets:					
Cash and Cash Equivalents	\$439,111	\$439,111	\$—	\$	—\$439,111
Securities Purchased Under Agreements to Resell	2,191	—	2,191	—	2,191
Accounts Receivable	175,497	—	175,497	—	175,497
Receivable from Employees and Related Parties	21,189	—	21,189	—	21,189
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Closely-held Equity Security	1,079	—	—	—	—