Evercore Partners Inc.
Form 10-Q
November 05, 2010
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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 September 30, 2010

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 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 x 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	x
Non-accelerated filer	¨	Smaller reporting company	¨
		(Do not check if a 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 x

The number of shares of the registrant s Class A common stock, par value $0.01 per share, outstanding as of November 2, 2010 was 19,733,689. The number of shares of the registrant s Class B common stock, par value $0.01 per share, outstanding as of November 2, 2010 was 55 (excluding 45 shares of Class B common stock held by a subsidiary of the registrant).

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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.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Condensed Consolidated Financial Statements (Unaudited)

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EVERCORE PARTNERS INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(UNAUDITED)

(dollars in thousands, except per share data)

	September 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and Cash Equivalents	$ 168,541	$ 206,682
Marketable Securities	73,830	141,067
Financial Instruments Owned and Pledged as Collateral at Fair Value	53,043	122,618
Securities Purchased Under Agreements to Resell	344,233	184,118
Accounts Receivable (net of allowances of $1,332 and $764 at September 30, 2010 and December 31, 2009, respectively)	35,902	24,560
Receivable from Employees and Related Parties	5,507	5,235
Deferred Tax Assets - Current	4,066	3,841
Other Current Assets	13,240	8,612
Total Current Assets	698,362	696,733
Investments	35,571	18,581
Deferred Tax Assets - Non-Current	126,167	93,390
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of $10,733 and $8,747 at September 30, 2010 and December 31, 2009, respectively)	10,359	8,217
Goodwill	138,994	49,764
Intangible Assets (net of accumulated amortization of $10,496 and $5,921 at September 30, 2010 and December 31, 2009, respectively)	52,276	7,577
Assets Segregated for Bank Regulatory Requirements	10,200	10,000
Other Assets	8,539	6,898
Total Assets	$ 1,080,468	$ 891,160
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	$ 65,889	$ 93,783
Accounts Payable and Accrued Expenses	18,620	10,159
Securities Sold Under Agreements to Repurchase	397,278	306,894
Payable to Employees and Related Parties	2,696	2,746
Taxes Payable	268	
Other Current Liabilities	23,431	2,709
Total Current Liabilities	508,182	416,291
Notes Payable	97,704	96,618
Amounts Due Pursuant to Tax Receivable Agreements	96,888	67,687
Other Long-term Liabilities	21,180	14,808
Total Liabilities	723,954	595,404
Commitments and Contingencies (Note 16)		
Redeemable Noncontrolling Interest	25,385	

Equity		
Evercore Partners Inc. Stockholders Equity		
Common Stock		
Class A, par value $0.01 per share (1,000,000,000 shares authorized, 21,049,900 and 17,155,883 issued at September 30, 2010 and December 31, 2009, respectively, and 18,971,811 and 16,346,584 outstanding at September 30, 2010 and December 31, 2009, respectively)	210	172
Class B, par value $0.01 per share (1,000,000 shares authorized, 55 issued and outstanding at September 30, 2010 and December 31, 2009)		
Additional Paid-In-Capital	380,684	339,495
Accumulated Other Comprehensive Income (Loss)	(4,587)	(3,760)
Retained Earnings (Deficit)	(60,509)	(56,756)
Treasury Stock at Cost (2,078,089 and 809,299 shares at September 30, 2010 and December 31, 2009, respectively)	(47,278)	(12,756)
Total Evercore Partners Inc. Stockholders Equity	268,520	266,395
Noncontrolling Interest	62,609	29,361
Total Equity	331,129	295,756
Total Liabilities and Equity	$ 1,080,468	$ 891,160

See Notes to Unaudited Condensed Consolidated Financial Statements.

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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, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Revenues				
Investment Banking Revenue	$ 101,367	$ 73,306	$ 224,794	$ 192,431
Investment Management Revenue	23,412	9,785	50,758	12,514
Other Revenue, Including Interest	4,661	4,603	18,106	18,218
Total Revenues	129,440	87,694	293,658	223,163
Interest Expense	5,853	4,498	17,390	19,198
Net Revenues	123,587	83,196	276,268	203,965
Expenses				
Employee Compensation and Benefits	82,267	55,104	183,750	142,817
Occupancy and Equipment Rental	5,129	3,434	13,087	10,072
Professional Fees	5,935	5,673	20,651	14,611
Travel and Related Expenses	4,441	2,445	11,790	6,500
Communications and Information Services	1,455	1,026	4,246	2,715
Depreciation and Amortization	3,379	1,155	6,677	3,353
Special Charges				16,138
Acquisition and Transition Costs	385		3,121	712
Other Operating Expenses	3,031	2,073	8,004	6,243
Total Expenses	106,022	70,910	251,326	203,161
Income Before Income Taxes	17,565	12,286	24,942	804
Provision for Income Taxes	8,547	4,602	11,508	7,033
Net Income (Loss)	9,018	7,684	13,434	(6,229)
Net Income (Loss) Attributable to Noncontrolling Interest	5,488	5,051	7,767	(3,010)
Net Income (Loss) Attributable to Evercore Partners Inc.	$ 3,530	$ 2,633	$ 5,667	$ (3,219)
Net Income (Loss) Attributable to Evercore Partners Inc. Common Shareholders	$ 3,509	$ 2,633	$ 5,614	$ (3,219)
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	18,973	16,340	18,901	14,665
Diluted	21,091	18,353	22,086	14,665
Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders				

Basic	$	0.18	$	0.16	$	0.30	$	(0.22)
Diluted	$	0.17	$	0.14	$	0.25	$	(0.22)
Dividends Declared per Share of Class A Common Stock	$	0.15	$	0.12	$	0.45	$	0.36

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(dollars in thousands, except share data)

	For the Nine Months Ended September 30, 2010								
	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Noncontrolling	Total
	Shares	**Dollars**	**Capital**	**(Loss)**	**(Deficit)**	**Shares**	**Dollars**	**Interest**	**Equity**
Balance at December 31, 2009	17,155,883	$ 172	$ 339,495	$ (3,760)	$ (56,756)	(809,299)	$ (12,756)	$ 29,361	$ 295,756
Net Income					5,667			7,767	13,434
Other Comprehensive Income (Loss), net:									
Unrealized Gain (Loss) on Marketable Securities, net				(760)				(1,227)	(1,987)
Foreign Currency Translation Adjustment				(67)				(204)	(271)
Total Comprehensive Income (Loss)				(827)	5,667			6,336	11,176
Treasury Stock Purchases						(1,268,790)	(34,522)		(34,522)
Proceeds from Equity Offering, Net of Direct Expenses	2,569,075	25	67,639						67,664
Evercore LP Units Purchased or Converted into Class A Common Stock	52,460	1	(55,468)					(8,821)	(64,288)
Stock-based Compensation Awards	1,272,482	12	28,099					14,925	43,036
Dividends			972		(9,420)				(8,448)
Noncontrolling Interest (Note 13)			(53)					20,808	20,755
Balance at September 30, 2010	21,049,900	$ 210	$ 380,684	$ (4,587)	$ (60,509)	(2,078,089)	$ (47,278)	$ 62,609	$ 331,129

	For the Nine Months Ended September 30, 2009								
	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Noncontrolling	Total
	Shares	**Dollars**	**Capital**	**(Loss)**	**(Deficit)**	**Shares**	**Dollars**	**Interest**	**Equity**
Balance at December 31, 2008	12,552,028	$ 126	$ 275,234	$ (5,139)	$ (46,564)	(498,746)	$ (8,050)	$ 15,978	$ 231,585
Net Income (Loss)					(3,219)			(3,010)	(6,229)
Other Comprehensive Income, net:									
Unrealized Gain on Marketable Securities, net				1,335				2,331	3,666
Foreign Currency Translation Adjustment				328				1,409	1,737
Total Comprehensive Income (Loss)				1,663	(3,219)			730	(826)
Treasury Stock Purchases						(300,826)	(4,399)		(4,399)
Proceeds from Equity Offering, Net of Direct Expenses	3,721,788	37	70,084						70,121
	140,306	1	(59,713)					(5,529)	(65,241)

Evercore LP Units Purchased or Converted into Class A Common Stock									
Stock-based Compensation Awards	668,637	7	37,367					3,586	40,960
Dividends			178		(5,668)				(5,490)
Noncontrolling Interest (Note 13)								15,915	15,915
Balance at September 30, 2009	17,082,759	$ 171	$ 323,150	$ (3,476)	$ (55,451)	(799,572)	$ (12,449)	$ 30,680	$ 282,625

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(dollars in thousands)

	For the Nine Months Ended September 30, 2010	2009
Cash Flows From Operating Activities		
Net Income (Loss)	$ 13,434	$ (6,229)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments and Marketable Securities	(4,845)	6,528
Equity-Based and Other Deferred Compensation	41,657	40,964
Depreciation, Amortization and Accretion	7,763	4,358
Bad Debt Expense	1,144	329
Deferred Taxes	2,443	(5,140)
Decrease (Increase) in Operating Assets:		
Marketable Securities		(108)
Financial Instruments Owned and Pledged as Collateral at Fair Value	73,738	108,065
Securities Purchased Under Agreements to Resell	(149,022)	(81,625)
Accounts Receivable	(5,270)	(17,088)
Receivable from Employees and Related Parties	(272)	(2,565)
Assets Segregated for Bank Regulatory Requirements	(200)	(10,000)
Other Assets	(1,059)	1,667
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(34,224)	1,926
Accounts Payable and Accrued Expenses	6,562	2,477
Securities Sold Under Agreements to Repurchase	75,124	(26,728)
Payables to Employees and Related Parties	(55)	(50)
Taxes Payable	243	3,615
Other Liabilities	8	(4,713)
Net Cash Provided by Operating Activities	27,169	15,683
Cash Flows From Investing Activities		
Investments Purchased	(3,478)	(1,598)
Marketable Securities:		
Proceeds from Sales and Maturities	181,805	32,126
Purchases	(111,855)	(27,367)
Cash Paid for Acquisitions, net of cash acquired	(70,481)	(9,382)
Change in Restricted Cash	(904)	
Purchase of Furniture, Equipment and Leasehold Improvements	(2,899)	(1,212)
Net Cash Used in Investing Activities	(7,812)	(7,433)
Cash Flows From Financing Activities		
Payments for Capital Lease Obligations	(35)	(17)
Issuance of Noncontrolling Interests	3,503	17,395
Distributions to Noncontrolling Interests - Evercore LP Limited Partners	(15,834)	(7,420)
Proceeds from Equity Offering	67,117	70,761
Purchase of Evercore LP Units and Treasury Stock	(103,413)	(75,160)
Dividends Class A Stockholders	(8,448)	(5,490)
Other		(77)
Net Cash Used in Financing Activities	(57,110)	(8)

Effect of Exchange Rate Changes on Cash		(388)		(521)
Net (Decrease) Increase in Cash and Cash Equivalents		(38,141)		7,721
Cash and Cash Equivalents-Beginning of Year		206,682		175,902
Cash and Cash Equivalents-End of Period	$	168,541	$	183,623
Supplemental Cash Flow Disclosure				
Payments for Interest	$	17,938	$	19,910
Payments for Income Taxes	$	8,195	$	1,817
Furniture, Equipment and Leasehold Improvements Accrued	$	1,082	$	

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

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

Note 1 Organization

Evercore Partners Inc. and subsidiaries are 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. The Company is the sole general partner of Evercore LP.

The Company s unaudited condensed consolidated financial statements include the accounts of the Company s subsidiaries. The sole direct subsidiary of the Company is Evercore LP. The principal direct and indirect subsidiaries of Evercore LP are as follows:

Evercore Group Holdings L.P., which indirectly, through its wholly-owned subsidiary, Evercore Partners Services East L.L.C.(East), a Delaware limited liability company, owns interests in each of the following entities:

Evercore BD Investco, L.L.C. (BD Investco) wholly owns Evercore Group L.L.C. (EGL), a registered broker-dealer under the Securities Exchange Act of 1934, as amended (the Exchange Act), and a member of the Financial Industry Regulatory Authority (FINRA). 77% of BD Investco is owned by East; the remainder is owned by investors in and management of the institutional equities business (IE) of EGL;

Evercore Advisors L.L.C., a Delaware limited liability company, provides investment advisory services to Evercore Capital Partners II L.P. and its affiliated entities (ECP II);

Evercore Venture Advisors L.L.C., a Delaware limited liability company, provides investment advisory services to Evercore Venture Partners L.P. and its affiliated entities;

Evercore Advisors I L.L.C., a Delaware limited liability company, provides investment advisory services to Evercore Capital Partners L.P. and its affiliated entities (ECP I);

Evercore Wealth Management, L.L.C. (EWM), a Delaware limited liability company, provides wealth management services to high net-worth individuals. 65% of EWM is owned by East; the remaining is owned by the management of EWM;

Evercore Asset Management, L.L.C. (EAM), a Delaware limited liability company, is an institutional investment management firm that makes high-conviction value investments in small- and mid-capitalization publicly-traded companies. 51% of EAM is owned by East; the remaining is owned by the management of EAM; and

Atalanta Sosnoff Capital, L.L.C. (AS), a New York limited liability company, provides investment advisory services on a discretionary basis to individuals, trusts, tax exempt funds, charitable organizations and state and municipal government entities and corporations. 49% of the economic interest of AS is owned by East; the remaining economic interest, which includes management s profits interest, is owned by the management of AS.

Evercore Trust Company, N.A. (ETC), a U.S.-based national trust bank, provides specialized investment management, independent fiduciary and trustee services to employee benefit plans of large corporations. In addition, ETC provides personal trustee, executor and custody services for EWM. 86% of ETC is owned by Evercore LP; the remaining interest is owned by the management and directors of ETC.

Evercore GP Holdings L.L.C., which is a non-managing member of the general partner of ECP II and Evercore Mexico Capital Partners II L.P. (EMCP II) and its affiliated entities.

Protego SI, S.C., a Mexican company whose main activity is the provision of advisory and related services.

Protego Asesores S. de R.L. and its subsidiaries, together with Evercore LP, owns interests in Protego Casa de Bolsa, S.A. de C.V. (PCB) and Protego CB Servicios, S. de R.L. (PCBS). PCB and PCBS were established for Protego s asset management business and are 72% owned by Evercore. The remaining interest in these entities is held by third parties.

Evercore Holdings Limited, a U.K.-based holding company, through which the Company made its investment in Evercore Pan-Asset Capital Management (Pan). Evercore Holdings Limited wholly owns Evercore Partners Ltd. (Evercore Europe), a U.K. company whose main activity is the provision of advisory and related services.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

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

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, 2009.

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 (SEC), 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 generally accepted accounting principles 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, 2009. The December 31, 2009 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 period are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010.

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 significant benefits.

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

Investment Banking Revenue The Company earns advisory fees for mergers, acquisitions, financing and restructuring transactions and recognizes financial advisory fee revenue pursuant to the terms of the engagement letter. It is the Company s accounting policy to recognize revenue when (i) there is persuasive evidence of an arrangement with a client, (ii) fees are fixed or determinable, (iii) the agreed-upon services have been completed and delivered to the client or the transaction or events contemplated in the engagement letter are determined to be substantially completed and (iv) collection is reasonably assured. In some circumstances, and as a function of the terms of an engagement letter, the Company may receive retainer fees for financial advisory services concurrent with, or soon after, the execution of the engagement letter where the engagement letter will specify a future service period associated with that fee. In such circumstances, these retainer fees are initially recorded as deferred revenue and subsequently recognized as advisory fee revenue during the applicable time period within which the service is rendered. Revenues related to fairness or valuation opinions are recognized when the opinion has been rendered and delivered to the client and all other requirements for revenue recognition are satisfied. Success fees for advisory services, such as merger and acquisition (M&A) advice, are recognized when the transaction(s) or event(s) are determined to be completed or substantially completed and all other requirements for revenue recognition are satisfied. In the event the Company were to receive an opinion or success fee in advance of the completion conditions noted above, such fee would initially be recorded as deferred revenue and subsequently recognized as advisory fee revenue when the conditions of completion have been satisfied.

Investment Banking Revenue on the Company s Unaudited Condensed Consolidated Statement of Operations includes underwriting fees and trading commissions earned from IE. Underwriting revenues are attributable to public and private offerings of equity and debt securities and are recognized when the offering has been deemed to be completed by the lead manager of the underwriting group, pursuant to applicable SEC and FINRA rules. When the offering is completed, the Company recognizes the applicable management fee, selling concession or placement fee, and underwriting fee, the latter net of estimated offering expenses. Commission revenue is recognized on a trade date basis.

Reclassifications During the third quarter of 2010, the Company combined Proceeds from Maturities and Proceeds from Sales of Marketable Securities on the Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2009, to conform to current presentation.

Note 3 Recent Accounting Pronouncements

The Company did not identify any relevant recent accounting pronouncements during the three months ended September 30, 2010.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

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

Note 4 Business Changes and Developments

Atalanta Sosnoff Capital, LLC In May 2010, the Company purchased an interest in AS, representing a 49% economic interest, for a cash purchase price of $68,992. Following the consummation of the transaction, the remainder of AS s economic interests, which includes management s profits interest, is owned by the senior management of AS. The senior management of AS retains interests comprised of Series A-2 Capital Interests, Series B Capital Interests and Series C Profits Interests, which represents 5.5%, 19.6% and 25.9%, respectively, for a 51% economic interest. The Company owns Series A-1 Capital Interests, which represents a 49% economic interest. The Series C interest is a profits interest; accordingly, the Company is required to account for this interest as a compensation arrangement. Excluding the Series C interest, the Company s equity interest in AS is 66%. AS was purchased to expand the Company s asset management capabilities. AS manages assets for institutional, high net-worth and broker advised clients, and is focused on managing large-cap U.S. equity and balanced accounts. The Company consolidates the financial results of AS based on provisions in the Operating Agreement which give the Company the majority vote in the Management Committee of AS, which is the governing committee with decision making power over AS s operations. The Management Committee of AS controls the operations of AS, including actions such as the appointment and termination of key management members of AS, the approval of AS s budget as well as any material expenditure outside of its budget, the launch of new products or material changes in the pricing of existing products, and entering or exiting lines of business. Responsibility for day-to-day operations is vested with the management of AS, including managing client relationships and making discretionary investment decisions. The senior management of AS, through a supermajority vote of the Management Committee, retains customary protective rights over specified matters that may arise outside of the ordinary course of business and/or where the probability of occurrence is remote.

The purchase price of the acquisition has been allocated to the assets acquired and liabilities assumed using the fair values as determined by management as of the acquisition date. The computation of goodwill was based on its fair value at May 28, 2010, as presented below.

Purchase Price:	
Cash Paid	$ 68,992
Fair Value of Contingent Consideration	14,037
Fair Value of Consideration Transferred	83,029
Fair Value of Noncontrolling Interest	42,381
Total Fair Value of Purchase Price	125,410
Fair Value of Assets Acquired and Liabilities Assumed:	
Cash and Cash Equivalents	1,410
Accounts Receivable	7,034
Investments	9
Prepaid Expenses	321
Fixed Assets	114
Intangible Assets	43,280
Accounts Payable and Accrued Expenses	(668)
Accrued Compensation and Benefits	(6,278)
Income Taxes Payable	(21)

Identifiable Net Assets		45,201
Goodwill Resulting from Business Combination	$	80,209

In conjunction with the acquisition, the Company recognized accounts receivable with a gross value of $7,034, which approximates fair value, all of which are expected to be collected. The goodwill reflects the replacement cost of an assembled workforce associated with personal reputations, relationships and business specific knowledge, as well as the value of expected synergies and premiums paid by the Company and inherent in the value of the noncontrolling interest holders.

The Purchase Agreement provides for earn-out consideration to the sellers of $14,700 if AS s earnings before interest, taxes, depreciation and amortization (EBITDA) exceed $19,500 for 2010. The sellers will receive a pro-rata portion of the $14,700 if AS s EBITDA exceeds $17,000, but does not exceed $19,500. The earn-out consideration, if any, will be paid 50% in cash and 50% in shares of Evercore Class A common stock. The fair value of the contingent payments was $14,383 as of September 30, 2010.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

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

In connection with the acquisition of AS, the Company recorded intangible assets of $39,700, $1,800 and $1,780 relating to Client Relationships, Trademarks and Non-Compete/Non-Solicit Agreements, respectively. Management views client relationships as the primary intangible assets of AS, as management believes the client relationships are stable and recurring. The intangible assets were valued at the date of acquisition at their fair value as determined by management. The intangible assets are generally amortized over estimated useful lives ranging from four to 15 years. The Company recognized $1,526 and $2,035 of amortization expense related to these intangible assets for the three and nine months ended September 30, 2010, respectively.

Goodwill and intangible assets recognized as a result of this acquisition are included in the Investment Management Segment.

The Company s consolidated results include revenue of $11,153 and $15,077 for the three and nine months ended September, 30, 2010, respectively, and expenses of $9,086 and $12,207 for the three and nine months ended September 30, 2010, respectively, from AS.

Morse, Williams and Company, Inc. In May 2010, the Company acquired Morse, Williams and Company, Inc. (Morse Williams), a registered investment advisor that provides separate management services for tax-exempt institutions and taxable clients. The terms of the acquisition include stock-based initial consideration of $1,350 and contingent consideration based on future investment fees earned. The fair value of the earn-out consideration was $617 as of September 30, 2010. The transaction resulted in goodwill of $848 and intangible assets relating to Client Relationships of $1,130, recognized in the Investment Management Segment. The Client Relationships are being amortized over 9 years. Amortization expense related to these intangibles was $41 and $50 for the three and nine months ended September 30, 2010, respectively.

MJC Associates In April 2010, the Company entered into an agreement to acquire MJC Associates, a commercial real estate advisory boutique. The terms of the acquisition include $2,000 of cash payable at the closing, $1,000 of cash payable on each of the three anniversary dates of the closing and $3,000 of restricted stock, which is contingently issuable based on minimum future revenues. The transaction was consummated on July 8, 2010. The fair value of the earn-out consideration was $5,237 as of September 30, 2010. The transaction resulted in goodwill of $6,183 and intangible assets relating to Client Relationships of $940 and Non-compete agreements of $135, recognized in the Investment Banking Segment. The Client Relationships and Non-compete agreements are being amortized over five months and five years, respectively. Amortization expense related to these intangibles was $423 for the three and nine months ended September 30, 2010.

If the acquisitions of AS, Morse Williams and MJC Associates were effective as of January 1, 2009, the operating results of the Company, on a pro forma basis, would have been:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Unaudited)			
Net Revenues	$ 123,587	$ 92,637	$ 297,039	$ 229,122
Pre-tax Income	$ 17,565	$ 13,299	$ 27,882	$ 1,556
Net Income (Loss) Attributable to Evercore Partners Inc.	$ 3,530	$ 2,634	$ 5,706	$ (3,541)
Diluted Net Income (Loss) Per Share Available to Evercore Partners Inc.	$ 0.17	$ 0.14	$ 0.26	$ (0.24)

Acquisition of the Private Funds Group of Neuberger Berman In February 2010, the Company acquired assets of the Private Funds Group of Neuberger Berman (PFG) for initial consideration of $1,000 and contingent consideration based on future revenues earned. The Company s commitment to pay earn-out consideration is based on varied percentages of future fees earned by PFG over the 18 month period following the acquisition. The fair value of the earn-out consideration was $2,995 as of September 30, 2010. The transaction resulted in goodwill of $990 and intangible assets relating to Acquired Mandates and Client Relationships of $1,810 and $2,300, respectively, recognized in the Investment

Banking Segment. The Acquired Mandates and Client Relationships are being amortized over four years and seven years, respectively. Amortization expense related to these intangibles was $194 and $501 for the three and nine months ended September 30, 2010, respectively.

The seller did not maintain U.S. GAAP basis financial statements for PFG. The Company is unable to independently substantiate the significant assumptions that must be made in order to compile U.S. GAAP basis financial statements for prior periods from what was provided by the seller. As a result, the Company believes it is impracticable to disclose pro forma financial information.

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Trilantic Capital Partners In February 2010, the Company announced the formation of a strategic alliance to pursue private equity investment opportunities for Trilantic Capital Partners (Trilantic) current fund and to collaborate on the future growth of Trilantic s business. See Notes 9 and 13 for further discussions.

Investment in G5 Holdings S.A. In September 2010, the Company entered into an agreement to obtain a 50% interest in G5 Holdings S.A. (G5). The terms of the investment includes initial consideration of $10,000 in restricted stock and $10,000 in cash plus contingent consideration based on multiples of G5 s net income over the years 2012 through 2014. This transaction was consummated on October 1, 2010.

Goodwill and Intangible Assets

Goodwill associated with the Company s acquisitions is as follows:

	Investment Banking	Investment Management	Total
Balance at December 31, 2009	$ 34,989	$ 14,775	$ 49,764
Acquisitions	7,173	81,057	88,230
Foreign Currency Translation	1,000		1,000
Balance at September 30, 2010	$ 43,162	$ 95,832	$ 138,994

Intangible assets associated with the Company s acquisitions are as follows:

	September 30, 2010					
	Gross Carrying Amount			Accumulated Amortization		
	Investment Banking	Investment Management	Total	Investment Banking	Investment Management	Total
Client Relationships	$ 11,415	$ 44,430	$ 55,845	$ 6,212	$ 2,629	$ 8,841
Broker Dealer License	208		208	185		185
Financial Services Authority License	73		73	59		59
Acquired Mandates	1,810		1,810	271		271
Non-compete/Non-solicit Agreements	526	1,780	2,306	354	119	473
Other	730	1,800	2,530	667		667
Total	$ 14,762	$ 48,010	$ 62,772	$ 7,748	$ 2,748	$ 10,496

	December 31, 2009					
	Gross Carrying Amount			Accumulated Amortization		
			Total			Total

	Investment Banking	Investment Management		Investment Banking	Investment Management	
Client Relationships	$ 8,448	$ 3,600	$ 12,048	$ 4,553	$ 318	$ 4,871
Broker Dealer License	215		215	154		154
Financial Services Authority License	75		75	48		48
Non-compete/Non-solicit Agreements	404		404	290		290
Other	756		756	558		558
Total	$ 9,898	$ 3,600	$ 13,498	$ 5,603	$ 318	$ 5,921

Expense associated with the amortization of intangible assets was $2,768 and $4,761 for the three and nine months ended September 30, 2010, respectively, and $583 and $1,609 for the three and nine months ended September 30, 2009, respectively.

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Based on the intangible assets above, as of September 30, 2010, annual amortization of intangibles for each of the next five years is as follows:

2010 (last three months)	$ 2,751
2011	$ 9,169
2012	$ 8,934
2013	$ 7,618
2014	$ 5,324
2015 (first nine months)	$ 2,791

Note 5 Special Charges and Acquisition and Transition Costs

Special Charges

The Company recorded noncash Special Charges of $16,138 for the nine months ended September 30, 2009 related to the cancellation of 417 unvested employee restricted stock units (RSUs) and 250 unvested Evercore LP partnership units (LP Units) in conjunction with the restructuring of the U.S. Private Equity business. The award cancellation resulted in the recognition of previously unrecognized compensation expense at the cancellation date. These equity-based awards were being expensed over periods of up to four years.

Acquisition and Transition Costs

The Company recognized $385 and $3,121 for the three and nine months ended September 30, 2010 as Acquisition and Transition Costs incurred in connection with its acquisitions of AS, MJC Associates, Morse Williams and PFG, its investments in Trilantic and G5 and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services.

The Company recognized $712 for the nine months ended September 30, 2009 as Acquisition and Transition Costs incurred in connection with the consummation of the Company s acquisition of Bank of America s Special Fiduciary Services Division (SFS) and formation of ETC.

Note 6 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 $2,843 and $6,918 for the three and nine months ended September 30, 2010, respectively, and $2,354 and $2,015 for the three and nine months ended September 30, 2009, respectively.

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Note 7 Marketable Securities

The amortized cost and estimated fair value of the Company s Marketable Securities as of September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010				December 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale								
Debt Securities:								
Corporate Bonds	$ 7,162	$ 50	$ 3	$ 7,209	$ 97,921	$ 3,311	$ 9	$ 101,223
Municipal Bonds	14,740	161		14,901	28,399	72	6	28,465
Other Debt Securities	1,254	3		1,257	4,455	15		4,470
Seed Capital Investments	5,746	1,507	56	7,197	4,948	2,066	105	6,909
Total Available-for-Sale	28,902	1,721	59	30,564	135,723	5,464	120	141,067
Debt Securities Carried in EGL	42,822	444		43,266				
Total	$ 71,724	$ 2,165	$ 59	$ 73,830	$ 135,723	$ 5,464	$ 120	$ 141,067

Scheduled maturities of the Company s available-for-sale debt securities as of September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010		December 31, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 14,932	$ 15,062	$ 49,726	$ 50,077
Due after one year through five years	8,224	8,305	81,049	84,081
Total	$ 23,156	$ 23,367	$ 130,775	$ 134,158

Since the Company has the ability and intent to hold available-for-sale securities until a recovery of fair value to an amount approximating its amortized cost, which may be 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, 2010.

Debt Securities

The Company invests in corporate and municipal bonds, which are classified as available-for-sale securities within Marketable Securities on the Unaudited Condensed Consolidated Statements of Financial Condition. The Company had realized gains of $26 and $3,450 for the three and nine months ended September 30, 2010, respectively, and $478 and $641 for the three and nine months ended September 30, 2009, respectively.

Seed Capital Investments

During the first quarter of 2009, the Company assessed its treasury and investment activities including the Seed Capital Investments managed by EAM and, as a result, the Company transferred these securities from trading to available-for-sale. Accordingly, these securities are stated at quoted market value with unrealized gains and losses, which have occurred since the date of transfer, included in Accumulated Other Comprehensive Income and realized gains and losses included in earnings. Prior to the transfer, the Company incurred $758 of realized and unrealized losses on Seed Capital Investments during 2009. Subsequent to the transfer, the Company incurred $597 and $784 of realized gains for the three and nine months ended September 30, 2009, respectively. The Company incurred $101 and $1,159 of realized gains for the three and nine months ended September 30, 2010, respectively. Seed Capital Investments include equity securities and their equivalents, which include debt securities with a fair value of $214 at December 31, 2009, all with maturities of greater than 10 years.

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Debt Securities Carried in EGL

During the first quarter of 2010, EGL began to invest in municipal bonds. These securities are carried at fair value, with changes in fair value recorded in Other Revenues on the Unaudited Condensed Consolidated Statement of Operations, as required by the accounting for broker-dealers in securities. The Company had $172 and $348 of net unrealized gains for the three and nine months ended September 30, 2010, respectively.

Note 8 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 PCB, enters into repurchase agreements with clients seeking overnight money market returns whereby PCB 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. PCB 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 have an estimated average time to maturity of approximately 2.2 years and are pledged as collateral against repurchase agreements which are collateralized financing agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by PCB and permit the counterparty to pledge the securities.

As of September 30, 2010 and December 31, 2009, a summary of the Company s assets, liabilities and collateral received or pledged related to these transactions is as follows:

	September 30, 2010		December 31, 2009	
	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	$ 53,043		$ 122,618	
Securities Purchased Under Agreements to Resell	344,233	$ 344,439	184,118	$ 183,957
Total Assets	$ 397,276		$ 306,736	

Liabilities						
Securities Sold Under Agreements to Repurchase	$ (397,278)	$	(397,063)	$ (306,894)	$	(306,576)

Note 9 Investments

The Company s investments reported on the Unaudited Condensed Consolidated Statements of Financial Condition consist of investments in private equity funds and other investments in unconsolidated affiliated companies. The Company s investments are relatively high-risk and illiquid assets. Realized and unrealized gains and losses on equity method investments are included on the Unaudited Condensed Consolidated Statements of Operations in Investment Management Revenue.

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Investments in Private Equity Funds

A summary of the Company s investment in the private equity funds as of September 30, 2010 and December 31, 2009 is as follows:

	September 30, 2010	December 31, 2009
ECP II	$ 5,089	$ 6,220
Discovery Americas I, L.P.	2,024	2,603
EMCP II	4,570	4,409
CSI Capital	3,055	
Trilantic	512	
Total Private Equity Funds	$ 15,250	$ 13,232

As a result of its investment in CITIC Securities International Partners, LTD (CSIP), during 2010, the Company made an investment of $3,164 in the CSI Capital, L.P. fund (CSI Capital), a China focused fund affiliated with CSIP, representing approximately 58% of the Company s existing commitment to CSI Capital.

Net realized and unrealized gains (losses) on private equity fund investments, including incentive fees, were $542 and $437 for the three and nine months ended September 30, 2010, respectively, and ($616) and ($5,107) for the three and nine months ended September 30, 2009, respectively. In the event the fund performs poorly, the Company may be obligated to repay certain carried interest previously distributed. As of September 30, 2010, the Company had $2,701 of previously received carried interest that may be subject to repayment.

Other Equity Method Investments

A summary of the Company s other equity investments as of September 30, 2010 and December 31, 2009 is as follows:

	September 30, 2010	December 31, 2009
Trilantic	$ 15,887	$
Pan	3,184	4,099
Total Equity Investments	$ 19,071	$ 4,099

Trilantic

During the first quarter of 2010, the Company made an equity method investment in Trilantic. See Note 13 for a further discussion.

Pan

In 2008, the Company made an equity method investment of $4,158 in Pan and maintains a 50% interest at September 30, 2010. This investment resulted in losses of $131 and $441 for the three and nine months ended September 30, 2010, respectively, and $189 and $578 for the three and nine months ended September 30, 2009, respectively.

Cost Basis Investments

In 2009, the Company invested $1,250 in CSIP in exchange for a 5% noncontrolling interest in the entity. CSIP and the Company focus on providing leading independent investment M&A advisory and investment management service, effecting transactions between China and other international markets. This investment is accounted for on the cost basis.

Note 10 Fair Value Measurements

The Company adopted ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), as of January 1, 2008, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. The adoption did not have a material impact on the results of the Company. 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.

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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 Evercore 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 these securities 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 assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009:

	September 30, 2010			
	Level I	**Level II**	**Level III**	**Total**
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	$	$ 112,945	$	$ 112,945
Seed Capital Investments	7,197			7,197
Financial Instruments Owned and Pledged as Collateral at Fair Value	53,043			53,043
Total Assets Measured At Fair Value	$ 60,240	$ 112,945	$	$ 173,185

	December 31, 2009			
	Level I	**Level II**	**Level III**	**Total**
Corporate Bonds, Municipal Bonds and Other Debt Securities	$	$ 134,158	$	$ 134,158
Seed Capital Investments	6,909			6,909
Financial Instruments Owned and Pledged as Collateral at Fair Value	122,618			122,618
Total Assets Measured At Fair Value	$ 129,527	$ 134,158	$	$ 263,685

(1) Includes $46,312 of municipal bonds classified within Cash and Cash Equivalents on the Unaudited Condensed Consolidated Statement of Financial Condition as of September 30, 2010. No such investments were held as of December 31, 2009.

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.

Note 11 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 notes having a principal amount of $120,000 due 2020 with a 5.20% coupon (the Senior Notes) and warrants to purchase 5,455 shares of Evercore Class A common stock 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 Statement of Financial Condition. The Senior Notes have an effective yield of 7.94%. At September 30, 2010, the fair value of the Company s Senior Notes exceeded their aggregate carrying value by approximately $25,000. The fair value of the Company s Senior Notes was estimated based on a present value analysis utilizing aggregate market yields for similar financial instruments.

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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 beginning on the third anniversary of the closing of the Senior Notes and Warrants. 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 not transfer the Senior Notes or Warrants until August 16, 2012 or, if the Strategic Alliance Agreement is terminated, the later of one year following such termination and the third anniversary of the closing of the purchase of the Senior Notes and Warrants. 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 12 Evercore Partners Inc. Stockholders Equity

During the three and nine months ended September 30, 2010, the Company declared and paid dividends of $0.15 and $0.45 per share, totaling $2,783 and $8,448, respectively. The Company s Board of Directors declared on October 26, 2010, a quarterly cash dividend of $0.18 per share, to the holders of Class A common stock as of November 26, 2010, which will be paid on December 10, 2010.

During the nine months ended September 30, 2010, the Company purchased 419 Class A common shares from employees at market values ranging from $23.31 to $36.97 per share for the net settlement of stock-based compensation awards and 850 Class A common shares at market values ranging from $23.72 to $30.00 per share pursuant to the Company s share repurchase program. The result of these purchases was an increase in Treasury Stock of $34,522 on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of September 30, 2010.

During the third quarter of 2010, the Company had an offering of 2,569 shares of Class A common stock, resulting in an increase to Common Stock and Additional Paid-In-Capital of $25 and $67,639, respectively, on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of September 30, 2010. The Company used all of its proceeds from this offering to purchase from certain holders, including members of the Company s senior management, a number of outstanding LP Units that was equal to the number of newly-issued shares of Class A common stock sold by the Company in the offering. This purchase resulted in a decrease to Additional Paid-In-Capital of $60,720 on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of September 30, 2010. See Note 13 for this transaction s impact on Noncontrolling Interest.

Additionally, the above transaction resulted in an increase in the tax basis of the tangible and intangible assets of Evercore LP, which triggered an additional liability under the tax receivable agreement that was entered into in 2006 between the Company and the LP Unit holders. The agreement provides for a payment to the LP Unit holders of 85% of the cash tax savings (if any), resulting from the increased tax benefits from the exchange and for the Company to retain 15% of such benefits. Accordingly, Deferred Tax Assets Non-Current, Amounts Due Pursuant to Tax Receivable Agreements and Additional Paid-In-Capital increased $32,138, $27,318 and $4,821, respectively, on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of September 30, 2010. See Note 16 for estimated future payments related to the tax receivable agreement.

During the nine months ended September 30, 2010, 52 LP Units were gifted by employees to various charities and exchanged for Class A common shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of $1 and $431, respectively, on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of September 30, 2010.

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Note 13 Noncontrolling Interest

Noncontrolling Interest recorded in the unaudited condensed consolidated financial statements of the Company relates to a 43% interest in Evercore LP, a 28% interest in PCB, a 35% interest in EWM, a 49% interest in EAM, a 34% equity interest in AS, a 23% interest in IE and a 14% interest in ETC, not owned by the Company. The AS interest excludes the Series C Profits Interest that has been reflected in Employee Compensation and Benefits Expense on the Unaudited Condensed Consolidated Statements of Operations. The Noncontrolling Interest for Evercore LP, IE, AS, ETC and EWM have rights, in certain circumstances, to convert into Class A common shares.

Changes in Noncontrolling Interest for the nine months ended September 30, 2010 and 2009 were as follows:

	For the Nine Months Ended September 30,	
	2010	**2009**
Beginning balance	$ 29,361	$ 15,978
Comprehensive income		
Operating income (loss)	7,767	(3,010)
Other comprehensive income (loss)	(1,431)	3,740
Total comprehensive income (loss)	6,336	730
Other items		
Evercore LP Units Purchased or Converted into Class A Common Stock	(8,821	