Evercore Partners Inc.
Form 10-Q
August 06, 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 June 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	**(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 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 August 2, 2010 was 16,797,945. The number of shares of the registrant s Class B common stock, par value $0.01 per share, outstanding as of August 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)

	June 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and Cash Equivalents	$ 144,825	$ 206,682
Marketable Securities	77,780	141,067
Financial Instruments Owned and Pledged as Collateral at Fair Value	76,153	122,618
Securities Purchased Under Agreements to Resell	193,626	184,118
Accounts Receivable (net of allowances of $774 and $764 at June 30, 2010 and December 31, 2009, respectively)	31,732	24,560
Receivable from Employees and Related Parties	5,908	5,235
Deferred Tax Assets - Current	3,657	3,841
Other Current Assets	17,700	8,612
Total Current Assets	551,381	696,733
Investments	33,275	18,581
Deferred Tax Assets - Non-Current	95,014	93,390
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of $10,068 and $8,747 at June 30, 2010 and December 31, 2009, respectively)	7,575	8,217
Goodwill	131,597	49,764
Intangible Assets (net of accumulated amortization of $7,530 and $5,921 at June 30, 2010 and December 31, 2009, respectively)	53,633	7,577
Assets Segregated for Bank Regulatory Requirements	10,000	10,000
Other Assets	8,095	6,898
Total Assets	$ 890,570	$ 891,160
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	$ 31,013	$ 93,783
Accounts Payable and Accrued Expenses	14,368	10,159
Securities Sold Under Agreements to Repurchase	269,807	306,894
Payable to Employees and Related Parties	2,616	2,746
Deferred Revenue	19,840	536
Other Current Liabilities	21,250	2,173
Total Current Liabilities	358,894	416,291
Notes Payable	97,336	96,618
Amounts Due Pursuant to Tax Receivable Agreements	69,443	67,687
Other Long-term Liabilities	19,253	14,808
Total Liabilities	544,926	595,404
Commitments and Contingencies (Note 16)		
Redeemable Noncontrolling Interest	25,364	
Equity		
Evercore Partners Inc. Stockholders Equity		
Common Stock		
	184	172

Class A, par value $0.01 per share (1,000,000,000 shares authorized, 18,386,015 and 17,155,883 issued at June 30, 2010 and December 31, 2009, respectively, and 16,753,667 and 16,346,584 outstanding at June 30, 2010 and December 31, 2009, respectively)				
Class B, par value $0.01 per share (1,000,000 shares authorized, 55 issued and outstanding at June 30, 2010 and December 31, 2009)				
Additional Paid-In-Capital		360,212		339,495
Accumulated Other Comprehensive Income (Loss)		(5,674)		(3,760)
Retained Earnings (Deficit)		(60,945)		(56,756)
Treasury Stock at Cost (1,632,348 and 809,299 shares at June 30, 2010 and December 31, 2009, respectively)		(36,322)		(12,756)
Total Evercore Partners Inc. Stockholders Equity		257,455		266,395
Noncontrolling Interest		62,825		29,361
Total Equity		320,280		295,756
Total Liabilities and Equity	$	890,570	$	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 June 30, 2010	For the Three Months Ended June 30, 2009	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009
Revenues				
Investment Banking Revenue	$ 47,505	$ 70,067	$ 123,427	$ 119,125
Investment Management Revenue	16,295	2,160	27,346	2,729
Other Revenue, Including Interest	6,973	5,025	13,445	13,615
Total Revenues	70,773	77,252	164,218	135,469
Interest Expense	5,933	6,209	11,537	14,700
Net Revenues	64,840	71,043	152,681	120,769
Expenses				
Employee Compensation and Benefits	45,762	51,859	101,483	87,713
Occupancy and Equipment Rental	4,631	3,476	7,958	6,638
Professional Fees	6,351	5,114	14,716	8,938
Travel and Related Expenses	3,979	2,457	7,349	4,055
Communications and Information Services	1,762	955	2,791	1,689
Depreciation and Amortization	1,948	1,141	3,298	2,198
Special Charges		16,138		16,138
Acquisition and Transition Costs	1,280	422	2,736	712
Other Operating Expenses	2,378	2,418	4,973	4,170
Total Expenses	68,091	83,980	145,304	132,251
Income (Loss) Before Income Taxes	(3,251)	(12,937)	7,377	(11,482)
Provision (Benefit) for Income Taxes	(1,698)	1,373	2,961	2,431
Net Income (Loss)	(1,553)	(14,310)	4,416	(13,913)
Net Income (Loss) Attributable to Noncontrolling Interest	(1,670)	(8,267)	2,279	(8,061)
Net Income (Loss) Attributable to Evercore Partners Inc.	$ 117	$ (6,043)	$ 2,137	$ (5,852)
Net Income (Loss) Attributable to Evercore Partners Inc. Common Shareholders	$ 96	$ (6,043)	$ 2,105	$ (5,852)
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	19,016	13,925	18,846	13,814
Diluted	22,363	13,925	22,392	13,814
Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders				
Basic	$ 0.01	$ (0.43)	$ 0.11	$ (0.42)
Diluted	$ 0.00	$ (0.43)	$ 0.09	$ (0.42)

Dividends Declared per Share of Class A Common Stock	$	0.15	$	0.12	$	0.30	$	0.24

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 Six Months Ended June 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					2,137			2,279	4,416
Other Comprehensive Income (Loss), net:									
Unrealized Gain (Loss) on Marketable Securities, net				(1,041)				(1,584)	(2,625)
Foreign Currency Translation Adjustment				(873)				(1,219)	(2,092)
Total Comprehensive Income (Loss)				(1,914)	2,137			(524)	(301)
Treasury Stock Purchases						(823,049)	(23,566)		(23,566)
Evercore LP Units Purchased or Converted into Class A Common Stock	43,460		395					(2,410)	(2,015)
Stock-based Compensation Awards	1,186,672	12	19,693					9,961	29,666
Dividends			661		(6,326)				(5,665)
Noncontrolling Interest (Note 13)			(32)					26,437	26,405
Balance at June 30, 2010	18,386,015	$ 184	$ 360,212	$ (5,674)	$ (60,945)	(1,632,348)	$ (36,322)	$ 62,825	$ 320,280

For the Six Months Ended June 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)					(5,852)			(8,061)	(13,913)
Other Comprehensive Income, net:									
Unrealized Gain on Marketable Securities, net				689				1,460	2,149
Foreign Currency Translation Adjustment				1,208				2,809	4,017
Total Comprehensive Income (Loss)				1,897	(5,852)			(3,792)	(7,747)
Treasury Stock Purchases						(234,111)	(3,023)		(3,023)
Evercore LP Units Purchased or Converted into Class A Common Stock	38,306		96					(62)	34
Stock-based Compensation Awards	475,193	5	29,781						29,786
Dividends					(3,321)				(3,321)
Noncontrolling Interest (Note 13)								16,302	16,302

Balance at June 30, 2009	13,065,527	$	131	$	305,111	$	(3,242)	$	(55,737)	(732,857)	$	(11,073)	$ 28,426	$ 263,616

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 Six Months Ended June 30, 2010	2009
Cash Flows From Operating Activities		
Net Income (Loss)	$ 4,416	$ (13,913)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments and Marketable Securities	(4,243)	6,666
Equity-Based and Other Deferred Compensation	28,408	29,786
Depreciation, Amortization and Accretion	4,016	2,892
Bad Debt Expense	514	
Deferred Taxes	2,542	(4,962)
Decrease (Increase) in Operating Assets:		
Marketable Securities		(108)
Financial Instruments Owned and Pledged as Collateral at Fair Value	49,073	92,409
Securities Purchased Under Agreements to Resell	(6,667)	(68,802)
Accounts Receivable	(622)	7,064
Receivable from Employees and Related Parties	(672)	(2,270)
Assets Segregated for Bank Regulatory Requirements		(10,000)
Other Assets	(5,526)	692
(Decrease) Increase in Operating Liabilities:		
Accrued Compensation and Benefits	(68,480)	(21,616)
Accounts Payable and Accrued Expenses	3,520	901
Securities Sold Under Agreements to Repurchase	(42,539)	(23,891)
Payables to Employees and Related Parties	(134)	(130)
Taxes Payable		1,540
Deferred Revenue	19,266	(1,351)
Other Liabilities	1,828	(2,417)
Net Cash Used in Operating Activities	(15,300)	(7,510)
Cash Flows From Investing Activities		
Investments Purchased	(1,826)	(1,598)
Marketable Securities:		
Proceeds from Maturities	46,229	17,179
Proceeds from Sales	108,124	1,410
Purchases	(89,031)	(16,750)
Cash Paid for Acquisitions, net of cash acquired	(68,581)	(9,382)
Change in Restricted Cash	(904)	
Purchase of Furniture, Equipment and Leasehold Improvements	(673)	(871)
Net Cash Used in Investing Activities	(6,662)	(10,012)
Cash Flows From Financing Activities		
Payments for Capital Lease Obligations	(23)	(10)
Issuance of Noncontrolling Interests	3,503	17,395
Distributions to Noncontrolling Interests - Evercore LP Limited Partners	(10,205)	(4,222)
Purchase of Evercore LP Units and Treasury Stock	(25,891)	(3,023)
Dividends Class A Stockholders	(5,665)	(3,321)
Other		456
Net Cash (Used in) Provided by Financing Activities	(38,281)	7,275

Effect of Exchange Rate Changes on Cash		(1,614)		1,201
Net Decrease in Cash and Cash Equivalents		(61,857)		(9,046)
Cash and Cash Equivalents-Beginning of Year		206,682		175,902
Cash and Cash Equivalents-End of Period	$	144,825	$	166,856
Supplemental Cash Flow Disclosure				
Payments for Interest	$	10,887	$	14,210
Payments for Income Taxes	$	5,733	$	1,120

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 Evercore 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. (Atalanta), 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 Atalanta is owned by East; the remaining economic interest, which includes management s profits interest, is owned by the management of Atalanta.

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.

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.

Reclassifications During the second quarter of 2010, deferred revenue of $536 was reclassified from Other Current Liabilities to Deferred Revenue on the Unaudited Condensed Consolidated Statement of Financial Condition as of December 31, 2009, to conform to current presentation.

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, which is recorded within Deferred Revenue on the Company s Unaudited Condensed Consolidated Statements of Financial Condition, 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.

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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 3 Recent Accounting Pronouncements

ASU 2010-17 In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-17, *Milestone Method of Revenue Recognition* (amendments to FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition) (ASU 2010-17). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition. These arrangements frequently include payment provisions whereby a portion or all of the consideration is contingent upon milestone events. An entity often recognizes these milestone payments as revenue in their entirety upon achieving the related milestone, commonly referred to as the milestone method. The new guidance is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010, with early adoption permitted. The Company adopted this ASU on April 1, 2010. The adoption of this standard did not have a material impact on the Company s financial condition, results of operations and cash flows.

Note 4 Business Changes and Developments

Atalanta Sosnoff Capital, LLC In May 2010, the Company purchased an interest in Atalanta, representing a 49% economic interest, for a cash purchase price of $68,992, subject to adjustment based upon the receipt of required consents and certain other matters, as set forth in the Purchase Agreement. Following the consummation of the transaction, the remainder of Atalanta s economic interests, which includes management s profits interest, are owned by the senior management of Atalanta. The senior management of Atalanta owns 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 interest in Atalanta is 66%. Atalanta was purchased to expand on the Company s asset management capabilities. Atalanta 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 Atalanta based on provisions in the operating agreement which give the Company the majority vote in the management committee of Atalanta.

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

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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 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 the noncontrolling interest holders.

The Purchase Agreement provides for earn-out consideration to the sellers of $14,700 if Atalanta 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 Atalanta 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 $14,105 as of June 30, 2010.

In connection with the acquisition of Atalanta, 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 Atalanta, 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 $509 of amortization expense related to these intangible assets for the three months ended June 30, 2010.

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 and expenses from Atalanta of $3,924 and $3,121, respectively, for the three months ended June 30, 2010, which included $509 of amortization expense related to intangible asses.

Morse, Williams and Company, Inc. In May 2010, the Company acquired Morse Williams (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 $628 as of June 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 $9 for the three months ended June 30, 2010.

If the acquisitions of Atalanta and Morse Williams 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 Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Unaudited)			
Net Revenues	$ 73,066	$ 78,544	$ 172,607	$ 135,931
Pre-tax Income (Loss)	$ (1,159)	$ (12,608)	$ 11,704	$ (10,759)
Net Income (Loss) Attributable to Evercore Partners Inc.	$ 371	$ (6,123)	$ 2,627	$ (5,923)
Diluted Earnings (Loss) Per Share	$ 0.02	$ (0.44)	$ 0.12	$ (0.43)

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 the private funds group over the 18 month period following the acquisition. The fair value of the earn-out consideration was $4,000 as of June 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 $231 and $307 for the three and six months ended June 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.

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.

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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 $5,000 of cash and $3,000 of restricted stock, which is contingently issuable based on minimum future revenues. The transaction was consummated on July 8, 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	990	81,057	82,047
Foreign Currency Translation	(214)		(214)
Balance at June 30, 2010	$ 35,765	$ 95,832	$ 131,597

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

	June 30, 2010					
	Gross Carrying Amount			Accumulated Amortization		
	Investment Banking	Investment Management	Total	Investment Banking	Investment Management	Total
Client Relationships	$ 10,019	$ 44,430	$ 54,449	$ 5,168	$ 1,033	$ 6,201
Broker Dealer License	197		197	168		168
Financial Services Authority License	69		69	53		53
Acquired Mandates	1,810		1,810	158		158
Non-compete/Non-solicit Agreements	369	1,780	2,149	315	30	345
Other	689	1,800	2,489	605		605
Total	$ 13,153	$ 48,010	$ 61,163	$ 6,467	$ 1,063	$ 7,530

	December 31, 2009					
	Gross Carrying Amount			Accumulated Amortization		
	Investment Banking	Investment Management	Total	Investment Banking	Investment Management	Total
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 $1,333 and $1,993 for the three and six months ended June 30, 2010, respectively, and $557 and $1,026 for the three and six months ended June 30, 2009, respectively.

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

2010 (last six months)	$ 4,485
2011	$ 8,835
2012	$ 8,600
2013	$ 7,396
2014	$ 7,012
2015 (first six months)	$ 3,441

Note 5 Special Charges and Acquisition and Transition Costs

Special Charges

The Company recorded noncash Special Charges of $16,138 for the three and six months ended June 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 $1,280 and $2,736 for the three and six months ended June 30, 2010 as Acquisition and Transition Costs incurred in connection with its acquisitions of Atalanta, Morse Williams and PFG, its investment in Trilantic and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services.

The Company recognized $422 and $712 for the three and six months ended June 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 $2,683 and $4,075 for the three and six months ended June 30, 2010, respectively, and ($1,812) and ($339) for the three and six months ended June 30, 2009, respectively.

Note 7 Marketable Securities

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

	June 30, 2010		December 31, 2009
	Cost	Fair Value	Cost

		Gross Unrealized Gains	Gross Unrealized Losses			Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale								
Debt Securities:								
Corporate Bonds	$ 12,076	$ 78	$ 5	$ 12,149	$ 97,921	$ 3,311	$ 9	$ 101,223
Municipal Bonds	12,019	89	4	12,104	28,399	72	6	28,465
Other Debt Securities	2,107	8		2,115	4,455	15		4,470
Seed Capital Investments	3,937	1,070	111	4,896	4,948	2,066	105	6,909
Total Available-for-Sale	30,139	1,245	120	31,264	135,723	5,464	120	141,067
Debt Securities Carried in EGL	46,340	181	5	46,516				
Total	$ 76,479	$ 1,426	$ 125	$ 77,780	$ 135,723	$ 5,464	$ 120	$ 141,067

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

	June 30, 2010		December 31, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 17,978	$ 18,062	$ 49,726	$ 50,077
Due after one year through five years	8,224	8,306	81,049	84,081
Total	$ 26,202	$ 26,368	$ 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 June 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 $2,251 and $3,424 for the three and six months ended June 30, 2010, respectively, and $0 and $163 for the three and six months ended June 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 $91 and $187 of realized gains for the three and six months ended June 30, 2009, respectively. The Company incurred $581 and $1,058 of realized gains for the three and six months ended June 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.

Debt Securities Carried in EGL

During the first quarter of 2010, the Company began investing in municipal bonds within EGL. 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 $122 and $176 of net unrealized gains for the three and six months ended June 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

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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 2.1 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 June 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:

	June 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	$ 76,153		$ 122,618	
Securities Purchased Under Agreements to Resell	193,626	$ 193,569	184,118	$ 183,957
Total Assets	$ 269,779		$ 306,736	
Liabilities				
Securities Sold Under Agreements to Repurchase	$ (269,807)	$ (269,884)	$ (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.

Investments in Private Equity Funds

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

	June 30, 2010	December 31, 2009
ECP II	$ 4,613	$ 6,220
Discovery Americas I, L.P.	1,844	2,603
EMCP II	4,514	4,409
CSI Capital	1,778	
Total Private Equity Funds	$ 12,749	$ 13,232

During the first quarter of 2010, the Company made an investment of $1,778 in the CSI Capital, L.P. fund (CSI Capital) representing approximately 33% of the Company s existing commitment to CSI Capital.

Net realized and unrealized gains (losses) on private equity fund investments, including incentive fees, were $481 and ($105) for the three and six months ended June 30, 2010, respectively, and ($3,814) and ($4,491) for the three and six months ended June 30, 2009, respectively. The Company may be obligated to reduce revenues or repay certain carried interest previously recorded in the event that the investments perform poorly on both a realized and unrealized basis. As of June 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 June 30, 2010 and December 31, 2009 is as follows:

	June 30, 2010	December 31, 2009
Trilantic	$ 16,137	$
Pan	3,139	4,099
Total Equity Investments	$ 19,276	$ 4,099

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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 June 30, 2010. This investment resulted in losses of $130 and $310 for the three and six months ended June 30, 2010, respectively, and $185 and $389 for the three and six months ended June 30, 2009, respectively.

Cost Basis Investments

In 2009, the Company invested $1,250 in CITIC Securities International Partners, LTD (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.

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.

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The following table presents the categorization of investments and certain other assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009:

	June 30, 2010			
	Level I	Level II	Level III	Total
Corporate Bonds, Municipal Bonds and Other Debt Securities (1)	$	$ 102,991	$	$ 102,991
Seed Capital Investments	4,896			4,896
Financial Instruments Owned and Pledged as Collateral at Fair Value	76,153			76,153
Total Assets Measured At Fair Value	$ 81,049	$ 102,991	$	$ 184,040

	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 $30,107 classified within Cash and Cash Equivalents on the Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2010.

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 June 30, 2010, the fair value of the Company s Senior Notes exceeded their aggregate carrying value by approximately $22,000. 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.

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.

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Note 12 Evercore Partners Inc. Stockholders Equity

During the three and six months ended June 30, 2010, the Company declared and paid dividends of $0.15 and $0.30 per share, totaling $2,864 and $5,665, respectively. The Company s Board of Directors declared on August 2, 2010, a quarterly cash dividend of $0.15 per share, to the holders of Class A common stock as of August 27, 2010, which will be paid on September 10, 2010.

During the six months ended June 30, 2010, the Company purchased 377 Class A common shares from employees at market values ranging from $28.98 to $36.97 per share for the net settlement of stock-based compensation awards and 446 Class A common shares at market values ranging from $25.94 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 $23,566 on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2010.

During the six months ended June 30, 2010, 43 LP Units were gifted by employees to various charities and exchanged for Class A common shares, resulting in an increase to Additional Paid-In-Capital of $395 on the Company s Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2010.

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 Atalanta, a 23% interest in IE and a 14% interest in ETC, not owned by the Company. The Atalanta 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, Atalanta, ETC and EWM have rights, in certain circumstances, to convert into Class A common shares.

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

	For the Six Months Ended June 30, 2010	2009
Beginning balance	$ 29,361	$ 15,978
Comprehensive income		
Operating income (loss)	2,279	(8,061)
Other comprehensive income (loss)	(2,803)	4,269
Total comprehensive income (loss)	(524)	(3,792)
Other items		
Evercore LP Units Purchased or Converted into Class A Common Stock	(2,410)	(62)
Issuance and sale of LP Units		15,000
Amortization and Vesting of LP Units	9,961	
Distributions to partners	(10,205)	(4,222)
Fair value of noncontrolling interest in EAM		5,068
Fair value of noncontrolling interest in Atalanta	33,139	
Issuance of noncontrolling interest in IE	3,503	

Other, including PCB and EWM		456
Total other items	33,988	16,240
Ending balance	$ 62,825	$ 28,426

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In February 2010, the Company issued 500 LP Units in exchange for a minority economic interest in Trilantic. At December 31, 2014, at the option of the holder, these LP Units are exchangeable on a one-for-one basis for Class A common stock of the Company or may be redeemed for cash of $16,500. This transaction resulted in Redeemable Noncontrolling Interest on the Unaudited Condensed Consolidated Statements of Financial Condition of $16,090, representing the fair value of the LP Units at the date of issuance. This value is being accreted to the minimum redemption value of $16,500 over the five-year period ended December 31, 2014. Accretion was $21 and $32 for the three and six months ended June 30, 2010.

In conjunction with the Company s purchase agreement with Atalanta, the Company issued a management member of Atalanta certain capital interests in Atalanta, which are redeemable for cash, at their fair value, at the earliest of the first anniversary of the purchase transaction or upon death, permanent disability, termination of services without cause or resignation. Accordingly, these capital interests have been reflected at their fair value of $9,242 within Redeemable Noncontrolling Interest on the Unaudited Condensed Consolidated Statements of Financial Condition.

In April 2010, the Company purchased 71 LP Units from a noncontrolling interest holder for $2,325.

Note 14 Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders

The calculations of basic and diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders for the three and six months ended June 30, 2010 and 2009 are described and presented below.

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders				
Numerator:				
Net income (loss) attributable to Evercore Partners Inc.	$ 117	$ (6,043)	$ 2,137	$ (5,852)
Associated accretion of redemption price of noncontrolling interest in Trilantic (See Note 13)	(21)		(32)	
Net income (loss) attributable to Evercore Partners Inc. common shareholders	$ 96	$ (6,043)	$ 2,105	$ (5,852)
Denominator:				
Weighted average shares of Class A common stock outstanding, including vested restricted stock units ("RSUs")	19,016	13,925	18,846	13,814
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. common shareholders	$ 0.01	$ (0.43)	$ 0.11	$ (0.42)
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders				
Numerator:				
Net income (loss) attributable to Evercore Partners Inc. common shareholders	$ 96	$ (6,043)	$ 2,105	$ (5,852)
Add (deduct) dilutive effect of:				
Noncontrolling Interest related to the assumed exchange of Evercore LP partnership units for Class A common shares	(a)	(a)	(a)	(a)
Associated corporate taxes related to the assumed elimination of Noncontrolling Interest described above	(a)	(a)	(a)	(a)
Associated Interest Expense pursuant to conversion of Warrants Issued	(b)	(b)	(b)	(b)
Diluted Net Income (Loss) Available for Class A common shareholders	$ 96	$ (6,043)	$ 2,105	$ (5,852)
Denominator:				
Weighted average shares of Class A common stock outstanding, including vested RSUs	19,016	13,925	18,846	13,814
Add dilutive effect of:				
Assumed exchange of LP Units for Class A common shares	(a)	(a)	(a)	(a)
Additional shares of the Company s common stock assumed to be issued pursuant to non-vested restricted stock and RSUs, as calculated using the Treasury Stock Method	1,700	(c)	1,913	(c)
Assumed conversion of Warrants issued	1,647	(b)	1,633	(b)
Diluted weighted average shares of Class A common stock outstanding	22,363	13,925	22,392	13,814
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. common shareholders	$ 0.00	$ (0.43)	$ 0.09	$ (0.42)

(a) During the three and six months ended June 30, 2010 and 2009, the LP Units (which represent the right to receive shares of Class A common stock upon exchange) were antidilutive and consequently the effect of their exchange into shares of Class A common stock has been excluded from the calculation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders. The units that would have been included in the computation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders if the effect would have been dilutive were 14,637 and 14,478 for the three and six months ended June 30, 2010, respectively, and 15,387 and 15,132 for the three and six months ended June 30, 2009, respectively.

(b) For the three and six months ended June 30, 2009, the Warrants were antidilutive and consequently the additional shares have been excluded from the calculation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders. The additional shares that would have been included in the computation of diluted net income (loss) per share attributable to Evercore Partners Inc. common

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shareholders if the effect would have been dilutive were 5,455 for the three and six months ended June 30, 2009, reduced for the impact of the Treasury Stock Method, if applicable. ASC 260, *Earnings per Share*, requires that the dilutive effect of warrants with multiple conversion alternatives be determined based on the alternative which is most advantageous to the holder of the exchangeable Senior Notes and Warrants. This will generally occur when the market value of the Company s stock exceeds the exercise price of the Warrants, requiring dilution to be determined using the Treasury Stock Method. In certain limited circumstances the dilutive effect of conversion would be calculated using the If-Converted Method.

(c) During the three and six months ended June 30, 2009, the additional shares of the Company s common stock assumed to be issued pursuant to non-vested restricted stock and RSUs as calculated using the Treasury Stock Method were antidilutive and consequently the additional shares have been excluded from the calculation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders. The additional shares that would have been included in the computation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders if the effect would have been dilutive were 1,074 and 732 for the three and six months ended June 30, 2009. Antidilution is the result of the Company having a loss for the three and six months ended June 30, 2009.

The Company computes earnings per share using the two-class method, decreasing Net Income Attributable to Evercore Partners Inc. by the accretion of the redemption price of the noncontrolling interest in Trilantic. See Note 13 for further information. The computation of earnings per share under the two-class method had no effect on earnings per share for the three and six months ended June 30, 2009.

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

Note 15 Stock-Based and Other Deferred Compensation

Subsequent to the IPO, the Company granted new and existing employees RSUs and restricted stock. Certain of these awards vest upon the same terms as the RSUs issued at the time of the IPO (Event-based Awards) and certain of these awards vest from one to five years (Service-based Awards).

During the six months ended June 30, 2010, pursuant to the Evercore Partners Inc. 2006 Stock Incentive Plan, the Company granted employees 1,319 RSUs that are Service-based Awards. Service-based Awards granted during the six months ended June 30, 2010 had grant date fair values of $25.72 to $35.79 per share. During the six months ended June 30, 2010, 1,195 Service-based Awards and 2 Event-based Awards vested, and 28 Service-based Awards and 36 Event-based Awards were forfeited. Compensation expense related to stock-based awards including compensation expense related to the amortization of the LP Units was $13,543 and $28,408 for the three and six months ended June 30, 2010.

During the six months ended June 30, 2010, the Company amended the terms of a Service-based Award with respect to 97 RSUs. Due to this amendment, $2,686 reclassified from Additional Paid-In-Capital to Other Current Liabilities on the Unaudited Condensed Consolidated Statement of Financial Condition.

Note 16 Commitments and Contingencies

For a complete discussion of the Company s commitments, refer to the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

Operating Leases The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2023. The Company reflects lease expense over the lease terms on a straight-line basis. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of $3,122 and $5,126 for the three and six months ended June 30, 2010, respectively, and $2,382 and $4,623 for the three and six months ended June 30, 2009, respectively.

During the first six months of 2010, in conjunction with agreements to lease additional office space and our acquisition of Atalanta, the Company s annual base rental payments increased approximately $3,800. In conjunction with these leases, the Company entered into irrevocable letters of credit of approximately $600.

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The Company has entered into various operating leases for the use of certain office equipment. Rental expense for office equipment totaled $148 and $329 for the three and six months ended June 30, 2010, respectively, and $118 and $224 for the three and six months ended June 30, 2009, respectively. Rental expense for office equipment is included in Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations.

Other Commitments As of June 30, 2010, the Company had unfunded commitments for capital contributions of $11,756 to the private equity funds. These commitments will be funded as required through the end of each private equity fund s investment period, subject to certain conditions. Such commitments are satisfied in cash and are generally required to be made as investment opportunities are consummated by the private equity funds.

In addition, during the first six months of 2010, the Company entered into contracts which have one to three year terms and aggregate minimum annual payments and cancellation fees of approximately $460 and $820, respectively.

See Note 4 for the Company s commitments related to the earn-out consideration for the acquisitions of Atalanta, Morse Williams and the key assets of PFG.

Legal

In the normal course of business, from time to time the Company and its affiliates may be involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, and, in the past, the Company and its affiliates have been named as a defendant in civil litigation matters involving present or former clients or competitors. In addition, Mexican, United Kingdom and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company s business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, the Company cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, the Company believes, based on current knowledge and after consultation with counsel, that it is not currently party to any material pending legal proceedings, individually or in the aggregate, the resolution of which would have a material adverse impact on the Company s financial position, results of operations or cash flows. Legal reserves are established in accordance with ASC 450, *Accounting for Contingencies* when warranted. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change.

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Note 17 Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of $100 or 6 2/3% of aggregate indebtedness, as defined. EGL s regulatory net capital as of June 30, 2010 and December 31, 2009 was $74,065 and $75,025, respectively, which exceeded the minimum net capital requirement by $71,886 and $74,028, respectively. Certain other non-U.S. subsidiaries are subject to various securities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries have consistently operated in excess of their local capital adequacy requirements.

ETC, which is limited to fiduciary activities, is regulated by the Office of the Comptroller of the Currency (OCC) and is a member bank of the Federal Reserve System. The Company, Evercore LP and ETC are subject to written agreements with the OCC that, among other things, require the Company and Evercore LP to (1) maintain at least $5,000 in Tier 1 capital in ETC (or such other amount as the OCC may require), (2) maintain liquid assets in ETC in an amount at least equal to the greater of $3,500 or 90 days coverage of ETC s operating expenses and (3) provide at least $10,000 of certain collateral held in a segregated account at a third-party depository institution. The $10,000 is included in Assets Segregated for Bank Regulatory Requirements on the Unaudited Condensed Consolidated Statements of Financial Condition. The Company was in compliance with the aforementioned agreements for the six months ended June 30, 2010.

Note 18 Income Taxes

The Company s Provision (Benefit) for Income Taxes was ($1,698) and $2,961 for the three and six months ended June 30, 2010, respectively, and $1,373 and $2,431 for the three and six months ended June 30, 2009, respectively. The effective tax rate was 52% and 40% for the three and six months ended June 30, 2010, respectively, and (11%) and (21%) for the three and six months ended June 30, 2009, respectively. The effective tax rate for 2010 reflects the effect of certain non-deductible stock compensation expenses associated with the vesting of LP Units and losses in certain foreign jurisdictions for which no foreign income tax benefits are anticipated.

As of June 30, 2010, there was $2,683 of unrecognized tax benefits that, if recognized, would affect the effective tax rate. The Company does not anticipate a significant change in unrecognized tax positions as a result of the settlement of income tax audits for examining the Company s income tax returns during the upcoming year.

The Company classifies interest relating to tax matters and tax penalties as a component of income tax expense in its Unaudited Condensed Consolidated Statements of Operations. Related to the unrecognized tax benefits, the Company accrued interest of $49 and $58 during the three and six months ended June 30, 2010, respectively, and had recognized a liability for penalties of $739 and interest of $1,046 at June 30, 2010.

Note 19 Segment Operating Results

Business Segments The Company s business results are categorized into the following two segments: Investment Banking and Investment Management. Investment Banking includes providing advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings and similar corporate finance matters. During the first quarter of 2010, the Investment Banking segment (formerly called the Advisory segment) expanded to include underwriting capabilities and private fund placement services and in the second quarter IE. Investment Management includes advising third-party investors in the Institutional Asset Management, Wealth Management and Private Equity sectors. During the second quarter of 2010, the Investment Management segment expanded to include the acquisitions of Atalanta and Morse Williams.

The Company s segment information for the three and six months ended June 30, 2010 and 2009 is prepared using the following methodology:

Revenue and expenses directly associated with each segment are included in determining operating income.

Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including headcount and other factors.

Segment assets are based on those directly associated with each segment, or for certain assets shared across segments, these assets are allocated based on the most relevant measures applicable, including headcount and other factors.

Investment gains and losses, interest income and interest expense are allocated between the segments based on the segment in which the underlying asset or liability is held.

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Each segment s Operating Expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segment and b) non-compensation expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Other Expenses include compensation costs associated with the modification of unvested LP Units and certain other awards, Acquisition and Transition Costs incurred in connection with the consummation of our acquisition of SFS and the formation of ETC, Special Charges and amortization of intangibles associated with acquisitions.

The Company evaluates segment results based on net revenue and operating income, both including and excluding the impact of the Other Expenses.

The following information provides a reasonable representation of each segment s contribution to net revenue, operating expenses, other expenses, operating income and identifiable assets.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Investment Banking				
Net Revenues (1)	$ 48,025	$ 69,313	$ 124,540	$ 118,973
Operating Expenses	44,784	49,778	100,679	87,290
Other Expenses (2)	4,659	4,421	9,987	4,889
Segment Income (Loss)	$ (1,418)	$ 15,114	$ 13,874	$ 26,794
Identifiable Segment Assets	$ 329,058	$ 317,172	$ 329,058	$ 317,172
Investment Management				
Net Revenues (1)	$ 16,815	$ 1,730	$ 28,141	$ 1,796
Operating Expenses	17,730	17,085	32,734	27,086
Other Expenses (2)	918	12,696	1,904	12,986
Segment Income (Loss)	$ (1,833)	$ (28,051)	$ (6,497)	$ (38,276)
Identifiable Segment Assets	$ 561,512	$ 426,528	$ 561,512	$ 426,528
Total				
Net Revenues (1)	$ 64,840	$ 71,043	$ 152,681	$ 120,769
Operating Expenses	62,514	66,863	133,413	114,376
Other Expenses (2)	5,577	17,117	11,891	17,875
Segment Income (Loss)	$ (3,251)	$ (12,937)	$ 7,377	$ (11,482)

Identifiable Segment Assets	$ 890,570	$ 743,700	$ 890,570	$ 743,700

(1) Net revenues include Other Revenue, net, allocated to the segments as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Investment Banking (A)	$ 520	$ (754)	$ 1,113	$ (152)
Investment Management (B)	520	(430)	795	(933)
Total Other Revenue, net	$ 1,040	$ (1,184)	$ 1,908	$ (1,085)

(A) Investment Banking Other Revenue, net, includes interest expense on the Senior Notes of $1,042 and $2,077 for the three and six months ended June 30, 2010, respectively, and $683 for the three and six months ended June 30, 2009.
(B) Investment Management Other Revenue, net, includes interest expense on the Senior Notes of $881 and $1,756 for the three and six months ended June 30, 2010, respectively, and $1,214 and $3,106 for the three and six months ended June 30, 2009, respectively.

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(2) Other Expenses are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Investment Banking				
Amortization of LP Units and Certain Other Awards	$ 4,190	$	$ 9,049	$
Special Charges		3,951		3,951
Intangible Asset Amortization	469	470	938	938
Total Investment Banking	4,659	4,421	9,987	4,889
Investment Management				
Amortization of LP Units and Certain Other Awards	803		1,674	
Special Charges		12,187		12,187
Acquisition and Transition Costs		422		712
Intangible Asset Amortization	115	87	230	87
Total Investment Management	918	12,696	1,904	12,986
Total Other Expenses	$ 5,577	$ 17,117	$ 11,891	$ 17,875

Geographic Information The Company manages its business based on the profitability of the enterprise as a whole.

The Company s net revenues were derived from clients and private equity funds located in the following geographical areas:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Net Revenues: (1)				
United States	$ 54,014	$ 66,305	$ 129,090	$ 105,256
Europe and Other	4,395	1,125	13,892	10,132
Latin America	5,391	4,797	7,791	6,466
Total	$ 63,800	$ 72,227	$ 150,773	$ 121,854

(1) Excludes Other Revenue and Interest Expense.

Substantially all of the Company s long-lived assets reside in the United States.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Evercore Partners Inc. s unaudited condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q.

Forward-Looking Statements

This report contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. In some cases, you can identify these forward-looking statements by the use of words such as outlook , believes , expects , potential continues , may , should , seeks , approximately , predicts , intends , plans , estimates , anticipates or the negative version of these v comparable words. Such forward-looking statements are subject to various risks and uncertainties.

Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. All statements other than statements of historical fact are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, and may include projections of our future financial performance based on our growth strategies and anticipated trends in Evercore s business. We believe these factors include, but are not limited to, those described under Risk Factors discussed in the Annual Report on Form 10-K for the year ended December 31, 2009 and subsequent quarterly reports on Form 10-Q. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Key Financial Measures

Revenue

Total revenues reflect revenues from our Investment Banking and Investment Management business segments that include transaction-related client reimbursements plus other revenue. Net revenues reflect total revenues less interest expense related to repurchase agreements, senior notes and other borrowings.

Investment Banking. Our Investment Banking business earns fees from our clients for providing advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings and similar corporate finance matters, and during the first quarter of 2010, the Investment Banking segment (formerly called the Advisory segment) expanded to include underwriting capabilities and private fund placement services. The amount and timing of the fees paid vary by the type of engagement. In general, advisory fees are paid at the time we sign an engagement letter, during the course of the engagement or when an engagement is completed. The majority of our investment banking revenue comes from advisory fees that are dependent on the successful completion of a transaction. A transaction can fail to be completed for many reasons, including failure of parties to agree upon final terms with the counterparty, to secure necessary board or shareholder approvals, to secure necessary financing or to achieve necessary regulatory approvals. In the case of bankruptcy engagements, fees are subject to approval of the court.

Revenue trends in our Investment Banking business generally are correlated to the volume of M&A activity and/or restructuring activity, which tends to be counter-cyclical to M&A. However, deviations from this trend can occur in any given year or quarter for a number of reasons. For example, changes in our market share or the ability of our clients to close certain large transactions can cause our revenue results to diverge from the level of overall M&A or restructuring activity.

We may also earn revenue from underwriting and private placement of fixed income and equity securities.

We operate in a highly-competitive environment and each revenue-generating engagement is separately awarded and negotiated. Our list of clients, including our list of clients with whom there is a currently active revenue-generating engagement, changes continually. We gain new clients through our business development initiatives, through recruiting additional senior investment banking professionals, and through referrals from executives, directors, attorneys and other parties with whom we have relationships. We may also lose clients as a result of the sale or merger of a client, a change in a client s senior management, competition from other investment banks and other causes.

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Investment Management. Our Investment Management business includes operations related to the management of the Institutional Asset Management, Wealth Management and Private Equity businesses. Revenue sources primarily include management fees, which include fees earned from portfolio companies, fiduciary and consulting fees, performance fees (including carried interest) and gains (or losses) on our investments.

Management fees from EAM, EWM, Atalanta and PCB generally represent a percentage of assets under management. Fees from ETC and PCB s trust business includes fiduciary and consulting fees, which are generally a function of the size and complexity of each engagement and are individually negotiated. Management fees from private equity operations are generally a percentage of committed capital or invested capital at rates agreed with the investment funds we manage or with the individual client. Performance fees from private equity funds are earned when specified benchmarks are exceeded. In certain circumstances, such fees are subject to claw-back provisions. Portfolio company fees include monitoring, director and transaction fees associated with services provided to the portfolio companies of the private equity funds we manage. Gains and losses include both realized and unrealized gains and losses on principal investments, including those arising from our equity interest in investment partnerships.

Transaction-Related Client Reimbursements. In both our Investment Banking and Investment Management segments, we make various transaction-related expenditures, such as travel and professional fees, on behalf of our clients. Pursuant to the engagement letters with our advisory clients or the contracts with the limited partners in the private equity funds we manage, these expenditures may be reimbursable. We define these expenses as transaction-related expenses and record such expenditures as incurred and record revenue when it is determined that clients have an obligation to reimburse us for such transaction-related expenses. Client expense reimbursements are recorded as revenue on the Unaudited Condensed Consolidated Statements of Operations on the later of the date an engagement letter is executed or the date we pay or accrue the expense.

Net Interest Revenue. Net interest revenue is derived from investing customer funds in financing transactions by PCB. These transactions are principally repurchases and resales of Mexican government and government agency securities. Revenue and expenses associated with these transactions are recognized over the term of the repurchase or resale transaction. Net interest revenue also includes interest expense associated with the senior notes, as well as income earned on marketable securities, cash and cash equivalents and assets segregated for regulatory purposes.

Operating Expenses

Employee Compensation and Benefits Expense. We include all payments for services rendered by our employees, including our Senior Managing Directors, as well as profits interests in our businesses that have been accounted for as compensation, in employee compensation and benefits expense.

We maintain compensation programs, including base salary, cash and equity bonus awards and benefits programs and manage compensation to estimates of competitive levels based on market conditions. Our level of compensation reflects our plan to maintain competitive compensation levels to retain key personnel, and it reflects the impact of newly-hired Senior Managing Directors, including related grants of equity awards valued at current and prior stock prices.

Increasing the number of high-caliber experienced senior level employees is critical to our growth efforts. In our investment banking business, these hires generally do not begin to generate significant revenue in the year they are hired.

Our annual compensation program includes stock-based compensation awards as a component of the annual bonus awards for certain employees, including certain Senior Managing Directors. These equity awards are generally subject to annual vesting requirements over a four-year period beginning at the date of grant, which generally occurs in the first quarter of each year; accordingly, the expense is being amortized over the vesting period.

Non-Compensation Expenses. The balance of our operating expenses includes costs for occupancy and equipment rental, professional fees, travel and related expenses, communications and information services, depreciation and amortization, acquisition and transition costs and other operating expenses. We refer to all of these expenses as non-compensation expenses.

Other Expenses

Other Expenses include compensation costs associated with the modification of unvested LP Units and certain other awards, Acquisition and Transition Costs incurred in connection with the consummation of our acquisition of SFS and the formation of ETC, Special Charges and amortization of intangibles associated with certain acquisitions.

Provision for Income Taxes

We account for income taxes in accordance with ASC 740, *Accounting for Income Taxes* (ASC 740), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax basis of our assets and liabilities.

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Noncontrolling Interest

We record noncontrolling interest relating to the ownership interests of our current and former Senior Managing Directors, their estate planning vehicles and Trilantic in Evercore LP, as well as the portions of PCB, EWM, EAM, IE, Atalanta and ETC not owned by Evercore. As described in Note 1 to our unaudited condensed consolidated financial statements herein, Evercore Partners Inc. is the sole general partner of Evercore LP. Prior to the Company s stock offering and purchase of a portion of the noncontrolling interest in Evercore LP in the third quarter of 2009, Evercore Partners Inc. had a minority economic interest in Evercore LP but a majority voting interest in and controlled the management of Evercore LP. Subsequent to the Company s stock offering in the third quarter of 2009, in addition to having a majority voting interest in and controlling the management of Evercore LP, Evercore Partners Inc. has a majority economic interest in Evercore LP. As a result, both before and after the Company s stock offering in the third quarter of 2009, Evercore Partners Inc. consolidates Evercore LP and records a noncontrolling interest for the economic interest in Evercore LP held by the limited partners. For further information see Note 13 to our unaudited condensed consolidated financial statements.

We generally allocate net income (loss) to noncontrolling interests held at Evercore LP and at the operating entity level, where required, by multiplying the vested equity ownership percentage of the noncontrolling interest holders for the period by the net income or loss of the entity which the noncontrolling interest relates. In circumstances where the governing documents of the entity which the noncontrolling interest relates require special allocations of profits (losses) to the controlling and noncontrolling interest holders, then the net income or loss of these entities will be allocated based on these special allocations.

Results of Operations

The following is a discussion of our results of operations for the three and six months ended June 30, 2010 and 2009. For a more detailed discussion of the factors that affected the revenue and operating expenses of our Investment Banking and Investment Management business segments in these periods, see the discussion in Business Segments below.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties, nor can we assess the impact of all potentially applicable factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
	(dollars in thousands, except per share data)					
Revenues						
Investment Banking Revenue	$ 47,505	$ 70,067	(32%)	$ 123,427	$ 119,125	4%
Investment Management Revenue						