

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

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

Commission File No. 001-32975

EVERCORE PARTNERS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
55 East 52nd Street, New York, New York
(Address of Principal Executive Offices)

20-4748747
(I.R.S. Employer
Identification No.)
10055
(Zip Code)

Registrant's telephone number, including area code: (212) 857-3100

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
(do not check if a smaller reporting company)

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

The aggregate market value of the voting and nonvoting common equity of the registrant held by non-affiliates as of June 30, 2012 was approximately \$663.4 million, based on the closing price of the registrant's Class A common stock reported on the New York Stock Exchange on such date of \$23.39 per share and on the par value of the registrant's Class B common stock, par value \$0.01 per share.

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of February 19, 2013, was 31,715,614. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of February 19, 2013 was 42 (excluding 58 shares of Class B common stock held by a subsidiary of the registrant).

Documents Incorporated by Reference

Portions of the definitive Proxy Statement of Evercore Partners Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2013 annual meeting of stockholders ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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PART I

Available Information

Our website address is www.evercore.com. We make available free of charge on the Investor Relations section of our website (<http://ir.evercore.com>) our Annual Report on Form 10-K (“Form 10-K”), Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934; as amended (the “Exchange Act”). We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our Proxy Statements and reports filed by officers and directors under Section 16(a) of that Act, as well as our Code of Business Conduct and Ethics. From time to time we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at <http://ir.evercore.com>. In addition, you may automatically receive email alerts and other information about us by enrolling your email by visiting the “Email Alert” section at <http://ir.evercore.com>. We do not intend for information contained in our website to be part of this Form 10-K.

Any materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

In this report, references to “Evercore”, the “Company”, “we”, “us” and “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.

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 words or other 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, based on various underlying assumptions and expectations, 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”. 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. You should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K,

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Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments thereto or in future press releases or other public statements.

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.

Item 1. Business

Overview

Evercore is one of the leading independent investment banking advisory firms in the world based on the dollar volume of announced worldwide merger and acquisition (“M&A”) transactions on which we have advised since 2000. When we use the term independent investment banking advisory firm, we mean an investment banking firm that directly, or through its affiliates, does not engage in commercial banking or significant proprietary trading activities. We were founded on the belief that there is an opportunity within the investment banking industry for a firm free of the potential conflicts of interest created within large, multi-product financial institutions. We also believed that the broad set of relationships of an independent advisory business would provide the foundation for a differentiated investment management platform. We believe that maintaining standards of excellence and integrity in our core businesses demands a spirit of cooperation and hands-on participation more commonly found in smaller organizations. Since our inception, we have set out to build—in the employees we choose and in the projects we undertake—an organization dedicated to the highest caliber of professionalism and integrity.

We operate globally through two business segments:

- Investment Banking; and
- Investment Management.

Our Investment Banking segment includes our Advisory services, through which we provide advice to clients on significant mergers, acquisitions, divestitures and other strategic corporate transactions, with a particular focus on advising prominent multinational corporations and substantial private equity firms on large, complex transactions. We also provide restructuring advice to companies in financial transition, as well as to creditors, shareholders and potential acquirers. In addition, we provide our clients with capital markets advice relating to both debt and equity securities, underwrite securities offerings and raise funds for financial sponsors. Our Investment Banking segment also includes our Institutional Equities services through which we offer equity research and agency-only equity securities trading for institutional investors.

Our Investment Management segment focuses on Institutional Asset Management, through which we manage financial assets for sophisticated institutional investors and provide independent fiduciary services to corporate employee benefit plans; Wealth Management, through which we provide wealth management services for high net-worth individuals; and Private Equity, through which we manage private equity funds. Each of these businesses is led by senior investment professionals with extensive experience in their respective fields.

Investment Banking

At December 31, 2012, our Investment Banking segment had 60 Senior Managing Directors and 16 Senior Advisors with expertise and client relationships in a wide variety of industry sectors, as well as 38 senior research and sales professionals in Institutional Equities.

In 2012, our Investment Banking segment generated \$568.2 million, or 88%, of our revenues, excluding Other Revenue, net, and earned advisory fees from 324 clients.

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Advisory

We provide confidential, strategic and tactical advice to both public and private companies, with a particular focus on large, multinational corporations. By virtue of their prominence, size and sophistication, many of our clients are more likely to require expertise relating to larger and more complex situations. We are advising or have advised on numerous noteworthy transactions during the past three years, including:

- Bristol-Myers Squibb on its acquisition of Amylin Pharmaceuticals and the sale of half of its interest in Amylin Pharmaceuticals to AstraZeneca
- The Special Committee of Dell on its pending sale to Michael Dell and Silver Lake Partners
- AOL on the sale of patents to Microsoft
- Advent International and Goldman Sachs Capital Partners on their acquisition of TransUnion
- The Special Committee of Kraft Foods on its split into separate Global Snacks and North American Grocery businesses
- Southern Union on its sale to Energy Transfer
- CenturyLink on its merger with Qwest Communications
- Burlington Northern Santa Fe on its sale to Berkshire Hathaway
- Kinder Morgan on its acquisition of El Paso and on the subsequent sale of EP Energy to an investor group led by Apollo and Riverstone
- McGraw-Hill on the sale of its McGraw-Hill Education business to Apollo
- Lubrizol on its sale to Berkshire Hathaway
- Lafarge on the sale of a portfolio of UK construction materials assets to Mittal Investments
- Sanofi on its acquisition of Genzyme
- General Motors on its IPO
- LyondellBasell on its restructuring
- Exelon on its acquisition of Constellation Energy

Our approach is to work as a trusted senior advisor to top corporate officers and boards of directors, helping them devise strategies for enhancing shareholder value:

- **Objective Advice with a Long-Term Perspective.** We seek to recommend shareholder value enhancement strategies or other financial strategies that we would pursue ourselves were we acting in management's capacity. This approach often includes advising our clients against pursuing transactions that we believe do not meet that standard.
- **Transaction Excellence.** Since the beginning of 2000, we have advised on over \$1.6 trillion of announced transactions, including acquisitions, sale processes, mergers of equals, special committee advisory assignments, recapitalizations and restructurings.
- **Senior Level Attention and Experience.** The Senior Managing Directors in our advisory business participate in all facets of client interaction, from the initial evaluation phase to the final stage of executing our recommendations.

We advise clients in a number of different situations across many industries and geographies, each of which may require various services:

- **Mergers and Acquisitions.** When we advise companies about the potential acquisition of another company or certain assets, our services include evaluating potential acquisition targets, providing valuation analyses, evaluating and proposing financial and strategic alternatives and rendering, if appropriate, fairness opinions. We also may advise as to the timing, structure, financing and pricing of a proposed acquisition and assist in negotiating and closing the acquisition.
- **Divestitures and Sale Transactions.** When we advise clients that are contemplating the sale of certain businesses, assets or their entire company, our services include evaluating and recommending financial and strategic alternatives with respect to a sale, advising on valuation issues and the appropriate sales

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process for the situation, assisting in preparing an offering memorandum or other appropriate sales materials and rendering, if appropriate, fairness opinions. We also identify and contact selected qualified acquirers and assist in negotiating and closing the sale.

- **Special Committee and Fairness Opinion Assignments.** We are well known for our independence, quality and thoroughness and devoting senior-level attention throughout the project lifecycle. We believe our objectivity, integrity and discretion allow us to provide an unbiased perspective.
- **Restructuring.** We provide financial advice and investment banking services to companies in financial transition, as well as to creditors, shareholders and potential acquirers. Our services may include reviewing and analyzing the business, financial condition and prospects of the company or providing advice on strategic transactions, capital raising or restructurings. We also may provide advisory services to companies that have sought or are planning to seek protection under Chapter 11 of the U.S. Bankruptcy Code or other similar processes in non-U.S. jurisdictions.
- **Capital Markets.** We serve as an objective advisor to corporations and financial sponsors on a broad array of financing issues. We have developed an expertise in assisting clients with respect to the entire spectrum of capital structure decisions. In addition, we act as an underwriter in public offerings and private placements of debt and equity securities in the U.S. and internationally.
- **Private Funds.** The Private Funds Group (“PFG”) advises fund sponsors on all aspects of the fundraising process. The group is headquartered in London, with personnel in Europe, the United States and Asia.

We strive to earn repeat business from our clients. However, we operate in a highly competitive environment in which there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately negotiated and awarded. To develop new client relationships and to develop new engagements from historical client relationships, we maintain an active dialogue with a large number of clients and potential clients, as well as with their financial and legal advisors, on an ongoing basis. We have gained new clients each year through our business development initiatives, through recruiting additional senior professionals who bring with them client relationships and through referrals from directors, attorneys and other third parties with whom we have relationships.

Institutional Equities

In June 2010, we commenced our U.S. Institutional Equities operations. This business distributes equity research and engages in agency-only equity securities trading for institutional investors.

- **Equity Research.** Our research analysts perform research to help our clients understand the dynamics that drive the industries and companies under coverage. We seek to differentiate ourselves through originality of perspective, depth of insight and ability to uncover industry trends. Our research analysts cover major industry developments, publish research on industry sectors, provide fundamental, company-specific coverage and identify and evaluate investment opportunities in publicly-traded companies.
- **Institutional Sales and Trading.** Our professionals provide equity securities sales and trading services to institutional investors and seek to develop strong relationships with the portfolio managers and traders they serve by working closely with our equity research professionals.

Investment Management

Our Investment Management segment includes Institutional Asset Management, in the United States through Evercore Trust Company, N.A. (“ETC”), Atalanta Sosnoff Capital, LLC (“Atalanta Sosnoff”) and ABS Investment Management, LLC (“ABS”) and in Latin America through Evercore Casa de Bolsa, S.A. de C.V. (“ECB”, formerly Protego Casa de Bolsa, S.A. de C.V.) and Evercore G5 Holdings S.A. (“G5”); Wealth

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Management, through Evercore Wealth Management (“EWM”), and Evercore Pan-Asset Capital Management (“Pan”); and Private Equity. Our Investment Management business principally manages and invests capital on behalf of third parties, including a broad range of institutional investors such as corporate and public pension funds, endowments, foundations, insurance companies, family offices and high net-worth individuals. Our Investment Management business is led by highly-experienced Portfolio and Client Relationship Managers.

In 2012, our Investment Management segment generated revenue of \$79.8 million. As of December 31, 2012, we had \$12.1 billion of assets under management (“AUM”), excluding any AUM from our non-consolidated affiliates, of which \$7.1 billion was attributable to Institutional Asset Management, \$4.5 billion was attributable to Wealth Management and \$0.4 billion was attributable to Private Equity clients.

Institutional Asset Management

Within our Institutional Asset Management business, ETC provides specialized investment management, independent fiduciary and trustee services, Atalanta Sosnoff manages large-capitalization U.S. equity and balanced products, ABS is an institutionally focused hedge fund-of-funds manager and ECB primarily manages Mexican fixed income products and offers fiduciary and trust services.

Wealth Management

Wealth Management provides services through EWM and Pan. EWM targets clients with more than \$5 million in investable assets and offers services such as investment policy creation, asset allocation, customized investment management, manager selection, performance reporting and financial planning. Pan provides asset allocation advisory services and products to high net-worth individuals, charities and endowments, principally in the UK.

In December 2012, EWM acquired Mt. Eden Investment Advisors, LLC, (“Mt. Eden”) a San Francisco-based registered investment advisor.

Private Equity

Private Equity manages value-oriented, middle-market private equity funds in both the United States and Mexico. While we do not intend to raise Evercore-sponsored successor funds in the United States or Europe, we maintain a strategic alliance to pursue private equity investment opportunities with Trilantic Capital Partners (“Trilantic”) and to collaborate on the future growth of Trilantic’s business. As part of the agreement, the Company agreed to use commercially reasonable efforts to source investment opportunities for Trilantic’s current fund, Trilantic Capital Partners Associates IV L.P. (“Trilantic IV”), and Trilantic agreed to use commercially reasonable efforts to refer to the Company mergers and acquisitions advisory services or restructuring advisory services from time to time with respect to selected portfolio companies of Trilantic IV.

In connection with the issuance of certain limited partnership interests in Trilantic, the Company became a limited partner of Trilantic and is entitled to receive 10% of the aggregate amount of carried interest in respect to all of the portfolio investments made by Trilantic IV, up to \$15.0 million. The Company and its affiliates are passive investors and do not participate in the management of any Trilantic-sponsored funds. Trilantic also agreed to pay an annual fee to the Company equal to \$2.0 million per year for a period of five years as consideration for services to be performed by the Company. In addition, as part of the strategic alliance, the Company agreed to commit a minimum of \$5.0 million of the total capital commitments of Trilantic’s next private equity fund.

Our Strategies for Growth

We intend to continue to grow and diversify our Investment Banking and Investment Management businesses, and to further enhance our profile and competitive position, through the following strategies:

- **Add Highly Qualified Investment Banking Professionals with Industry and Product Expertise.** We have taken action in a competitive environment by hiring six new Senior Managing Directors in the last 12 months, in sectors such as restructuring, transportation and consumer. We intend to continue to recruit high-caliber advisory, funds placement, research and sales and trading professionals to add depth in industry sectors and products and services in areas that we believe we already have strength, and to extend our reach to sectors or new business lines we have identified as particularly attractive.
- **Achieve Organic Growth and Improved Profitability in Investment Management and Opportunistically Pursue Inorganic Growth.** We are focused on managing our current Investment Management business towards growth and improved profitability. We also continue to selectively evaluate opportunities to expand Evercore Wealth Management.
- **Expand In New Geographic Markets.** We are expanding in new geographic markets where we believe the business environment will be receptive to the strengths of our Investment Banking and Investment Management business models or where we believe our clients have or may develop a significant presence. Our recent expansion in Canada, Europe and Hong Kong, as well as our advisory affiliates and alliances in Brazil, Argentina, Japan, China, South Korea, Russia and India, represent important steps in this strategy. We are actively seeking to strengthen, expand and deepen these alliances and to enter into new arrangements in additional geographies. We may hire groups of talented professionals or pursue additional strategic acquisitions or alliances with highly-regarded regional or local firms whose cultures and operating principles are similar to ours.

Results by Segment and Geographic Location

See Note 22 to our consolidated financial statements for additional information regarding our segment results and the geographic areas from which we derive our revenues.

People

As of December 31, 2012, we employed approximately 900 people worldwide. Our senior professionals play a significant role in driving growth and are measured by their productivity either through revenue per Senior Managing Director or other metrics including asset growth for Portfolio and Client Relationship Managers. None of our employees are subject to any collective bargaining agreements, and we believe we have good relations with our employees.

As a leading independent investment banking firm, our core asset is our professional staff, including their intellectual capital and their dedication to providing the highest quality services to our clients. Prior to joining Evercore, many of our Senior Managing Directors, Portfolio and Client Relationship Managers and Senior Research and Sales and Trading Professionals held senior level positions with other leading corporations, financial services firms or investment firms.

Competition

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are other investment banking, financial advisory and investment management firms. We compete both globally and on a regional, product or niche basis. We compete on the basis of a number of factors, including transaction execution skills, investment performance, our range of products and services, innovation, reputation and price.

Evercore is predominantly an independent investment banking advisory firm, and its competitors can be categorized into three main groups: (1) large universal banks and bulge bracket firms such as Bank of America,

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Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS, (2) independent advisory firms such as Lazard and Rothschild and (3) boutiques, such as Blackstone's investment banking business, Centerview, Greenhill, Moelis and Perella Weinberg, among others. The universal banks, which also offer lending, engage in significant proprietary trading and manage large private equity funds. We believe and our clients have informed us that firms which also engage in acquisition financing, significant proprietary trading in clients' securities and the management of large private equity funds that often compete with clients can cause such firms to develop interests that may be in conflict with the interests of advisory clients. Since Evercore is able to avoid potential conflicts associated with these types of activities, we believe that Evercore is better able to develop more trusted and long-term relationships with its clients than those of its competitors which provide such services. In addition, we have a larger global presence and deeper sector expertise than many of the boutiques. Our Institutional Equities business is also subject to competition from investment banks and other large and small financial institutions who offer similar services.

We believe that we face a range of competitors in our Investment Management business, with numerous other firms providing competitive services in each of our sectors. In Institutional Asset Management, each of Atalanta Sosnoff, ABS, ECB and ETC face substantial competition from a large number of asset management and trust companies, many of which are larger, more established firms with greater brand name recognition and more extensive client networks and product offerings. Wealth Management competes with domestic and global private banks, regional broker-dealers, independent broker-dealers, registered investment advisors, commercial banks, trust companies and other financial services firms offering wealth management services to clients, many of which have substantially greater resources and offer a broader range of services. In Private Equity, our competition includes private equity funds of all sizes.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

Regulation

United States

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States and elsewhere. As a matter of public policy, regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our shareholders or creditors. In the United States, the SEC is the federal agency responsible for the administration of the federal securities laws. Evercore Group L.L.C. ("EGL"), a wholly-owned subsidiary of ours through which we conduct our investment banking business, is registered as a broker-dealer with the SEC and the Financial Industry Regulatory Authority ("FINRA"), and is registered as a broker-dealer in all 50 states and the District of Columbia. EGL is subject to regulation and oversight by the SEC. FINRA, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including EGL. State securities regulators also have regulatory or oversight authority over EGL. In addition, EGL is subject to regulation as a municipal advisor by the Municipal Securities Rulemaking Board with respect to PFG's activities as placement agent for investment funds that may seek to solicit capital from certain public pension funds. PFG is also impacted by various state and local regulations that restrict or prohibit the use of placement agents in connection with investments by public pension funds, including regulations in New York, Illinois, Ohio, California and New Mexico. Similar measures are being considered or have been implemented in other jurisdictions.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are

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subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. Our broker-dealer subsidiary is also subject to regulations, including the USA PATRIOT Act of 2001 (the "Patriot Act"), which impose obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures. Failure to comply with these requirements may result in monetary, regulatory and, in certain cases, criminal penalties.

We are also subject to the Foreign Corrupt Practices Act, which prohibits offering, promising, giving, or authorizing others to give anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business.

Three of our affiliates, EWM, ABS and Atalanta Sosnoff, are registered as investment advisors with the SEC. In addition, as a result of recent regulatory initiatives, Evercore Advisors L.L.C., as investment advisor to Evercore Capital Partners II L.P. and its affiliated entities ("ECP II"), has become subject to the Investment Advisers Act of 1940 and has registered with the SEC as an investment advisor. Registered investment advisors are subject to the requirements and regulations of the Investment Advisers Act of 1940. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients, state and local political contributions, as well as general anti-fraud prohibitions. EWM is also an investment advisor, which subjects EWM to additional regulations under the Investment Company Act of 1940 (the "1940 Act"). ETC, which is limited to fiduciary activities, is regulated by the Office of the Comptroller of the Currency ("OCC"), is a member bank of the Federal Reserve System and is subject to the Patriot Act.

Mexico

ECB is authorized by the Mexican Ministry of Finance to act as a broker-dealer and financial advisor in accordance with the Mexican Securities Market Law. ECB is subject to regulation and oversight by the Mexican Ministry of Finance and the Mexican National Banking and Securities Commission, including the maintenance of minimum capital requirements. In addition, the Mexican Broker Dealer Association, a self-regulatory organization that is subject to oversight by the Mexican National Banking and Securities Commission, adopts and enforces rules governing the conduct, and examines the activities of, its member broker-dealers, including ECB. Since August 2009, ECB has been authorized by the Mexican National Banking and Securities Commission to act as a trustee and to operate in the equity markets.

United Kingdom

Authorization by the Financial Services Authority ("FSA"). Evercore Partners International LLP and Pan are subject to regulation in the United Kingdom by the FSA. The current UK regulatory regime is based upon the Financial Services and Markets Act 2000 (the "FSMA"), together with secondary legislation and other rules made under the FSMA. Under section 19 of the FSMA, it is an offense for any person to carry on "regulated activities" in the United Kingdom unless it is an authorized person or otherwise exempt from the need to be authorized. The various "regulated activities" are set out in the FSMA (Regulated Activities) Order 2001 (as amended). They include, among other things: advising on investments; arranging deals in investments; dealing in investments as agent; managing investments (*i.e.*, portfolio management) and the safeguarding and administration of assets (including the arranging of such safeguarding and administration).

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Regulatory capital. Regulatory capital requirements form an integral part of the FSA's prudential supervision of FSA authorized firms. The regulatory capital rules oblige firms to hold a certain amount of capital at all times (taking into account the particular risks to which the firm may be exposed given its business activities), thereby helping to ensure that firms can meet their liabilities as they fall due and safeguarding their (and their counterparties') financial stability. The FSA also expects firms to take a proactive approach to monitoring and managing risks, consistent with its high level requirement for firms to have adequate financial resources. Regulatory capital requirements exist on two levels. The first is a solo requirement aimed at individual authorized entities (with the relevant firm being required to submit periodic reports to demonstrate compliance with the relevant requirement). The second is a consolidated (or group) requirement and relates to a part of or the entire group of which an authorized firm or firms form part. The FSA's rules in relation to capital requirements were updated in 2007 to implement the recast EU Capital Requirements Directive ("CRD"), which came fully into force in the UK in January 2007. The CRD, which amended two capital requirements directives (The Banking Consolidation Directive and the Capital Adequacy Directive), introduced a more risk-sensitive approach to capital adequacy (with a particular emphasis on operational risk).

Anti-Money Laundering and Anti-Bribery. The UK Money Laundering Regulations 2007 came into force on December 15, 2007. The regulations, which implement the Third EU Money Laundering Directive, require firms to have procedures in place to prevent money laundering and to take a risk-based approach to focus the efforts where they are most needed. This approach includes client due diligence, monitoring, staff training and awareness. Failure to maintain the necessary procedures is a criminal offense. The Proceeds of Crime Act 2002 also contains a number of offenses in relation to money laundering. Our UK affiliates are also subject to the UK Bribery Act 2010, which became effective in July 2011 and provides for criminal penalties for bribery of, or receipt of a bribe from, public officials, corporations and individuals, as well as for the failure of an organization to prevent a person with whom it is associated from providing bribes for the organization's benefit.

Regulatory Framework in the European Union. Evercore Europe has obtained the appropriate European investment services passport rights to provide cross-border services into a number of other members of the European Economic Area ("EEA"). This "passport" derives from the pan-European regime established by the EU Markets in Financial Instruments Directive ("MiFID"), which regulates the provision of investment services and activities throughout the EEA. MiFID provides investment firms which are authorized in any one EEA member state the right to provide investment services on a cross-border basis, or through the establishment of a branch to clients located in other EEA member states (known as "host member states") on the basis of their home member state authorization without the need for separate authorization by the competent authorities in the relevant host member state. This practice is known as "passporting". MiFID was required to be implemented across the EEA on November 1, 2007. MiFID made substantial and important changes to the way in which our business is conducted across the EEA. These include, among others, an extension to the scope of the "passport" but also clarification that the conduct of business rules of a host member state are not to apply to a firm providing services within its territory on a cross-border basis (host member state conduct of business rules will apply to branches). Evercore Europe has implemented MiFID, and we believe our business is now compliant with the requirements of MiFID.

Hong Kong

In Hong Kong, the Securities and Futures Commission ("SFC") regulates our subsidiary, Evercore Asia Limited. The compliance requirements of the SFC include, among other things, net capital requirements and stockholders' equity requirements. The SFC regulates the activities of the officers, directors, employees and other persons affiliated with Evercore Asia Limited, and require the registration of such persons.

General

Certain of our businesses are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or

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exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Additional legislation, changes in rules promulgated by financial authorities and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

The U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States and Mexican Financial Authorities, are empowered to conduct periodic examinations and initiate administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a regulated entity or its directors, officers or employees.

Item 1A. Risk Factors

Risks Related to Our Business

Difficult market conditions may adversely affect our business in many ways, including reducing the volume of the transactions involving our Investment Banking business and reducing the value of the assets we manage in our Investment Management businesses, which, in each case, may materially reduce our revenue or income.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. Global financial markets and economic conditions are negatively impacted by many factors beyond our control, including the inability to access credit markets, rising interest rates or inflation, terrorism or political uncertainty. Financial market and economic conditions have been volatile in the last several years, and challenging conditions have persisted. A continuation of these conditions could reduce the demand for our services and present new challenges. Revenue generated by our Investment Banking business is related to the volume and value of the transactions in which we are involved. During periods of unfavorable market and economic conditions, our operating results may be adversely affected by a decrease in the volume and value of M&A transactions and increasing price competition among financial services companies seeking advisory engagements. Unfavorable market conditions also may lead to a reduction in revenues from our trading, underwriting and placement agent activities. In addition, Europe's debt crisis could have a material adverse effect on our business and financial condition, particularly with respect to our recently expanded UK advisory business. The possibility that certain EU member states will default on their debt obligations has negatively impacted economic conditions and global markets. The continued uncertainty over the outcome of international and the EU's financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. See "—A portion of our revenues are derived from our international operations, which are subject to certain risks."

In the event of a market or general economic downturn, our Institutional Asset Management and Wealth Management businesses would also be expected to generate lower revenue because the management fees we receive are typically based on the market value of the securities that comprise the assets we manage. In addition, due to uncertainty or volatility in the market or in response to difficult market conditions, clients may withdraw funds from these businesses in favor of investments they perceive as offering greater opportunity or lower risk. Difficult market conditions can also materially adversely affect our ability to launch new products or offer new services in our Institutional Asset Management or Wealth Management businesses, which could negatively affect our ability to increase AUM. In each case, management fees based on AUM would be negatively affected. Moreover, difficult market conditions may negatively impact the private equity funds that we manage by further reducing valuations and curtailing opportunities to exit and realize value from their investments.

Certain aspects of our cost structure are largely fixed, and we may incur costs associated with new or expanded lines of business prior to these lines of business generating significant revenue. If our revenue declines or fails to increase commensurately with the expenses associated with new or expanded lines of business, our profitability may be materially adversely affected.

We may incur costs associated with new or expanded lines of business, including guaranteed or fixed compensation costs, prior to these lines of business generating significant revenue. In addition, certain aspects of our cost structure, such as costs for occupancy and equipment rentals, communication and information technology services, and depreciation and amortization are largely fixed, and we may not be able to timely adjust these costs to match fluctuations in revenue. If our revenue declines, or fails to increase commensurately with the expenses associated with new or expanded lines of business, our profitability may be materially adversely affected.

We depend on our senior professionals, including our executive officers, and the loss of their services could have a material adverse effect on us.

Our senior leadership team's reputations and relationships with clients and potential clients are critical elements in maintaining and expanding our businesses. For example, our Investment Banking business is dependent on our senior Investment Banking professionals and on a small number of senior research analysts, traders and executives. In addition, Atalanta Sosnoff, EWM and ETC are dependent on a small number of senior portfolio managers and executives. Further, the operations and performance of G5, ABS and Pan are dependent on a small number of senior executives. Our professionals possess substantial experience and expertise and strong client relationships. The loss of these personnel could jeopardize our relationships with clients and result in the loss of client engagements and revenues.

If we are unable to successfully identify and hire productive individuals to join our firm or consummate additional acquisitions, alliances or joint ventures on attractive terms, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on expanding our various businesses through additional acquisitions, entering into joint ventures and strategic alliances, and internally developing new opportunities that are complementary to our existing businesses and where we think we can add substantial value or generate substantial returns. The success of this strategy will depend on, among other things:

- the availability of suitable opportunities and capital resources to effect our strategy;
- the level of competition from other companies that may have greater financial resources than we do or may not require the same level of disclosure of these activities;
- our ability to value acquisition and investment candidates accurately and negotiate acceptable terms for those acquisitions and investments; and
- our ability to identify and enter into mutually beneficial relationships with joint venture partners.

Our growth strategy also relies on our ability to attract and retain profitable senior finance professionals across all of our businesses. Due to the early stage of development of many of our businesses and competition from other firms, we may face difficulties in recruiting and retaining professionals of a caliber consistent with our business strategy. In particular, many of our competitors are significantly larger with greater financial resources, and may be able to offer more attractive compensation packages and broader career opportunities. Additionally, it may take more than one year for us to determine whether new advisory professionals will be profitable or effective, during which time we may incur significant expenses and expend significant time and resources on training, integration and business development.

If we are not successful in implementing our growth strategy, our business and results and the market price for our Class A common stock may be adversely affected.

Our inability to develop, integrate and manage recently added capabilities, joint ventures, alliances and acquired businesses successfully could have adverse consequences to our business.

Integrating acquired businesses, providing a platform for new businesses and partnering with other firms involve a number of risks and present financial, managerial and operational challenges, including the following factors, among others:

- loss of key employees or customers;
- possible inconsistencies in or conflicts between standards, controls, procedures and policies and the need to implement company-wide financial, accounting, information technology and other systems;
- failure to maintain the quality of services that have historically been provided;

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- failure to coordinate geographically diverse organizations; and
- the diversion of management's attention from our day-to-day business as a result of the need to manage any disruptions and difficulties and the need to add management resources to do so.

In addition, acquisitions, start-ups and internally developed initiatives generally result in increased operating and administrative costs as the necessary infrastructure, IT, legal and compliance systems, controls and personnel are put in place. Our inability to develop, integrate and manage acquired companies, joint ventures or other strategic relationships and growth initiatives in an efficient and cost-effective manner, or at all, could have material adverse short- and long-term effects on our operating results, financial condition and liquidity.

We may not realize the cost savings, revenue enhancements or other benefits that we expected from our acquisitions and other growth initiatives.

Our analyses of the benefits and costs of expanding our businesses necessarily involve assumptions as to future events, including general business and industry conditions, the longevity of specific customer engagements and relationships, operating costs and competitive factors, many of which are beyond our control and may not materialize. While we believe our analyses and their underlying assumptions to be reasonable, they are estimates that are necessarily speculative in nature. In addition, new regulatory requirements and conflicts may reduce the synergies that we expect to result from our growth initiatives. Even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame. Also, the cost savings and other synergies from these acquisitions may be offset by costs incurred in integrating the companies, increases in other expenses or problems in the business unrelated to these acquisitions. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to personnel, systems and activities that are not under our direct and sole control, and conflicts and disagreements between us and our joint venture partners may negatively impact our business.

Additionally, acquiring the equity of an existing business or substantially all of the assets of a company may expose us to liability for actions taken by an acquired business and its management before the acquisition. The due diligence we conduct in connection with an acquisition and any contractual guarantees or indemnities that we receive from the sellers of acquired companies may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition, especially where there is no right to indemnification, could adversely affect our operating results, financial condition and liquidity.

Our growth has placed, and will continue to place, significant demands on our administrative, operational and financial resources.

We have experienced significant growth in the past several years, including in our Investment Banking business, by expanding into sales, trading, research and underwriting activities, entering into strategic alliances, acquiring Lexicon and the hiring of additional senior professionals in our advisory group, and in our Investment Management business through the acquisitions of Atalanta Sosnoff and Mt. Eden and our investment in ABS. Supporting this growth has placed significant demands on our operational, legal, regulatory and financial systems and resources for integration, training and business development efforts. We are often required to commit additional resources to maintain appropriate operational, legal, regulatory and financial systems to adequately support expansion, even when we only partner, enter into strategic alliances or take minority stakes in other businesses. We expect our growth to continue, which could place additional demands on our resources and increase our expenses. We cannot provide assurance that our financial controls, the level of knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our expanding operations effectively. Any failure to do so could adversely affect our ability to pursue our growth strategy, generate revenue and control expenses.

Our revenue and profits are highly volatile, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Class A common stock to decline.

Our revenue and profits are highly volatile. We generally derive Investment Banking revenue from engagements that generate significant fees at key transaction milestones, such as closing, and the timing of these milestones is outside of our control. As a result, our financial results will likely fluctuate from quarter to quarter based on the timing of when those fees are earned. It may be difficult for us to achieve steady earnings growth on a quarterly basis, which could, in turn, lead to large adverse movements in the price of our Class A common stock or increased volatility in our stock price generally.

We earn a majority of our revenue from advisory engagements, and, in many cases, we are not paid until the successful consummation of the underlying M&A transaction or restructuring. As a result, our Investment Banking revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, a client could delay or terminate an acquisition transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business is experiencing unexpected operating or financial problems. Anticipated bidders for assets of a client during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness due to a failure to reach agreement with its principal creditors. In these circumstances, we often do not receive any advisory fees other than the reimbursement of certain out-of-pocket expenses, despite the fact that we have devoted considerable resources to these transactions.

In Institutional Asset Management and Wealth Management, our revenue includes management fees from assets we manage. These revenues are dependent upon the amount of AUM, which can decline as a result of market depreciation, withdrawals or otherwise, as well as the performance of the assets. The timing of flows, contributions and withdrawals are often out of our control, can occur on short notice, and may be inconsistent from quarter to quarter. See “—*The amount and mix of our AUM are subject to significant fluctuations.*” In addition, a portion of our Institutional Asset Management revenue is derived from performance fees, which vary depending on the performance of the investments we select for the funds and clients we manage, which could cause our revenue and profits to fluctuate. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce AUM and asset management revenues.

In Private Equity, we record revenue from performance fees, or carried interest, when the returns on the private equity funds' investments exceed certain minimum thresholds. In addition, if a fund performs poorly, we may be obligated to reverse previously recorded performance fee revenue under “claw-back” provisions. The claw-back provisions of an Evercore private equity fund remain in effect until the final distribution of the proceeds from such fund. Our Private Equity revenue also includes our allocable share, based on our investments in the funds managed by our Private Equity business, of unrealized (“mark-to-market”) as well as realized gains and losses reported by such funds. As a result, because the investment returns of our Private Equity funds are uncertain and difficult to predict, the revenue we derive from our Private Equity business can be volatile from quarter to quarter and year to year.

Our failure to deal appropriately with conflicts of interest could damage our reputation and materially adversely affect our business.

As we have expanded the scope of our businesses and client base, we increasingly confront actual and potential conflicts of interest relating to our Investment Banking and Investment Management businesses. It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Appropriately identifying and managing actual or perceived conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation which would materially adversely affect our business in a number of ways, including an inability to raise additional assets and a reluctance of potential clients and counterparties to do business with us.

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Policies, controls and procedures that we may be required to implement to address additional regulatory requirements, including as a result of our Institutional Equities business and expansion into underwriting activities, or to mitigate actual or potential conflicts of interest, may result in increased costs, including for additional personnel and infrastructure and IT improvements, as well as limit our activities and reduce the positive synergies that we seek to cultivate across our businesses.

Certain of our executive officers and employees responsible for managing our U.S. private equity funds (ECP Funds) and Mexican private equity funds (Discovery and EMCP Funds) have invested their own capital in side-by-side investments in specific portfolio companies along with our U.S. and Mexican private equity funds. These side-by-side investments are not subject to management fees or carried interest. As a result, some of our executive officers and private equity portfolio managers have a different economic interest in the performance of investments in certain portfolio companies compared to the interests of investors in our private equity funds. This lack of a total alignment of interests and incentives could result in our executive officers and private equity portfolio managers devoting a disproportionate amount of time and attention to certain investments, and could result in the underperformance of our private equity fund as a whole.

Employee misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry, and there is a risk that our employees could engage in misconduct that adversely affects our business. For example, our Investment Banking business often requires that we deal with confidential matters of great significance to our clients. If our employees were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. We are also subject to a number of obligations and standards arising from our Investment Management business and our authority over the assets managed by our Investment Management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our employees engage in misconduct, our business would be adversely affected.

The financial services industry faces substantial litigation risks, and we may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or for other reasons.

As a financial services firm, we depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. Moreover, our role as advisor to our clients on important mergers and acquisitions or restructuring transactions involves complex analysis and the exercise of professional judgment, including, if appropriate, rendering fairness opinions in connection with mergers and other transactions.

In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against M&A financial advisors has been increasing. Our M&A advisory activities may subject us to the risk of significant legal liability to our clients and third parties, including our clients' stockholders, under securities or other laws for materially false or misleading statements made in connection with securities and other transactions and potential liability for the fairness opinions and other advice provided to participants in corporate transactions. In addition, a portion of our M&A advisory fees are obtained from restructuring clients, and often these clients do not have sufficient resources to indemnify us for costs and expenses associated with third-party subpoenas and, to the extent claims are not barred as part of the reorganization process, direct claims. Our engagements typically include broad indemnities from our clients and provisions designed to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be adhered to in all cases. As a result, we may incur significant legal expenses in defending against litigation. In our Investment

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Management business, we make investment decisions on behalf of our clients that could result in substantial losses. This also may subject us to the risk of legal liability or actions alleging negligent misconduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Substantial legal liability or legal expenses incurred in defending against litigation could materially adversely affect our business, financial condition, operating results or liquidity or cause significant reputational harm to us, which could seriously harm our business.

Extensive and evolving regulation of our businesses exposes us to the potential for significant penalties and fines due to compliance failures, increases our costs and limits on our ability to engage in certain activities.

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate. Our failure to comply with applicable laws or regulations could result in adverse publicity and reputational harm as well as fines, suspensions of personnel or other sanctions, including revocation of the registration of us or any of our subsidiaries as an investment adviser or broker-dealer. Our businesses are subject to periodic examination by various regulatory authorities, and we cannot predict the outcome of any such examinations. In addition, adverse regulatory scrutiny of any of our strategic partners could have a material adverse effect on our business and reputation.

Over the last several years, global financial markets have experienced extraordinary disruption and volatility, and there have been a number of highly-publicized financial scandals involving misconduct by financial market participants and their employees. As a result, various U.S. and foreign government agencies and regulatory bodies have taken, and may take further, actions to expand laws, rules, regulations and standards that may be applicable to our activities. Our ability to conduct business and our operating results, including compliance costs, may be adversely affected as a result of any new requirements imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that regulate financial services firms or supervise financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. In addition, some of our clients or prospective clients may adopt policies that exceed regulatory requirements and impose additional restrictions. For example, certain public pension funds will not invest in funds where a placement agent or other solicitor was involved.

The full extent of the effects of governmental economic and regulatory involvement in the wake of disruption and volatility in global financial markets remains uncertain.

As a result of market volatility and disruption in recent years, the U.S. and other governments have taken unprecedented steps to try to stabilize the financial system, including investing in financial institutions and taking certain regulatory actions. The full extent of the effects of these actions and legislative and regulatory initiatives (including the Dodd-Frank Act) effected in connection with, and as a result of, such extraordinary disruption and volatility is uncertain, both as to the financial capital markets and participants in general, and as to us in particular.

Our business is subject to various operational risks.

We face various operational risks related to our businesses on a day-to-day basis. We rely heavily on financial, accounting, communication and other data processing systems. These systems, including the systems of third parties on whom we rely, may fail to operate properly or become disabled as a result of tampering or a breach of our network security systems or otherwise, including for reasons beyond our control. In addition, our systems may be subject to cyberattacks. Breaches of our network security systems could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer viruses, cyberattacks and other means and

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could originate from a wide variety of sources, including unknown third parties outside the firm. Although we take various measures to ensure the integrity of our systems, there can be no assurance that these measures will provide protection. If our systems are compromised, do not operate properly or are disabled, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and damage to our reputation.

We operate in businesses that are highly dependent on information systems and technology. In our Institutional Equities, Institutional Asset Management and Wealth Management businesses in particular, we must consistently and reliably obtain securities pricing information, process client transactions and provide reports and other customer service to our clients. Any failure to keep accurate books and records can render us liable to disciplinary action by governmental and self-regulatory authorities, as well as to claims by our clients. We also rely on third-party service providers for certain aspects of our business. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair our operations, affect our reputation and adversely affect our businesses.

In addition, if we were to experience a disaster or other business continuity problem, such as a pandemic, other man-made or natural disaster or disruption involving electronic communications or other services used by us or third parties with whom we conduct business, our continued success will depend, in part, on the availability of our personnel and office facilities and the proper functioning of our computer, telecommunications, transaction processing and other related systems and operations, as well as those of third parties on whom we rely. Such events could lead us to experience operational challenges, and our inability to timely and successfully recover could materially disrupt our businesses and cause material financial loss, regulatory actions, reputational harm or legal liability.

We may not be able to generate sufficient cash to service all of our indebtedness.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal of, and interest on, our indebtedness, including the \$120.0 million principal amount of senior unsecured notes issued to Mizuho Corporate Bank, Ltd. (“Mizuho”) due 2020 with a 5.20% coupon (the “Senior Notes”). If our cash flows and capital resources are insufficient to fund our debt service obligations, including the principal noted above and semi-annual interest payments of \$3.1 million and our contingent obligations to fund our redeemable noncontrolling interest of \$49.7 million as of December 31, 2012, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Senior Notes and other contractual commitments.

Risks Related to Our Investment Banking Business

A majority of our revenue is derived from advisory assignments for Investment Banking clients, which are not long-term contracted sources of revenue and are subject to intense competition, and declines in these engagements could have a material adverse effect on our financial condition and operating results.

We historically have earned a substantial portion of our revenue from fees paid to us by our Investment Banking clients for advisory services. These fees are typically payable upon the successful completion of a particular transaction or restructuring. Investment Banking services accounted for 88%, 82% and 80% of Net Revenues in 2012, 2011 and 2010, respectively, a substantial portion of which represents fees generated by our advisory group. We expect that we will continue to rely on Investment Banking fees from advisory services for a substantial portion of our revenue for the foreseeable future. Accordingly, a decline in our Investment Banking advisory engagements or the market for advisory services would adversely affect our business.

In addition, our Advisory professionals operate in a highly-competitive environment where typically there are no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately

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solicited, awarded and negotiated. In addition, many businesses do not routinely engage in transactions requiring our services. As a consequence, our fee-paying engagements with many clients are not likely to be predictable and high levels of revenue in one quarter are not necessarily predictive of continued high levels of revenue in future periods. We also lose clients each year as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and other causes. As a result, our advisory fees could decline materially due to such changes in the volume, nature and scope of our engagements.

A high percentage of our net revenue is derived from a small number of Investment Banking clients, and the termination of any one advisory engagement could reduce our revenue and harm our operating results.

Our top five Investment Banking clients accounted for 13%, 24% and 21% of Net Revenues in 2012, 2011 and 2010, respectively. The composition of the group comprising our largest Investment Banking clients varies significantly from year to year, and a relatively small number of clients may account for a significant portion of our Investment Banking Revenues. As a result, our operating results, financial condition and liquidity may be significantly affected by even one lost mandate or the failure of one advisory assignment to be completed, however, no clients accounted for more than 10% of our Net Revenues for the years ended December 31, 2012, 2011 and 2010.

We face strong competition from other financial advisory firms, many of which have the ability to offer clients a wider range of products and services than we can offer, which could cause us to fail to win advisory mandates and subject us to pricing pressures that could materially adversely affect our revenue and profitability.

The financial advisory industry is intensely competitive, and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our employees, transaction execution, our products and services, innovation, reputation and price. We have experienced intense competition over obtaining advisory mandates in recent years, and we may experience pricing pressures in our Investment Banking business in the future as some of our competitors seek to obtain increased market share by reducing fees.

We also face increased competition due to a trend toward consolidation. In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. This trend was amplified in connection with the unprecedented disruption and volatility in the financial markets during the past several years and, as a result, a number of financial services companies have merged, been acquired or have fundamentally changed their respective business models. Many of these firms may have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services in an effort to gain market share, which could result in pricing pressure in our businesses.

Our Institutional Equities business relies on non-affiliated third-party service providers.

Our Institutional Equities business has entered into service agreements with third-party service providers for client order management and the execution and settlement of client securities transactions. This business faces the risk of operational failure of any of our clearing agents, the exchanges, clearing houses or other intermediaries we use to facilitate our securities transactions. Our senior management and officers oversee and manage these relationships. Poor oversight and control or inferior performance or service on the part of the service provider could result in loss of customers and violations of applicable rules and regulations. Any such failure could adversely affect our ability to effect transactions and to manage our exposure to risk.

Underwriting and trading activities expose us to risks.

We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are

subject to liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite. In addition, through indemnification provisions in our agreement with our clearing organization, customer activities may expose us to off-balance-sheet credit risk. Securities may have to be purchased or sold at prevailing market prices in the event a customer fails to settle a trade on its original terms. We seek to manage the risks associated with customer trading activities through customer screening and trading procedures.

Risks Relating to Our Investment Management Business

The amount and mix of our AUM are subject to significant fluctuations.

The revenues and profitability of our Institutional Asset Management and Wealth Management businesses are derived from providing investment management and related services. The level of our revenues depends largely on the level and mix of AUM. Fluctuations in the amount and mix of our AUM may be attributable in part to market conditions outside of our control that have had, and in the future could have, a negative impact on our revenues and income. Any decrease in the value or amount of our AUM because of market volatility or other factors negatively impacts our revenues and income. We are subject to an increased risk of asset volatility from changes in the global financial and equity markets. Individual financial and equity markets may be adversely affected by economic, political, financial, or other instabilities that are particular to the country or regions in which a market is located, including without limitation local acts of terrorism, economic crises or other business, social or political crises. Declines in these markets have caused in the past, and may cause in the future, a decline in our revenues and income. Global economic conditions, exacerbated by war or terrorism or financial crises, changes in the equity market place, currency exchange rates, interest rates, inflation rates, the yield curve, and other factors that are difficult to predict affect the mix, market values and levels of our AUM. A decline in the price of stocks or bonds, or in particular market segments, or in the securities market generally, could cause the value and returns on our AUM to decline, resulting in a decline in our revenues and income. Moreover, changing market conditions may cause a shift in our asset mix between international and U.S. assets, potentially resulting in a decline in our revenue and income depending upon the nature of our AUM and the level of management fees we earn based on them. Additionally, changing market conditions may cause a shift in our asset mix towards fixed-income products and a related decline in our revenue and income, as in the U.S. we generally derive higher fee revenues and income from equity assets than from fixed-income products we manage.

If the investments we make on behalf of our funds and clients perform poorly, we will suffer a decline in our investment management revenue and earnings, and our Investment Management business may be adversely affected.

Revenue from our Institutional Asset Management and Wealth Management businesses is derived from fees earned for the management of client assets, generally based on the market value of AUM. Poor investment performance by these businesses, on an absolute basis or as compared to third-party benchmarks or competitors, could stimulate higher redemptions, thereby lowering AUM and reducing the fees we earn, even in periods when securities prices are generally rising. In addition, if the investments we make on behalf of our funds and clients perform poorly, it may be more difficult for us to attract new investors, launch new products or offer new services in our Institutional Asset Management or Wealth Management businesses. Furthermore, if the volatility in the U.S. and global markets cause a decline in the price of securities that constitutes a significant portion of our AUM, our clients could withdraw funds from, or be hesitant to invest in, our Investment Management business due to the uncertainty or volatility in the market or in favor of investments they perceive as offering greater opportunity or lower risk, which would also result in lower investment management revenue. In our Private Equity business, our revenues include management fees based on committed or invested capital and performance fees. If our private equity investments perform poorly, whether on a realized or unrealized basis, our revenues and earnings will suffer. Poor performance by our private equity investments may also make it more difficult for us to raise any new funds in the future, may result in such fundraising taking longer to complete than

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anticipated or may prevent us from raising such funds. In addition, to the extent that, over the life of the funds, we have received an amount of carried interest that exceeds a specified percentage of distributions made to the third-party investors in our funds, we may be obligated to repay the amount of this excess to the third-party investors.

Our Investment Management business' reliance on non-affiliated third-party service providers subjects the Company to operational risks.

We have entered into services agreements with third-party service providers for custodial services and trust and investment administration processing and reporting services. Our officers oversee and manage these relationships; however, poor oversight and control on our part or inferior performance or service on the part of the service providers could result in loss of customers, violation of applicable rules and regulations, including, but not limited to, privacy and anti-money laundering laws and otherwise adversely affect our business and operations.

Our agreements with the OCC require us to maintain and segregate certain assets, and our failure to comply with these agreements (including if we are required to access these assets for other purposes) could adversely affect us.

In connection with the organization of ETC, the OCC required the Company and Evercore LP to enter into a Capital and Liquidity Support Agreement, a Capital and Liquidity Maintenance Agreement and other related agreements (collectively, the "OCC Agreements"). The OCC Agreements require the Company's and Evercore LP's continuing obligation to provide ETC necessary capital and liquidity support in order to ensure that ETC continues to operate safely and soundly and in accordance with applicable laws and regulations. In particular, the OCC Agreements require that the Company and Evercore LP (1) maintain at least \$5 million 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 \$3.5 million or 90 days coverage of ETC's operating expenses and (3) provide at least \$10 million of certain collateral held in a segregated account at a third-party depository institution.

If we fail to comply with any of the OCC Agreements, we could become subject to civil money penalties, regulatory enforcement actions, payment of damages and, if the OCC deems it likely that we are unable to fulfill our obligations or breach the OCC Agreements, a forced disposition of ETC. The occurrence of any of these events or the disclosure that these events are probable or under consideration may cause reputational harm and erosion of client trust, due to a perception that we are unable to comply with applicable regulatory requirements, unable to successfully launch new initiatives and businesses, or that our reputation for integrity and high-caliber professional services is no longer valid, any of which could adversely affect our business and operations.

Valuation methodologies for certain assets in our private equity funds can be subject to significant subjectivity, and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds. In addition, certain of our redeemable noncontrolling interests are based on fair value estimates and assumptions which may significantly differ from the value if redeemed.

We have made principal investments in ECP II, Evercore Mexico Capital Partners II ("EMCP II"), Evercore Mexico Capital Partners III ("EMCP III"), Discovery Americas I L.P., CITIC Securities International Partners, LTD and Trilantic IV. These funds generally invest in relatively high-risk, illiquid assets. In addition, some of these investments are, or may in the future be, in industries or sectors which are unstable, in distress or undergoing some uncertainty. Such investments may be subject to rapid changes in value caused by sudden company-specific or industry-wide developments. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments. There are no regularly quoted market prices for a number of investments in our funds. The value of the investments of our funds is determined using fair value methodologies described in the funds' valuation policies, which may consider, among other things, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the

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investment and the trading price of recent sales of securities (in the case of publicly-traded securities), restrictions on transfer and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on estimates and assumptions specific to the particular investments. Therefore, the value of our investments does not necessarily reflect the prices that would actually be obtained by us on behalf of the fund when such investments are sold. Realizations at values significantly lower than the values at which investments have been reflected in fund values would result in losses for the applicable fund and the loss of potential incentive income and principal investments. We also have commitments related to our redeemable noncontrolling interests, which are initially recorded at fair value and may be subject to periodic adjustments as a result of a change in the estimated fair value of the associated capital interests. The methodologies we use in valuing these interests are based on estimates and assumptions specific to the particular commitment. Therefore, the value of our redeemable noncontrolling interest may not necessarily reflect the value that would actually be obtained by the noncontrolling interest holders when such capital interests are redeemed.

The limited partners of the private equity funds we manage may terminate their relationship with us at any time.

The limited partnership agreements of the funds we manage provide that the limited partners of each fund may terminate their relationship with us without cause with a simple majority vote of each fund's limited partners. If the limited partners of the funds we manage terminate their relationship with us, we would lose fees earned for our management of the funds and carried interest from those funds.

Risks Related to Our International Operations

A portion of our revenues are derived from our international operations, which are subject to certain risks.

In 2012, we earned 30% of our Total Revenues, excluding Other Revenue, from clients and private equity funds located outside of the United States. We intend to grow our non-U.S. business, and this growth is critical to our overall success. In addition, many of our larger clients for our Investment Banking business are non-U.S. entities seeking to enter into transactions involving U.S. businesses. Our international operations carry special financial and business risks, which could include the following:

- greater difficulties managing and staffing foreign operations;
- language and cultural differences;
- fluctuations in foreign currency exchange rates that could adversely affect our results;
- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- greater difficulties in collecting accounts receivable;
- longer transaction cycles;
- higher operating costs;
- adverse consequences or restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- less stable political and economic environments, including the sovereign debt crisis in Europe; and
- civil disturbances or other catastrophic events that reduce business activity.

If our international business increases relative to our total business, these factors could have a more pronounced effect on our operating results. See also “—Difficult market conditions may adversely affect our business in many ways, including reducing the volume of the transactions involving our Investment Banking

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business and reducing the value of the assets we manage in our Investment Management businesses, which, in each case, may materially reduce our revenue or income.”

Fluctuations in foreign currency exchange rates could adversely affect our results.

Because our financial statements are denominated in U.S. dollars and we receive a portion of our net revenue from continuing operations in other currencies, predominantly in Mexican pesos, Euros, British pounds, Brazilian real, Canadian dollars and Hong Kong dollars, we are exposed to fluctuations in foreign currencies. In addition, we pay certain of our expenses in such currencies. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact, respectively, to our financial results. Fluctuations in foreign currency exchange rates may also affect the levels of our AUM and, as a result, our investment advisory fees.

Adverse economic conditions and political events in Mexico may result in disruptions to our business operations and adversely affect our revenue.

Our Mexican company has all of its assets located in Mexico and most of its revenue derived from operations in Mexico. As a financial services firm, our businesses in Mexico are materially affected by Mexico’s financial markets and economic conditions. For example, for our ECB business, a lack of liquidity in Mexican government bonds could have a material adverse effect on ECB’s business. Historically, interest rates in Mexico have been volatile, particularly in times of economic unrest and uncertainty. Mexico has had, and may continue to have, high real and nominal interest rates. In addition, because the Mexican government exercises significant influence over many aspects of the Mexican economy, political events in Mexico, including a change in state and municipal political leadership, may result in disruptions to our business operations and adversely affect its revenue. Any action by the government, including changes in the regulation of Mexico’s financial sector, could have an adverse effect on the operations of our Mexican business, especially on its asset management business.

Our Mexican business derives a significant portion of its revenue from advisory contracts with state and local governments in Mexico. The term limit system in Mexico may prevent us from maintaining relationships with the same clients in the same political positions beyond these periods. After an election takes place, there is no guarantee that we will be able to remain as advisors of the new government, even if the new administration is of the same political party as the previous one.

The cost of compliance with international broker dealer, employment, labor, benefits and tax regulations may adversely affect our business and hamper our ability to expand internationally.

Since we operate our business both in the United States and internationally, we are subject to many distinct broker dealer, employment, labor, benefits and tax laws in each country in which we operate, including regulations affecting our employment practices and our relations with our employees and service providers. If we are required to comply with new regulations or new interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected or the cost of compliance may make it difficult to expand into new international markets. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or that favor or require local ownership.

Risks Related to Our Organizational Structure

We are required to pay some of our Senior Managing Directors for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we received in connection with exchanges of Evercore LP partnership units (“LP Units”) for shares and related transactions.

As of December 31, 2012, there were 7,238,915 vested and 1,441,218 unvested LP Units held by some of our Senior Managing Directors that may in the future be exchanged for shares of our Class A common stock. The exchanges may result in increases in the tax basis of the assets of Evercore LP that otherwise would not have been available. These increases in tax basis may reduce the amount of tax that we would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with some of our Senior Managing Directors that provides for the payment by us to these Senior Managing Directors of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Evercore LP attributable to our interest in Evercore LP, during the expected term of the tax receivable agreement, the payments that we may make to our Senior Managing Directors could be substantial.

Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, Senior Managing Directors who receive payments will not reimburse us for any payments that may previously have been made under the tax receivable agreement. As a result, in certain circumstances we could make payments to some of the Senior Managing Directors under the tax receivable agreement in excess of our cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

Our only material asset is our interest in Evercore LP, and we are accordingly dependent upon distributions from Evercore LP to pay dividends and taxes and other expenses.

The Company is a holding company and has no material assets other than its ownership of partnership units in Evercore LP. The Company has no independent means of generating revenue. We intend to cause Evercore LP to make distributions to its partners in an amount sufficient to cover all applicable taxes payable, other expenses and dividends, if any, declared by us.

Payments of dividends, if any, will be at the sole discretion of the Company’s board of directors after taking into account various factors, including:

- economic and business conditions;
- our financial condition and operating results;
- our available cash and current and anticipated cash needs;
- our capital requirements;
- applicable contractual, legal, tax and regulatory restrictions;
- implications of the payment of dividends by us to our stockholders or by our subsidiaries (including Evercore LP) to us; and
- such other factors as our board of directors may deem relevant.

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In addition, Evercore LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Evercore LP (with certain exceptions) exceed the fair value of its assets. Furthermore, certain subsidiaries of Evercore LP may be subject to similar legal limitations on their ability to make distributions to Evercore LP. Moreover, our regulated subsidiaries may be subject to regulatory capital requirements that limit the distributions that may be made by those subsidiaries.

Deterioration in the financial condition, earnings or cash flow of Evercore LP and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that the Company requires funds and Evercore LP is restricted from making such distributions under applicable law or regulation or under the terms of financing arrangements, or is otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected.

As of December 31, 2012, Evercore LP and its consolidated subsidiaries had approximately \$190.0 million in cash and cash equivalents available for distribution without prior regulatory approval.

If Evercore Partners Inc. were deemed an “investment company” under the 1940 Act as a result of its ownership of Evercore LP, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

If Evercore Partners Inc. were to cease participation in the management of Evercore LP, its interest in Evercore LP could be deemed an “investment security” for purposes of the 1940 Act. Generally, a person is deemed to be an “investment company” if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. Evercore Partners Inc. will have no material assets other than its equity interest in Evercore LP. A determination that this interest was an investment security could result in Evercore Partners Inc. being an investment company under the 1940 Act and becoming subject to the registration and other requirements of the 1940 Act.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operations of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. We intend to conduct our operations so that Evercore Partners Inc. will not be deemed to be an investment company under the 1940 Act. However, if anything were to happen which would cause Evercore Partners Inc. to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among Evercore Partners Inc., Evercore LP or our Senior Managing Directors, or any combination thereof and materially adversely affect our business, financial condition and results of operations.

Certain of our affiliates operate with relative autonomy, which limits our ability to alter their management practices and policies.

Although we are represented on the management committees of G5, ABS and Pan, we are not able to exercise significant operational control over these affiliates and are not directly involved in managing their day-to-day activities, including investment management policies and procedures, fee levels, marketing and product development and client relationships. Moreover, the founders of these affiliates have certain protective and participating rights, including the ability to block certain major corporate actions and approval of the annual budget and compensation arrangements. In addition, while we control the management committee of Atalanta Sosnoff, responsibility for its day-to-day operations is vested with the management of Atalanta Sosnoff, including managing client relationships and making discretionary investment decisions. As a consequence, our reputation, financial condition and results of operations may be adversely affected by problems arising from the

day-to-day operations of one of these businesses, or from other matters regarding one of these businesses over which we cannot exercise control. Future acquisitions of, and investments in, investment management or investment banking businesses may be structured in a similar manner.

Risks Related to Our Class A Common Stock

Our Senior Managing Directors control a significant portion of the voting power in Evercore Partners Inc., which may give rise to conflicts of interests.

Our Senior Managing Directors own shares of our Class A common stock and our Class B common stock. Our certificate of incorporation provides that the holders of the shares of our Class B common stock are entitled to a number of votes that is determined pursuant to a formula that relates to the number of LP Units held by such holders. Each holder of Class B common stock is entitled, without regard to the number of shares of Class B common stock held by such holder, to one vote for each partnership unit in Evercore LP held by such holder. Our Senior Managing Directors, and certain trusts benefiting their families, collectively have 20% of the voting power in Evercore Partners Inc. As a result, our Senior Managing Directors have the ability to exercise significant influence over the election of the members of our board of directors and, therefore, significant influence over our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends. In addition, they are able to exercise significant influence over the outcome of all matters requiring stockholder approval. This concentration of ownership could deprive our Class A stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Our share price may decline due to the large number of shares eligible for future sale and for exchange.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

On August 21, 2008, we entered into a Purchase Agreement with Mizuho pursuant to which Mizuho purchased from us Senior Notes along with warrants to purchase 5,454,545 shares of Evercore Class A common stock at \$22.00 per share (the "Warrants") expiring in 2020.

At December 31, 2012, we had a total of 29,576,986 shares of our Class A common stock outstanding. In addition, our Senior Managing Directors own an aggregate of 8,680,133 partnership units in Evercore LP, of which 7,238,915 partnership units were fully vested and 1,441,218 partnership units were unvested. Our amended and restated certificate of incorporation allows the exchange of partnership units in Evercore LP (other than those held by us) for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. The shares of Class A common stock issuable upon exchange of the partnership units that are held by our Senior Managing Directors are eligible for resale from time to time, subject to certain contractual and Securities Act restrictions. Also, as of December 31, 2012, 7,084,800 restricted stock units ("RSUs") issued pursuant to the Evercore Partners Inc. 2006 Stock Incentive Plan were outstanding. Of these RSUs, 542,221 were fully vested and 6,542,579 were unvested. We also had 1,718,730 restricted shares of Class A common stock outstanding at December 31, 2012 as partial consideration for the Lexicon acquisition.

Some of our Senior Managing Directors are parties to registration rights agreements with us. Under these agreements, these persons have the ability to cause us to register the shares of our Class A common stock they could acquire.

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The market price of our Class A common stock may be volatile, which could cause the value of our Class A common stock to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our Class A common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our Class A common stock could decrease significantly.

Anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our certificate of incorporation and by-laws may delay or prevent a merger or acquisition that a stockholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock, requiring advance notice for stockholder proposals and nominations and placing limitations on convening stockholder meetings. In addition, we are subject to provisions of the Delaware General Corporation Law that restrict certain business combinations with interested stockholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Our principal offices are located in leased office space at 55 East 52nd Street, New York, New York, at Blvd. Manuel A. Camacho 36-22, Col. Lomas de Chapultepec in Mexico City, Mexico and at 15 Stanhope Gate in London, UK. We do not own any real property.

Item 3. Legal Proceedings

General

In the normal course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, Mexican, United Kingdom, Hong Kong, Canadian and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of 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 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 proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company. Legal reserves are established in accordance with Accounting Standards Codification ("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.

Item 4. Mine Safety Disclosures

Not applicable

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Price Range of Evercore Class A Common Stock**

Our Class A common stock is listed on the NYSE and is traded under the symbol "EVR." At the close of business on February 19, 2013, there were 17 Class A common stockholders of record.

The following table sets forth for the periods indicated the high and low reported intra-day sale prices per share for the Class A common stock, as reported on the NYSE:

	2012		2011	
	High	Low	High	Low
First Quarter	\$30.09	\$25.80	\$35.87	\$30.17
Second Quarter	\$29.15	\$21.50	\$37.26	\$32.05
Third Quarter	\$28.82	\$20.57	\$33.88	\$19.96
Fourth Quarter	\$30.21	\$25.26	\$29.33	\$20.29

There is no trading market for the Evercore Partners Inc. Class B common stock. As of February 19, 2013, there were 42 holders of record of the Class B common stock.

Dividend Policy

The Company paid quarterly cash dividends of \$0.22 per share of Class A common stock for the quarter ended December 31, 2012, \$0.20 per share for the quarters ended September 30, 2012, June 30, 2012, March 31, 2012 and December 31, 2011, and \$0.18 per share of Class A common stock for the quarters ended September 30, 2011, June 30, 2011 and March 31, 2011.

We pay dividend equivalents, in the form of unvested RSU awards, concurrently with the payment of dividends to the holders of Class A common shares, on all unvested RSU grants awarded in conjunction with annual bonuses and new hire awards as well as awards issued in conjunction with the acquisition of Lexicon. The dividend equivalents have the same vesting and delivery terms as the underlying RSU award.

The declaration and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors will take into account: general economic and business conditions; our financial condition and operating results; our available cash and current and anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries (including Evercore LP) to us; and such other factors as our board of directors may deem relevant.

We are a holding company and have no material assets other than our ownership of partnership units in Evercore LP. We intend to cause Evercore LP to make distributions to us in an amount sufficient to cover dividends, if any, declared by us. If Evercore LP makes such distributions, the limited partners of Evercore LP will be entitled to receive equivalent distributions from Evercore LP on their vested partnership units.

Recent Sales of Unregistered Securities

None

Share Repurchases for the period October 1, 2012 through December 31, 2012

<u>2012</u>	<u>Total Number of Shares (or Units) Purchased(1)</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(2)(3)</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(2)(3)</u>
October 1 to October 31	24,539	\$ 27.53	—	5,115,500
November 1 to November 30	3,417	27.07	—	5,115,500
December 1 to December 31	29,087	27.56	—	5,115,500
Total	<u>57,043</u>	<u>\$ 27.51</u>	<u>—</u>	<u>5,115,500</u>

- (1) These include treasury transactions arising from net settlement of equity awards to satisfy minimum tax obligations.
- (2) In October 2010, Evercore's Board authorized the repurchase of up to 2 million shares of Evercore Class A Common Stock and/or LP Units for up to \$85.0 million. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at any time and does not have a specified expiration date.
- (3) In October 2012, Evercore's Board authorized the repurchase of up to an additional 5 million shares of Evercore Class A Common Stock and/or LP Units for up to \$125.0 million. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual number of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at any time and does not have a specified expiration date.

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Item 6. Selected Financial Data

The following table sets forth the historical selected financial data for the Company for all periods presented. For more information on our historical financial information, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8 “Financial Statements and Supplementary Data.” During 2012, certain balances for prior periods were reclassified to conform to their current presentation. The amounts below include a correction reflecting the reclassification of Net Income (Loss) Attributable to Noncontrolling Interest related to Evercore Asset Management L.L.C. (“EAM”) from Discontinued Operations to Net Income Attributable to Noncontrolling Interest, below Net Income on the Consolidated Statements of Operations. Refer to Note 2 to our consolidated financial statements for additional information.

	2012	2011	2010	2009	2008
	(dollars in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA					
Revenues					
Investment Banking Revenue	\$ 568,238	\$ 430,597	\$301,931	\$293,311	\$181,608
Investment Management Revenue	79,790	99,161	74,610	21,164	9,811
Other Revenue	9,646	13,897	22,205	22,211	33,885
Total Revenues	657,674	543,655	398,746	336,686	225,304
Interest Expense	15,301	19,391	22,841	24,269	30,278
Net Revenues	642,373	524,264	375,905	312,417	195,026
Expenses					
Operating Expenses	523,386	427,155	316,016	256,632	188,975
Other Expenses	53,452	61,297	23,029	32,337	15,064
Total Expenses	576,838	488,452	339,045	288,969	204,039
Income (Loss) before Income (Loss) from Equity Method Investments and Income Taxes					
Income (Loss) before Income (Loss) from Equity Method Investments	65,535	35,812	36,860	23,448	(9,013)
Income (Loss) from Equity Method Investments	4,852	919	(557)	(1,406)	(371)
Income (Loss) before Income Taxes	70,387	36,731	36,303	22,042	(9,384)
Provision for Income Taxes	30,908	22,724	16,177	19,679	179
Net Income (Loss) from Continuing Operations	39,479	14,007	20,126	2,363	(9,563)
Net Income (Loss) from Discontinued Operations	—	(3,476)	(2,321)	(2,117)	—
Net Income (Loss)	39,479	10,531	17,805	246	(9,563)
Net Income (Loss) Attributable to Noncontrolling Interest	10,590	3,579	8,851	1,816	(4,850)
Net Income (Loss) Attributable to Evercore Partners Inc.	\$ 28,889	\$ 6,952	\$ 8,954	\$ (1,570)	\$ (4,713)
Dividends Declared per Share	\$ 0.82	\$ 0.74	\$ 0.63	\$ 0.51	\$ 0.48
Diluted Net Income (Loss) per Share					
Attributable to Evercore Partners Inc.					
Common Shareholders:					
From Continuing Operations	\$ 0.89	\$ 0.27	\$ 0.41	\$ (0.07)	\$ (0.36)
From Discontinued Operations	—	(0.04)	(0.02)	(0.03)	—
Net Income (Loss) Attributable to Evercore Partners Inc.	\$ 0.89	\$ 0.23	\$ 0.39	\$ (0.10)	\$ (0.36)
STATEMENT OF FINANCIAL CONDITION DATA					
Total Assets	\$1,145,218	\$1,043,592	\$898,085	\$891,160	\$738,940
Long-term Liabilities	\$ 283,836	\$ 252,602	\$218,465	\$179,113	\$141,980
Total Long-term Debt	\$ 101,375	\$ 99,664	\$ 98,082	\$ 96,618	\$ 95,263
Total Liabilities	\$ 604,742	\$ 555,499	\$505,438	\$595,404	\$507,355
Noncontrolling Interest	\$ 111,970	\$ 80,429	\$ 91,948	\$ 29,361	\$ 15,978
Total Equity	\$ 490,749	\$ 465,826	\$367,241	\$295,756	\$231,585

Item 7. 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 consolidated financial statements and the related notes included elsewhere in this Form 10-K.

Key Financial Measures

Revenue

Total revenues reflect revenues from our Investment Banking and Investment Management business segments that include fees for services, transaction-related client reimbursements plus other revenue. Net revenues reflect total revenues less interest expense related to repurchase agreements and the Senior Notes.

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 from underwriting and private placement activities, as well as commissions from our sales and trading activities. 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 consists of 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. Underwriting revenues are recognized when the offering has been deemed to be completed, placement fees are generally recognized at the time of the client’s acceptance of capital or capital commitments and commissions are recorded on a trade-date basis or, in the case of payments under commission sharing arrangements, on the date earned.

Revenue trends in our advisory 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.

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 for third party clients generally represent a percentage of AUM. Fiduciary and consulting fees, which are generally a function of the size and complexity of each engagement, 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

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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 Consolidated Statements of Operations on the later of the date an engagement letter is executed or the date we pay or accrue the expense.

Other Revenue and Interest Expense. Other Revenue and Interest Expense is derived primarily from investing customer funds in financing transactions. 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. Other Revenue includes income earned on marketable securities, cash and cash equivalents and assets segregated for regulatory purposes. Interest Expense includes interest expense associated with the Senior Notes.

Operating Expenses

Employee Compensation and Benefits Expense. We include all payments for services rendered by our employees, 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, deferred cash and equity bonus awards and benefits programs and manage compensation to estimates of competitive levels based on market conditions and performance. 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 professionals, including related grants of equity awards which are generally valued at their grant date.

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

Our annual compensation program includes share-based compensation awards and deferred cash awards as a component of the annual bonus awards for certain employees. These awards are generally subject to annual vesting requirements over a four-year period beginning at the date of grant, which occurs in the first quarter of each year; accordingly, the expense is generally amortized over the stated vesting period. With respect to the annual awards granted in February 2012 and thereafter, the Company adopted new retirement eligibility criteria, which stipulates that if an employee has at least five years of continuous service, is at least 55 years of age and has a combined age and years of service of at least 65 years, the employee is eligible for retirement (prior year's awards required combined years of service and age of at least 70 years). Retirement eligibility allows for continued vesting of awards after employees depart from the Company, provided they give the minimum advance notice, which is generally one year. As a consequence of these changes, a greater number of employees will become retirement eligible and the related requisite service period over which we will expense these awards will be shorter than the stated 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 technology services, depreciation and amortization, acquisition and transition costs and other operating expenses. We refer to all of these expenses as non-compensation expenses.

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Other Expenses

Other Expenses include: a) amortization costs associated with the modification and vesting of LP Units and certain other awards, b) charges associated with the vesting of Event-based Awards, c) the amortization of intangible assets associated with certain acquisitions, d) compensation charges associated with deferred consideration, retention awards and related compensation for Lexicon employees and e) special charges related to the Lexicon acquisition, including the exiting of facilities for office space in the UK, an introducing fee as well as other professional fees incurred by Lexicon.

Income from Equity Method Investments

Our share of the income (loss) from our equity interests in G5, ABS and Pan are included within Income (Loss) from Equity Method Investments, as a component of Income Before Income Taxes, on the Consolidated Statements of Operations.

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.

Discontinued Operations

In October 2011, EAM announced its plan to wind down its business. EAM's management and the Company made this decision because EAM was unable to attain sufficient scale to be a viable business due to several factors, including the ongoing effects of the financial crisis. The wind down of EAM's business was completed by December 31, 2011. Accordingly, the historical results of EAM have been included within Discontinued Operations on the Consolidated Statements of Operations.

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 our operating subsidiaries not owned by Evercore. As described in Note 15 to our consolidated financial statements herein, Evercore Partners Inc. is the sole general partner of Evercore LP and has a majority economic interest in Evercore LP. As a result, Evercore Partners Inc. consolidates Evercore LP and records a noncontrolling interest for the economic interest in Evercore LP held by the limited partners.

We generally allocate net income or 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 to which the noncontrolling interest relates. In circumstances where the governing documents of the entity to which the noncontrolling interest relates require special allocations of profits or 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.

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Results of Operations

The following is a discussion of our results from continuing operations for the years ended December 31, 2012, 2011 and 2010. 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.

	For the Years Ended December 31,			Change	
	2012	2011	2010	2012 v. 2011	2011 v. 2010
(dollars in thousands, except per share data)					
Revenues					
Investment Banking Revenue	\$568,238	\$430,597	\$301,931	32%	43%
Investment Management Revenue	79,790	99,161	74,610	(20%)	33%
Other Revenue	9,646	13,897	22,205	(31%)	(37%)
Total Revenues	657,674	543,655	398,746	21%	36%
Interest Expense	15,301	19,391	22,841	(21%)	(15%)
Net Revenues	642,373	524,264	375,905	23%	39%
Expenses					
Operating Expenses	523,386	427,155	316,016	23%	35%
Other Expenses	53,452	61,297	23,029	(13%)	166%
Total Expenses	576,838	488,452	339,045	18%	44%
Income Before Income from Equity Method Investments and Income Taxes					
Income (Loss) from Equity Method Investments	4,852	919	(557)	428%	NM
Income Before Income Taxes	70,387	36,731	36,303	92%	1%
Provision for Income Taxes	30,908	22,724	16,177	36%	40%
Net Income from Continuing Operations	39,479	14,007	20,126	182%	(30%)
Discontinued Operations					
Income (Loss) from Discontinued Operations	—	(4,198)	(2,618)	NM	(60%)
Provision (Benefit) for Income Taxes	—	(722)	(297)	NM	(143%)
Net Income (Loss) from Discontinued Operations	—	(3,476)	(2,321)	NM	(50%)
Net Income	39,479	10,531	17,805	275%	(41%)
Net Income Attributable to Noncontrolling Interest	10,590	3,579	8,851	196%	(60%)
Net Income Attributable to Evercore Partners Inc.	\$ 28,889	\$ 6,952	\$ 8,954	316%	(22%)
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:					
From Continuing Operations	\$ 0.89	\$ 0.27	\$ 0.41	230%	(34%)
From Discontinued Operations	—	(0.04)	(0.02)	NM	(100%)
Net Income Attributable to Evercore Partners Inc.	\$ 0.89	\$ 0.23	\$ 0.39	287%	(41%)

The amounts above include a correction reflecting the reclassification of Net Income (Loss) Attributable to Noncontrolling Interest related to EAM from Discontinued Operations to Net Income Attributable to Noncontrolling Interest, below Net Income on the Consolidated Statements of Operations. Refer to Note 2 to our consolidated financial statements for additional information.

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2012 versus 2011

Net revenues were \$642.4 million in 2012, an increase of \$118.1 million, or 23%, versus net revenues of \$524.3 million in 2011. Investment Banking Revenue increased 32% and Investment Management Revenue decreased 20% compared to 2011. See the segment discussion below for further information. Net revenues include interest expense on our Senior Notes.

Total Operating Expenses were \$523.4 million in 2012 as compared to \$427.2 million in 2011, a 23% increase. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$381.5 million in 2012, an increase of \$73.5 million, or 24%, versus expense of \$308.0 million in 2011. The increase was primarily due to increased compensation costs resulting from the expansion of existing businesses and our new businesses, higher costs associated with employee separation arrangements and higher share-based compensation costs, including costs associated with the revised retirement eligibility criteria, offset, in part, by a reduction in discretionary incentive compensation associated with decreased profitability in our Investment Management business. Non-compensation expenses as a component of Operating Expenses were \$141.8 million in 2012, an increase of \$22.6 million, or 19%, over non-compensation operating expenses of \$119.2 million in 2011. Non-compensation operating expenses increased compared to 2011 primarily as a result of the expansion of our new and existing businesses, including the integration of Lexicon, as well as higher occupancy costs.

Total Other Expenses of \$53.5 million in 2012 related to compensation costs associated with the vesting of LP Units and certain other awards of \$20.9 million, acquisition related compensation costs of \$28.2 million, special charges of \$0.7 million and amortization of intangibles of \$3.7 million. Total Other Expenses of \$61.3 million in 2011 related to compensation costs associated with the vesting of LP Units and certain other awards of \$24.2 million, charges related to the vesting of Event-based Awards of \$11.4 million, acquisition related compensation costs of \$14.6 million, special charges of \$3.9 million and amortization of intangibles of \$7.2 million.

As a result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues was 67% for the year ended December 31, 2012, compared to 68% for the year ended December 31, 2011.

The provision for income taxes in 2012 was \$30.9 million, which reflected an effective tax rate of 44%. The provision was impacted by the vesting of LP Units and certain other awards, which are not deductible for income tax purposes, as well as the noncontrolling interest associated with LP Units. The provision for income taxes in 2011 was \$22.7 million, which reflected an effective tax rate of 62%. The provision was impacted by the vesting of LP Units and certain other awards, as well as the noncontrolling interest associated with LP Units. The effective tax rate for 2012 was lower than 2011 primarily due to a higher level of foreign sourced income, which lowers the state and local taxes in the U.S., and the release of tax reserves and valuation allowances for certain deferred tax assets in 2012.

Income (loss) from equity method investments was \$4.9 million for 2012, as compared to \$0.9 million for 2011. The increase was primarily a result of income from our investment in ABS, which the Company made in the fourth quarter of 2011.

Noncontrolling interest was \$10.6 million in 2012 compared to \$3.6 million for 2011 (which includes noncontrolling interest from discontinued operations of (\$2.5) million).

2011 versus 2010

Net revenues were \$524.3 million in 2011, an increase of \$148.4 million, or 39%, versus net revenues of \$375.9 million in 2010. Investment Banking Revenue and Investment Management Revenue increased 43% and 33%, respectively, compared to 2010. See the segment discussion below for further information. Net revenues include interest expense on our Senior Notes.

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Total Operating Expenses were \$427.2 million in 2011 as compared to \$316.0 million in 2010, a 35% increase. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$308.0 million in 2011, an increase of \$81.1 million, or 36%, versus expense of \$226.9 million in 2010. The increase was primarily due to increased compensation costs resulting from the expansion of existing businesses and our new businesses, some of which were not in operation during all of 2010. Non-compensation expenses as a component of Operating Expenses were \$119.2 million in 2011, an increase of \$30.1 million, or 34%, over non-compensation operating expenses of \$89.1 million in 2010. Non-compensation operating expenses increased compared to 2010 primarily as a result of the expansion of our new and existing businesses, as well as additional costs from our acquisition of Lexicon.

Total Other Expenses of \$61.3 million in 2011 related to compensation costs associated with the vesting of LP Units and certain other awards of \$24.2 million, charges related to the vesting of Event-based Awards of \$11.4 million, acquisition related compensation costs of \$14.6 million, special charges of \$3.9 million and amortization of intangibles of \$7.2 million. Total Other Expenses of \$23.0 million in 2010 related to compensation costs associated with the vesting of LP Units and certain other awards of \$20.8 million and amortization of intangibles of \$2.2 million.

Employee Compensation and Benefits Expense as a percentage of Net Revenues was 68% for the year ended December 31, 2011, compared to 66% for the year ended December 31, 2010. The increase was primarily attributable to increased compensation expense associated with the amortization of unvested LP Units and certain other awards, the effect of new businesses as well as additional costs from our acquisition of Lexicon, offset by higher revenues. Employee Compensation and Benefits Expense was also impacted by the vesting of Event-based Awards, which occurred in conjunction with our offering during the second quarter of 2011.

The provision for income taxes in 2011 was \$22.7 million, which reflected an effective tax rate of 62%. The provision was impacted by the vesting of LP Units and certain other awards, which are not deductible for income tax purposes, as well as the noncontrolling interest associated with LP Units. The provision for income taxes in 2010 was \$16.2 million, which reflected an effective tax rate of 45%. The 2010 provision was impacted by the non-deductible compensation expense associated with the vesting of LP Units and certain other awards, as well as losses in certain foreign jurisdictions for which no foreign income tax benefits are anticipated.

Income (loss) from equity method investments was \$0.9 million for 2011, as compared to (\$0.6) million for 2010. The increase was primarily due to our investment in G5, which the Company made in the fourth quarter of 2010.

Noncontrolling interest was \$3.6 million in 2011 (which includes noncontrolling interest from discontinued operations of (\$2.5) million) compared to \$8.9 million for 2010 (which includes noncontrolling interest from discontinued operations of (\$1.8) million).

Impairment of Assets

At November 30, 2012, in accordance with ASC 350, "*Goodwill and Other Intangible Assets*", we performed our annual Goodwill impairment assessment. We concluded that the fair value of our reporting units substantially exceeded their carrying values, with the exception of our Institutional Asset Management reporting unit, which exceeded its carrying value by 11%. The amount of Goodwill allocated to the Institutional Asset Management reporting unit was \$94.7 million as of November 30, 2012, of which a portion is related to noncontrolling interest. In determining the fair value of this reporting unit, we utilized both a market multiple approach and a discounted cash flow methodology based on the adjusted cash flows from operations. The market multiple approach included applying the average earnings multiples of comparable public companies, multiplied by the forecasted earnings of the reporting unit, to yield an estimate of fair value. The discounted cash flow methodology began with the forecasted cash flows of the reporting unit and applied a discount rate of 15%, which reflected the weighted average cost of capital adjusted for the risks inherent in the future cash flows. The

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forecast inherent in the valuation assumes a stabilization of AUM by the end of 2012, with AUM beginning to increase in the first half of 2013 and, over the longer term, assumes a compound annual growth rate in revenues of 10% from the trailing twelve month period ended November 30, 2012. We used our best judgment and the information available to us at the time to perform this valuation. Because assumptions and estimates are used in projecting future earnings as part of the valuation, actual results could differ. We estimate that an assumed 14% decrease in forecasted AUM and related revenue throughout the entire forecasted period, would result in the fair value of the Institutional Asset Management reporting unit to be below its book value. Deterioration in these assumptions, including a period of sustained decline in the equity markets, would cause the estimated fair value of the reporting unit to decline, which may result in an impairment charge to earnings in a future period related to some portion of the associated goodwill. If a charge for impairment of goodwill in the Institutional Asset Management reporting unit were required in a future period, it would be allocated, in part, to noncontrolling interest.

In addition, during the second quarter of 2012, we determined that our Institutional Asset Management operating segment met the criteria for a Step 1 impairment assessment as required by ASC 350 and ASC 360, "Accounting for the Impairment or Disposal of Long-Lived Assets", for the client-related intangible assets of Atalanta Sosnoff and the goodwill for its Institutional Asset Management reporting unit as of June 30, 2012. As of June 30, 2012, we concluded that the fair value of our Institutional Asset Management reporting unit exceeded its carrying value and the undiscounted future cash flows of the intangible assets exceeded their carrying amount.

Business Segments

The following data presents revenue, expenses and contributions by business segment.

Investment Banking

The following table summarizes the operating results of the Investment Banking segment.

	For the Years Ended December 31,			Change	
	2012	2011	2010	2012 v. 2011	2011 v. 2010
	(dollars in thousands)				
Revenues					
Investment Banking Revenue(1)	\$568,238	\$430,597	\$301,931	32%	43%
Other Revenue, net(2)	(3,019)	(2,473)	(84)	(22%)	NM
Net Revenues	<u>565,219</u>	<u>428,124</u>	<u>301,847</u>	32%	42%
Expenses					
Operating Expenses	444,510	337,886	240,312	32%	41%
Other Expenses	50,774	55,591	19,408	(9%)	186%
Total Expenses	<u>495,284</u>	<u>393,477</u>	<u>259,720</u>	26%	52%
Operating Income(3)	69,935	34,647	42,127	102%	(18%)
Income from Equity Method Investments	2,258	1,101	16	105%	NM
Pre-Tax Income	<u>\$ 72,193</u>	<u>\$ 35,748</u>	<u>\$ 42,143</u>	102%	(15%)

- (1) Includes client related expenses of \$15.8 million, \$12.0 million and \$9.9 million for the years ended December 31, 2012, 2011 and 2010, respectively.
- (2) Includes interest expense on the Senior Notes of \$4.3 million, \$4.2 million and \$4.2 million for the years ended December 31, 2012, 2011 and 2010, respectively.
- (3) Includes Noncontrolling interest of (\$1.7) million, (\$5.6) million and (\$4.7) million for the years ended December 31, 2012, 2011 and 2010, respectively.

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For 2012, the level of North American and Global announced M&A activity was marginally higher versus 2011, and the level of North American and Global completed M&A activity was lower versus 2011 as evidenced by the following industry statistics regarding the volume of transactions:

	For the Years Ended December 31,			Change	
	2012	2011	2010	2012 v. 2011	2011 v. 2010
Industry Statistics (\$ in billions)*					
Value of North American M&A Deals Announced	\$ 1,049	\$ 1,043	\$ 876	1%	19%
Value of North American M&A Deals Completed	\$ 973	\$ 978	\$ 779	(1%)	26%
Value of Global M&A Deals Announced	\$ 2,534	\$ 2,486	\$ 2,370	2%	5%
Value of Global M&A Deals Completed	\$ 2,007	\$ 2,375	\$ 1,963	(15%)	21%
Evercore Statistics**					
Total Number of Fee Paying Advisory Clients	324	245	183	32%	34%
Investment Banking Fees of at Least \$1 million from Advisory Clients	125	94	62	33%	52%

* Source: Thomson Reuters January 2, 2013

** Includes revenue generating clients only

Investment Banking Results of Operations

2012 versus 2011

Net Investment Banking Revenues were \$565.2 million in 2012 compared to \$428.1 million in 2011, which represented an increase of 32%. Investment Banking Revenues for 2012 included \$21.5 million and \$17.0 million of commissions and underwriting revenues, respectively, compared to \$14.9 million and \$8.8 million, respectively, for 2011. We earned advisory fees from 324 clients and fees in excess of \$1.0 million from 125 transactions in 2012, compared to advisory fees from 245 clients and fees in excess of \$1.0 million from 94 transactions in 2011. The increase in revenues from 2011 reflects the integration of Lexicon for the full year 2012 following the acquisition in August 2011. Also contributing to the increase in revenues for 2012 was the expansion of our existing businesses, including the addition of Senior Managing Directors.

Operating Expenses were \$444.5 million in 2012, as compared to \$337.9 million in 2011, an increase of \$106.6 million, or 32%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$331.8 million in 2012, as compared to \$249.7 million in 2011, an increase of \$82.1 million, or 33%. The increase was due to compensation costs resulting primarily from increased headcount in our advisory business, including growth relating to the acquisition of Lexicon, higher costs associated with employee separation arrangements and higher share-based compensation costs, including costs associated with the revised retirement eligibility criteria. Non-compensation expenses, as a component of Operating Expenses, were \$112.7 million in 2012, as compared to \$88.2 million in 2011, an increase of \$24.5 million, or 28%. Non-compensation operating expenses increased from the prior year primarily driven by growth in the business, as well as additional costs from our acquisition of Lexicon and higher occupancy costs. The increase in Investment Banking headcount has also led directly and indirectly to cost increases relating to occupancy, travel, professional and regulatory fees.

Other Expenses of \$50.8 million in 2012 included compensation costs associated with the vesting of LP Units and certain other awards of \$18.6 million, acquisition related compensation charges of \$28.2 million, special charges of \$0.7 million and amortization of intangibles of \$3.3 million. Other Expenses of \$55.6 million in 2011 included compensation costs associated with the vesting of LP Units and certain other awards of \$21.3 million, charges related to the vesting of Event-based awards of \$8.9 million, acquisition related compensation charges of \$14.6 million, special charges of \$3.9 million and amortization of intangibles of \$6.8 million.

2011 versus 2010

Net Investment Banking Revenues were \$428.1 million in 2011 compared to \$301.8 million in 2010, which represented an increase of 42%. Investment Banking Revenues for 2011 included \$14.9 million and \$8.8 million

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of commissions and underwriting revenues, respectively. We earned advisory fees from 245 clients and fees in excess of \$1.0 million from 94 transactions in 2011, compared to advisory fees from 183 clients and fees in excess of \$1.0 million from 62 transactions in 2010. The increase in revenues from 2010 reflects our acquisition of Lexicon in August 2011. Also contributing to the increase in revenues for 2011 was the expansion of our existing businesses and our new businesses and increased deal activity.

Operating Expenses were \$337.9 million in 2011, as compared to \$240.3 million in 2010, an increase of \$97.6 million, or 41%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$249.7 million in 2011, as compared to \$178.4 million in 2010, an increase of \$71.4 million, or 40%. The increase was due to compensation costs resulting primarily from our new businesses, as well as increased headcount in our advisory business and the inclusion of Lexicon professionals. Non-compensation expenses, as a component of Operating Expenses, were \$88.2 million in 2011, as compared to \$61.9 million in 2010, an increase of \$26.2 million, or 42%. Non-compensation operating expenses increased from the prior year primarily driven by growth in the business and higher deal-related activity levels, as well as acquisition costs associated with Lexicon. The increase in Investment Banking headcount has led directly and indirectly to cost increases relating to occupancy, travel, and professional and regulatory fees.

Other Expenses of \$55.6 million in 2011 included compensation costs associated with the vesting of LP Units and certain other awards of \$21.3 million, charges related to the vesting of Event-based awards of \$8.9 million, acquisition related compensation charges of \$14.6 million, special charges of \$3.9 million and amortization of intangibles of \$6.8 million. Other Expenses of \$19.4 million in 2010 included compensation costs associated with the vesting of LP Units and certain other awards of \$17.5 million and amortization of intangibles of \$1.9 million.

Investment Management

The following table summarizes the operating results of the Investment Management segment.

	For the Years Ended December 31,			Change	
	2012	2011	2010	2012 v. 2011	2011 v. 2010
	(dollars in thousands)				
Revenues					
Investment Advisory and Management Fees:					
Wealth Management	\$19,823	\$15,296	\$ 9,826	30%	56%
Institutional Asset Management	47,910	65,810	48,694	(27%)	35%
Private Equity	7,798	7,558	8,396	3%	(10%)
Total Investment Advisory and Management Fees	<u>75,531</u>	<u>88,664</u>	<u>66,916</u>	(15%)	33%
Realized and Unrealized Gains (Losses):					
Institutional Asset Management	4,465	4,297	5,546	4%	(23%)
Private Equity	(206)	6,200	2,148	NM	189%
Total Realized and Unrealized Gains	<u>4,259</u>	<u>10,497</u>	<u>7,694</u>	(59%)	36%
Investment Management Revenue(1)	79,790	99,161	74,610	(20%)	33%
Other Revenue, net(2)	(2,636)	(3,021)	(552)	13%	(447%)
Net Investment Management Revenues	<u>77,154</u>	<u>96,140</u>	<u>74,058</u>	(20%)	30%
Expenses					
Operating Expenses	78,876	89,269	75,704	(12%)	18%
Other Expenses	2,678	5,706	3,621	(53%)	58%
Total Expenses	<u>81,554</u>	<u>94,975</u>	<u>79,325</u>	(14%)	20%
Operating Income (Loss)(3)	(4,400)	1,165	(5,267)	NM	NM
Income (Loss) from Equity Method Investments(4)	2,594	(182)	(573)	NM	68%
Pre-Tax Income (Loss)(5)	<u>\$ (1,806)</u>	<u>\$ 983</u>	<u>\$ (5,840)</u>	NM	NM

(1) Includes transaction-related client reimbursements of \$0.5 million, \$0.6 million and \$0.2 million for the years ended December 31, 2012, 2011 and 2010, respectively.

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- (2) Includes interest expense on the Senior Notes of \$3.6 million, \$3.6 million and \$3.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.
- (3) Includes Noncontrolling interest of \$0.4 million, \$2.6 million and \$1.0 million for the years ended December 31, 2012, 2011 and 2010, respectively.
- (4) Equity in G5, ABS and Pan is classified as Income (Loss) from Equity Method Investments.
- (5) Amounts above exclude the results of EAM for the years ended December 31, 2011 and 2010. These results were reclassified to Discontinued Operations during the fourth quarter of 2011.

Investment Management Results of Operations

Our Wealth Management business includes the results of EWM. Our Institutional Asset Management business includes the results of ETC, ECB and Atalanta Sosnoff, which was consolidated during the second quarter of 2010. Fee-based revenues from EWM, Atalanta Sosnoff and ECB are primarily earned on a percentage of AUM, while ETC primarily earns fees from negotiated trust services and fiduciary consulting arrangements.

In 2012, the Company held an initial and second closing on EMCP III, a private equity fund focused on middle market investments in Mexico. Subscribed capital commitments as of December 31, 2012 were \$96.5 million, which included a capital commitment of \$3.6 million by the Company.

ECP II earns management fees of 1% of invested capital. Pursuant to an amendment to the Evercore Capital Partners L.P. and its affiliates Partnership Agreement, no management fees are earned by the Company. We earn management fees on EMCP II of 2.0% per annum on net funded capital while we earn management fees on EMCP III of 2.0% per annum of committed capital during its investment period, and 2.0% per annum on net funded capital thereafter. In addition, the general partner of the private equity funds earns carried interest of 20% based on the fund's performance, provided it exceeds preferred return hurdles to its limited partners. We own 8%-9% of the carried interest earned by the general partner of ECP II and 100% of Carried Interest in EMCP II and EMCP III. A significant portion of any gains recognized related to ECP II and any carried interest recognized by it is distributed to certain of our private equity professionals.

In the event the funds perform below certain thresholds we may be obligated to repay certain carried interest previously distributed. As of December 31, 2012, we had \$2.7 million of previously received carried interest that may be subject to repayment.

We made equity method investments in G5 and ABS during the fourth quarters of 2010 and 2011, respectively, the results of which are included within Income (Loss) from Equity Method Investments.

Assets Under Management

AUM for our Investment Management business of \$12.1 billion at December 31, 2012, decreased from \$13.0 billion at December 31, 2011. The amounts of AUM presented in the table below reflect the assets for which we charge a management fee. These assets reflect the fair value of assets managed on behalf of Institutional Asset Management and Wealth Management clients, and the amount of either invested or committed capital to the Private Equity funds. As defined in ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), valuations performed for Level I investments are based on quoted prices obtained from active markets generated by third parties and Level II investments are valued through the use of models based on either direct or indirect observable inputs in the use of models or other valuation methodologies performed by third parties to determine fair value. For both the Level I and Level II investments, we obtain both active quotes from nationally recognized exchanges and third-party pricing services to determine market or fair value quotes, respectively. Wealth Management maintained 60% and 49% of Level I investments and 40% and 51% of Level II investments as of December 31, 2012 and 2011, respectively, and Institutional Asset Management maintained 89% and 92% of Level I investments and 11% and 8% of Level II investments as of December 31, 2012 and 2011, respectively.

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As noted above, Private Equity AUM is not presented at fair market value, but reported at either invested or committed capital in line with fee arrangements. Private Equity assets represent primarily Level III investments. The following table summarizes AUM activity for the year ended December 31, 2012:

	Wealth Management	Institutional Asset Management	Private Equity	Total
	(dollars in millions)			
Balance at December 31, 2011	\$ 3,240	\$ 9,173	\$ 605	\$13,018
Inflows	190	437	—	627
Outflows	(45)	(1,552)	(159)	(1,756)
Market Appreciation	116	899	—	1,015
Balance at March 31, 2012	\$ 3,501	\$ 8,957	\$ 446	\$12,904
Inflows	191	245	59	495
Outflows	(37)	(1,034)	(75)	(1,146)
Market Appreciation (Depreciation)	(42)	(400)	—	(442)
Balance at June 30, 2012	\$ 3,613	\$ 7,768	\$ 430	\$11,811
Inflows	149	370	—	519
Outflows	(28)	(1,203)	(20)	(1,251)
Market Appreciation	110	392	—	502
Balance at September 30, 2012	\$ 3,844	\$ 7,327	\$ 410	\$11,581
Inflows	771	310	37	1,118
Outflows	(124)	(648)	(9)	(781)
Market Appreciation	56	101	—	157
Balance at December 31, 2012	<u>\$ 4,547</u>	<u>\$ 7,090</u>	<u>\$ 438</u>	<u>\$12,075</u>

Note: Amounts above at December 31, 2011 exclude AUM associated with EAM. Results for EAM were reclassified to Discontinued Operations during the fourth quarter of 2011.

AUM decreased from December 31, 2011 primarily due to net outflows in Institutional Asset Management partially offset by additional AUM in Wealth Management and market appreciation in Institutional Asset Management and Wealth Management. Inflows in Wealth Management during the fourth quarter of 2012 included the addition of \$0.6 billion of AUM from the acquisition of Mt. Eden.

2012 versus 2011

Net Investment Management Revenues were \$77.2 million in 2012, compared to \$96.1 million in 2011. Fee-based revenues earned from the management of client portfolios and other investment advisory services decreased 15% from 2011 reflecting a decline in AUM starting in the second half of 2011, primarily in Institutional Asset Management. Fee-based revenues included \$0.5 million of revenues from performance fees during 2012 compared to \$0.2 million in 2011. Realized and Unrealized Gains (Losses) decreased from the prior year primarily resulting from losses in our private equity funds, which were principally driven by unrealized losses on portfolio companies in the U.S., as well as the effect of carried interest from Trilantic earned during the second quarter of 2011. Income (loss) from equity method investments increased from the prior year as a result of income from our investment in ABS.

Operating Expenses were \$78.9 million in 2012, as compared to \$89.3 million in 2011, a decrease of \$10.4 million, or 12%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$49.7 million in 2012, as compared to \$58.2 million in 2011, a decrease of \$8.5 million, or 15%. The decrease was due primarily to lower discretionary incentive compensation consistent with the overall decrease in profitability. Non-compensation expenses, as a component of Operating Expenses, were \$29.2 million in 2012, as compared to \$31.0 million in 2011, a decrease of \$1.8 million, or 6%.

Other Expenses of \$2.7 million in 2012 included compensation costs associated with the vesting of LP Units and certain other awards of \$2.4 million and amortization of intangibles of \$0.3 million. Other Expenses of

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\$5.7 million in 2011 included compensation costs associated with the vesting of LP Units and certain other awards of \$2.9 million, charges related to the vesting of Event-based awards of \$2.5 million and amortization of intangibles of \$0.3 million.

2011 versus 2010

Net Investment Management Revenues were \$96.1 million in 2011, compared to \$74.1 million in 2010. Fee-based revenues earned from the management of client portfolios and other investment advisory services increased 33% from 2010 primarily as a result of the full period's impact of the acquisition of new businesses in 2010 within Institutional Asset Management and Wealth Management. Fee-based revenues included \$0.2 million of revenues from performance fees during 2011 compared to \$0.3 million in 2010. Realized and Unrealized Gains (Losses) increased from the prior year primarily resulting from gains on the seed capital managed by EWM and G5 and in our private equity funds, which were principally driven by carried interest from Trilantic.

Operating Expenses were \$89.3 million in 2011, as compared to \$75.7 million in 2010, an increase of \$13.6 million, or 18%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$58.2 million in 2011, as compared to \$48.5 million in 2010, an increase of \$9.7 million, or 20%. Non-compensation expenses, as a component of Operating Expenses, were \$31.0 million in 2011, as compared to \$27.2 million in 2010, an increase of \$3.8 million, or 14%. The increase in Operating Expenses was primarily a result of the acquisition and expansion of new businesses added during 2010 and 2011.

Other Expenses of \$5.7 million in 2011 included compensation costs associated with the vesting of LP Units and certain other awards of \$2.9 million, charges related to the vesting of Event-based awards of \$2.5 million and amortization of intangibles of \$0.3 million. Other Expenses of \$3.6 million in 2010 included compensation costs associated with the vesting of LP Units and certain other awards of \$3.3 million and amortization of intangibles of \$0.3 million.

Follow-On Offering of Class A Common Stock

During 2011, we completed an offering of 5,364,991 shares of Class A common stock. Net proceeds in conjunction with this issuance were \$168.1 million. A portion of the proceeds from the offering were used to purchase from certain holders, including members of the Company's senior management, a number of outstanding LP Units. The Company used a portion of the remaining proceeds to fund the initial cash payments associated with the acquisition of Lexicon.

In addition, LP Units held by members of Evercore LP ("Members") may be exchanged in the future for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. The above exchanges and any such future exchanges are expected to result in an increase in the tax basis of the tangible and intangible assets of Evercore LP. These increases in tax basis increase (for tax purposes) amortization and, therefore, reduce the amount of tax that we would otherwise be required to pay.

We have entered into a tax receivable agreement with the Members that provides for the payment by us to an exchanging Member of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize as a result of these increases in tax basis. We expect to benefit from the remaining 15% of cash savings, if any, in income tax that we realize. While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the timing of exchanges, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that, as a result of the size of the increases of the tangible and intangible assets of Evercore LP attributable to our interest in Evercore LP, during the expected term of the tax receivable agreement, the payments that we may make to our Members are expected to be substantial.

The effect of the tax receivable agreement on our Consolidated Statement of Financial Condition as a result of the above exchanges was an increase of \$47.5 million related to the offering in deferred tax assets for the

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estimated income tax effects of the increase in the tax basis of the assets owned by Evercore LP, based on enacted federal and state tax rates at the dates of the transactions. To the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis of expected future earnings, we will reduce the deferred tax asset with a valuation allowance.

We also recorded 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase of \$40.4 million related to the offering between Amounts Due Pursuant to Tax Receivable Agreements and Payable to Employees and Related Parties. We recorded the remaining 15% of the estimated realizable tax benefit, or \$7.1 million as an increase to Additional Paid-In-Capital.

The amounts that were recorded for both the deferred tax asset and the liability for our obligations under the tax receivable agreement have been estimated. Any additional payments under the tax receivable agreement that will further increase the tax benefits and the estimated payments under the tax receivable agreement have not been included in the estimates. All of the effects of changes in any of our estimates after the dates of the exchanges will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income. Future exchanges of LP Units for our shares of Class A common stock will be accounted for in a similar manner.

Cash Flows

Our operating cash flows are primarily influenced by the timing and receipt of investment banking and investment management fees, and the payment of operating expenses, including bonuses to our employees and interest expense on our Senior Notes. Investment Banking advisory fees are generally collected within 90 days of billing. However, placement fees may be collected within 180 days of billing. Management fees from our private equity investment management activities are generally billed in advance but collected at the end of a half year period from billing. Fees from our Wealth Management and Institutional Asset Management businesses are generally billed and collected within 90 days. We traditionally pay a substantial portion of incentive compensation to personnel in the Investment Banking business and to executive officers during the first three months of each calendar year with respect to the prior year's results. Our investing and financing cash flows are primarily influenced by activities to deploy capital to fund investments and acquisitions, raise capital through the issuance of stock or debt, repurchase of outstanding Class A shares, payment of dividends and other periodic distributions to our stakeholders. We generally make dividend payments and other distributions on a quarterly basis. A summary of our operating, investing and financing cash flows is as follows:

	For the Years Ended December 31,		
	2012	2011	2010
	(dollars in thousands)		
Cash Provided By (Used In)			
Operating activities:			
Net income	\$ 39,479	\$ 10,531	\$ 17,805
Non-cash charges	126,336	122,250	66,464
Other operating activities	(5,657)	15,055	(39,274)
Operating activities	160,158	147,836	44,995
Investing activities	24,917	(77,344)	(43,866)
Financing activities	(110,012)	(25,081)	(66,823)
Effect of exchange rate changes	1,463	(3,843)	349
Net (Decrease) Increase in Cash and Cash Equivalents	76,526	41,568	(65,345)
Cash and Cash Equivalents			
Beginning of Period	182,905	141,337	206,682
End of Period	<u>\$ 259,431</u>	<u>\$ 182,905</u>	<u>\$ 141,337</u>

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2012. Cash and Cash Equivalents were \$259.4 million at December 31, 2012, an increase of \$76.5 million versus Cash and Cash Equivalents of \$182.9 million at December 31, 2011. Operating activities resulted in a net inflow of \$160.2 million, primarily related to earnings. Cash of \$24.9 million was provided by investing activities primarily related to net proceeds from maturities and sales of our marketable securities, offset by fixed assets purchased, primarily related to new office space in the UK, and cash paid for acquisitions. Financing activities during the period used cash of \$110.0 million, primarily for the payment of dividends, distributions to Partners and treasury stock purchases.

2011. Cash and Cash Equivalents were \$182.9 million at December 31, 2011, an increase of \$41.6 million versus Cash and Cash Equivalents of \$141.3 million at December 31, 2010. Operating activities resulted in a net inflow of \$147.8 million, primarily related to earnings excluding non-cash charges, which reflect share-based compensation and other deferred compensation. Cash of \$77.3 million was used in investing activities primarily due to cash paid for acquisitions and the Company's investment in ABS, made during the fourth quarter of 2011, offset by net proceeds from sales and maturities of Marketable Securities. Financing activities during the period used cash of \$25.1 million, primarily for the purchase of LP Units, payment of dividends, distributions to Members and treasury stock purchases offset by the issuance and sale of Class A Shares.

2010. Cash and Cash Equivalents were \$141.3 million at December 31, 2010, a decrease of \$65.3 million versus Cash and Cash Equivalents of \$206.7 million at December 31, 2009. Operating activities resulted in a net inflow of \$45.0 million, primarily related to earnings excluding non-cash charges, which reflect share-based compensation and other deferred compensation, offset by the payment of 2009 bonus awards. Cash of \$43.9 million was used in investing activities primarily due to cash paid for acquisitions, offset by net proceeds from sales and maturities of Marketable Securities. Financing activities during the period used cash of \$66.8 million, primarily for the purchase of LP Units, payment of dividends, distributions to Members and treasury stock purchases offset by the issuance and sale of Class A Shares.

Liquidity and Capital Resources

General

Our current assets include Cash and Cash Equivalents, Marketable Securities and Accounts Receivable relating to Investment Banking and Investment Management revenues. Our current liabilities include accrued expenses and accrued employee compensation. We traditionally have made payments for employee bonus awards and year-end distributions to partners in the first quarter of the year with respect to the prior year's results. Cash distributions related to partnership tax allocations are made to the partners of Evercore LP in accordance with our corporate estimated payment calendar; these payments are made prior to the end of each calendar quarter. In addition, dividends on Class A Shares are paid when and if declared by the Board of Directors, which is generally quarterly.

We regularly monitor our liquidity position, including cash, other significant working capital, current assets and liabilities, long-term liabilities, lease commitments and related fixed assets, principal investment commitments related to our Investment Management business, dividends on Class A Shares, partnership distributions and other matters relating to liquidity and compliance with regulatory requirements. Our liquidity is highly dependent on our revenue stream from our operations, principally from our Investment Banking business, which is a function of closing transactions and earning success fees, the timing and realization of which is irregular and dependent upon factors that are not subject to our control. Our revenue stream funds the payment of our expenses, including annual bonus payments, a portion of which are guaranteed, interest expense on our Senior Notes and income taxes. Payments made for income taxes may be reduced by deductions taken for the increase in tax basis of our investment in Evercore LP. These tax deductions, when realized, require payment under our long-term liability, Amounts Due Pursuant to Tax Receivable Agreements. We intend to fund these payments from cash and cash equivalents on hand, principally derived from cash flows from operations. These tax deductions, when realized, will result in cash otherwise required to satisfy tax obligations becoming available

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for other purposes. Our Management Committee meets regularly to monitor our liquidity and cash positions against our short and long-term obligations, as well as our capital requirements and commitments. The result of this review contributes to management's recommendation to the Board of Directors as to the level of quarterly dividend payments, if any.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. Revenue generated by our advisory activities is related to the number and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the number and value of M&A transactions generally decrease, and they generally increase during periods of favorable market or economic conditions. Restructuring activity generally is counter-cyclical to M&A activity. In addition, during periods of unfavorable market conditions our Investment Management business may be impacted by reduced equity valuations and generate relatively lower revenue because fees we receive typically are in part based on the market value of underlying publicly-traded securities. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame and in an amount sufficient to match any decreases in revenue relating to changes in market and economic conditions. Reduced equity valuations resulting from future adverse economic events and/or market conditions may impact our performance and may result in future net redemptions of AUM from our clients, which would generally result in the lower revenues and cash flows. For a further discussion of risks related to our business, refer to "Risk Factors" elsewhere in this Form 10-K.

We periodically repurchase Class A Shares and/or LP Units into Treasury in order to reduce the dilutive effect of equity awards granted.

In October 2010, our Board of Directors authorized the repurchase of up to 2 million Class A Shares and/or LP Units for up to \$85.0 million. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately-negotiated transactions or otherwise. The timing and the actual amount of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at any time and does not have a specified expiration date. During 2012, we repurchased 1,884,500 shares for \$46.6 million pursuant to this program.

In October 2012, our Board of Directors authorized the repurchase of up to an additional 5 million Class A Shares and/or LP Units for up to \$125.0 million. Under this share repurchase program, shares may be repurchased from time to time in open market transactions, in privately-negotiated transactions or otherwise. The timing and the actual amount of shares repurchased will depend on a variety of factors, including legal requirements, price and economic and market conditions. This program may be suspended or discontinued at any time and does not have a specified expiration date.

In addition, periodically, we purchase LP Units in conjunction with follow-on offerings and we buy shares into treasury from our employees in order to allow them to satisfy their minimum tax requirements for share deliveries under our share equity plan. See "Follow-On Offering of Class A Common Stock" above. During 2012, we repurchased 726,005 shares for \$20.0 million primarily related to minimum tax withholding requirements of share deliveries.

On August 21, 2008, we entered into a Purchase Agreement with Mizuho pursuant to which Mizuho purchased from us \$120.0 million principal amount of Senior Notes and Warrants to purchase 5,454,545 Class A Shares at \$22.00 per share expiring in 2020. The holder of the Senior Notes may require us 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 Accreted Amount, plus accrued and unpaid interest. Senior Notes held by Mizuho will be redeemable at the Accreted Amount at our option at any time within 90 days following the date on which Mizuho notifies us that it is terminating their Strategic Alliance Agreement. Senior Notes held by any holder other than Mizuho will be redeemable at the Accreted Amount (plus accrued and unpaid interest) at our option at any time. In the event of a

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default under the indenture, the trustee or holders of 33 1/3% of the Senior Notes may declare that the Accreted Amount is immediately due and payable.

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

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

Pursuant to the Purchase Agreement with Mizuho, Evercore is subject to certain nonfinancial covenants. As of December 31, 2012, we were in compliance with all of these covenants.

We have made certain capital commitments, with respect to our investment activities, as well as commitments related to redeemable noncontrolling interest and contingent consideration from our acquisitions, which are included in the Contractual Obligations section below.

ECB maintains a line of credit with BBVA Bancomer to fund its trading activities on an intra-day and overnight basis. The intra-day facility is approximately \$7.7 million and is secured with trading securities when used on an overnight basis. No interest is charged on the intra-day facility. The overnight facility is charged the Inter-Bank Balance Interest Rate plus 10 basis points and is secured with trading securities. There have been no significant draw downs on ECB's line of credit since August 10, 2006. The line of credit is renewable annually.

Pursuant to deferred compensation and deferred consideration arrangements, we are obligated to make cash payments in future periods. For further information see Notes 4 and 17 to our consolidated financial statements.

Certain of our subsidiaries are regulated entities and are subject to capital requirements. For further information see Note 19 to our consolidated financial statements.

Collateralized Financing Activity at ECB

ECB enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market or by entering into reverse repurchase agreements with unrelated third parties. We account for these repurchase and reverse repurchase agreements as collateralized financing transactions. We record a liability on our Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. We record as assets on our Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where we have 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 we have acquired the securities deliverable to clients under these repurchase

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agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities included in Financial Instruments Owned and Pledged as Collateral at Fair Value on the Consolidated Statements of Financial Condition have an estimated average time to maturity of approximately 2.7 years, as of December 31, 2012, 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 ECB, generally mature within one business day and permit the counterparty to pledge the securities. Increases and decreases in asset and liability levels related to these transactions are a function of growth in ECB's AUM, as well as clients' investment allocations requiring positioning in repurchase transactions.

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

In addition to monitoring VaR, ECB periodically performs discrete stress tests ("Stress Tests") to assure that the level of potential losses that would arise from extreme market movements that may not be anticipated by VaR measures are within acceptable levels. The table below includes a key stress test monitored by the Committee, noted as the sensitivity to a 100 basis point change in interest rates. This analysis assists ECB in understanding the impact of an extreme move in rates, assuring the Collateralized Financing portfolio is structured to maintain risk at an acceptable level, even in extreme circumstances.

The Committee meets monthly to analyze the overall market risk exposure based on positions taken, as well as the credit risk, based on the collateral pledged under these agreements against the contract value from inception to maturity date. In these meetings the Committee evaluates risk from an operating perspective, VaR, and an exceptional perspective, Stress Tests, to determine the appropriate level of risk limits in the current environment.

We periodically assess the collectability or credit quality related to securities purchased under agreements to resell.

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As of December 31, 2012 and 2011, a summary of ECB's assets, liabilities and risk measures related to its collateralized financing activities is as follows:

	December 31, 2012		December 31, 2011	
	Amount	Market Value of Collateral Received or (Pledged)	Amount	Market Value of Collateral Received or (Pledged)
(dollars in thousands)				
Assets				
Financial Instruments Owned and Pledged as Collateral at Fair Value	\$ 120,594		\$ 127,178	
Securities Purchased Under Agreements to Resell	—	\$ —	2,146	\$ 2,143
Total Assets	120,594		129,324	
Liabilities				
Securities Sold Under Agreements to Repurchase	(120,787)	\$ (121,029)	(129,577)	\$ (129,809)
Net Liabilities	<u>\$ (193)</u>		<u>\$ (253)</u>	
Risk Measures				
Value at Risk	<u>\$ 37</u>		<u>\$ 65</u>	
Stress Test:				
Portfolio sensitivity to a 100 basis point increase in the interest rate	<u>\$ (212)</u>		<u>\$ (366)</u>	
Portfolio sensitivity to a 100 basis point decrease in the interest rate	<u>\$ 212</u>		<u>\$ 366</u>	

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of December 31, 2012:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(dollars in thousands)					
Operating Lease Obligations	\$ 185,084	\$ 20,694	\$ 37,731	\$ 37,361	\$ 89,298
Tax Receivable Agreements	172,624	7,274	26,582	29,874	108,894
Notes Payable, Including Interest	169,920	6,240	12,480	12,480	138,720
Investment Banking Commitments	13,945	13,005	940	—	—
Investment Management Commitments	13,057	13,057	—	—	—
Total	<u>\$ 554,630</u>	<u>\$ 60,270</u>	<u>\$ 77,733</u>	<u>\$ 79,715</u>	<u>\$ 336,912</u>

As of December 31, 2012, we were unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority, hence, per ASC 740, unrecognized tax benefits have been excluded from the above commitments and contractual obligations.

We had total commitments (not reflected on our Consolidated Statements of Financial Condition) relating to future capital contributions to the private equity funds of \$7.1 million and \$5.8 million as of December 31, 2012 and 2011, respectively. We expect to fund these commitments with cash flows from operations. We may be required to fund these commitments at any time through June 2022, depending on the timing and level of investments by our private equity funds.

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We also have commitments related to our redeemable noncontrolling interests. The value of our redeemable noncontrolling interests, which principally includes noncontrolling interests held by the principals of EWM, Atalanta Sosnoff and Trilantic, increased from \$22.3 million as of December 31, 2011 to \$49.7 million as of December 31, 2012, as recorded on our Consolidated Statements of Financial Condition. This increase was primarily due to an increase in the value of EWM's equity after our acquisition of Mt. Eden, as well as the expiration of key-man insurance policies. See Note 15 for further information. See Note 4 for our commitments related to the contingent consideration for acquisitions.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any leasing activities that expose us to any liability that is not reflected in our consolidated financial statements.

Market Risk and Credit Risk

We, in general, are not a capital-intensive organization and as such, are not subject to significant market or credit risks. Nevertheless, we have established procedures to assess both the market and credit risk, as well as specific investment risk, exchange rate risk and credit risk related to receivables.

Market and Investment Risk

Institutional Asset Management

We invest in funds managed by EWM and G5. These funds principally hold readily-marketable investment securities. As of December 31, 2012, the fair value of our investments with these products, based on closing prices, was \$11.6 million.

We estimate that a hypothetical 10% adverse change in the market value of the investments would have resulted in a decrease in pre-tax income of approximately \$1.2 million for the year ended December 31, 2012.

See “-Liquidity and Capital Resources” above for a discussion of collateralized financing transactions at ECB.

Private Equity Funds

Through our principal investments in our private equity funds and our ability to earn carried interest from these funds, we face exposure to changes in the estimated fair value of the companies in which these funds invest. Our professionals devote considerable time and resources to work closely with the portfolio company's management to assist in designing a business strategy, allocating capital and other resources and evaluating expansion or acquisition opportunities. On a quarterly basis, we perform a comprehensive analysis and valuation of all of the portfolio companies. Our analysis includes reviewing the current market conditions and valuations of each portfolio company. Valuations and analysis regarding our investments in CSI Capital and Trilantic are performed by their respective professionals, and thus we are not involved in determining the fair value for the portfolio companies of such funds.

We estimate that a hypothetical 10% adverse change in the value of the private equity funds would have resulted in a decrease in pre-tax income of approximately \$2.7 million for the year ended December 31, 2012.

Exchange Rate Risk

We have foreign operations, through our subsidiaries and affiliates, in Mexico, the United Kingdom, Brazil, Canada and Hong Kong which creates foreign exchange rate risk. Their respective functional currencies are the

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Mexican peso, British pound sterling, Brazilian real, Canadian dollar and Hong Kong dollar. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact to our financial results. A significant portion of our Latin American revenues have been, and will continue to be, derived from contracts denominated in Mexican pesos and Evercore Europe's revenue and expenses are denominated primarily in British pounds sterling and euro. Historically, the value of these foreign currencies has fluctuated relative to the U.S. dollar. For the year ended December 31, 2012, the net impact of the fluctuation of foreign currencies recorded in Other Comprehensive Income within the Consolidated Statement of Comprehensive Income was \$3.8 million. It is currently not our intention to hedge our foreign currency exposure, and we will reevaluate this policy from time to time.

Credit Risks

We maintain cash and cash equivalents with financial institutions with high credit ratings. At times, we may maintain deposits in federally insured financial institutions in excess of federally insured ("FDIC") limits. However, we believe that we are not exposed to significant credit risk due to the financial position of the depository institution in which those deposits are held.

Accounts Receivable consists primarily of advisory fees and expense reimbursements billed to our clients. Receivables are reported net of any allowance for doubtful accounts. We maintain an allowance for bad debts to provide coverage for probable losses from our customer receivables and derive the estimate through specific identification for the allowance for doubtful accounts and an assessment of the client's creditworthiness. As of December 31, 2012 and 2011, total receivables amounted to \$89.1 million and \$52.1 million, respectively, net of an allowance. The Investment Banking and Investment Management receivables collection periods generally are within 90 days of invoice, with the exception of placement fees, which are generally collected within 180 days of invoice. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. We recorded minimal bad debt expense for each of the years ended December 31, 2012 and 2011.

With respect to our Marketable Securities portfolio, which is comprised primarily of highly rated corporate and municipal bonds, mutual funds and Seed Capital Investments, we manage our credit risk exposure by limiting concentration risk and maintaining investment grade credit quality. As of December 31, 2012, we had Marketable Securities of \$36.5 million, of which 37% were corporate and municipal securities, primarily with S&P ratings ranging from AAA to BB+, and 63% were Seed Capital Investments and mutual funds.

Critical Accounting Policies and Estimates

The consolidated financial statements included in this report are prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions regarding future events that affect the amounts reported in our consolidated financial statements and their notes, including reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base these estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgments.

Revenue Recognition

Investment Banking Revenue

We earn investment banking fees from our clients for providing advisory services on mergers, acquisitions, divestitures, leveraged buyouts, restructurings and similar corporate finance matters. It is our accounting policy to recognize revenue when (i) there is persuasive evidence of an arrangement with a client, (ii) fees are fixed or

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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. We record Investment Banking Revenue on the Consolidated Statements of Operations for the following:

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. In some circumstances, and as a function of the terms of an engagement letter, we 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 Other Current Liabilities on the Consolidated Statements of Financial Condition, and subsequently recognized as 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 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.

Placement fee revenues are attributable to capital raising. We recognize placement advisory fees at the time of the client's acceptance of capital or capital commitments in accordance with the terms of the engagement letter.

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, we recognize the applicable management fee, selling concession and underwriting fee, the latter net of estimated offering expenses.

Commissions received from customers on agency-based brokerage transactions in listed and over-the-counter equities are recorded on a trade-date basis or, in the case of payments under commission sharing arrangements, when earned.

Investment Management Revenue

Our Investment Management business generates revenues from the management of client assets and the private equity funds.

Investment management fees generated for third-party clients are generally based on the value of the AUM and any performance fees that may be negotiated with the client. These fees are generally recognized over the period that the related services are provided, based upon the beginning, ending or average value of the assets for the relevant period. Fees paid in advance of services rendered are initially recorded as deferred revenue, which is recorded in Other Current Liabilities on the Consolidated Statements of Financial Condition, and is recognized in Investment Management Revenue on the Consolidated Statements of Operations ratably over the period in which the related service is rendered. Generally, to the extent performance fee arrangements have been negotiated, these fees are earned when the return on assets exceeds certain benchmark returns. Performance fees are accrued on a monthly basis and are not subject to adjustment once the measurement period ends (annually) and performance fees have been realized.

Management fees for private equity funds are contractual and are typically based on committed capital during the private equity funds' investment period, and on invested capital thereafter. Management fees are recognized ratably over the period during which services are provided. We also record performance fee revenue

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from the private equity funds when the returns on the private equity funds' investments exceed certain threshold minimums. These performance fees, or carried interest, are computed in accordance with the underlying private equity funds' partnership agreements and are based on investment performance over the life of each investment partnership. Performance fees are recorded as revenue as earned pursuant to the client agreements.

Fees for serving as an independent fiduciary and/or trustee are either based on a flat fee or are based on the value of assets under administration. For ongoing engagements, fees are billed quarterly either in advance or in arrears. Fees paid in advance of services rendered are initially recorded as deferred revenue in Other Current Liabilities on the Consolidated Statements of Financial Condition, and are recognized in Investment Management Revenue on the Consolidated Statements of Operations ratably over the period in which the related services are rendered.

Net Interest revenue is derived from investing customer funds in financing transactions. These transactions are primarily repurchases and resales of Mexican government securities. Revenue and expenses associated with these transactions are recognized over the term of the repurchase or resale transaction.

Valuation

The valuation of our investments in securities and of our financial investments in the funds we manage impacts both the carrying value of direct investments and the determination of management and performance fees, including carried interest. Effective January 1, 2008, we adopted ASC 820, which among other things requires enhanced disclosures about financial instruments carried at fair value. See Note 10 to the consolidated financial statements for further information. Level I investments include financial instruments owned and pledged as collateral and readily-marketable equity securities. Level II investments include our investments in corporate and municipal bonds and other debt securities. We did not have any Level III investments as of December 31, 2012.

We adopted ASC 825, "*The Fair Value Option for Financial Assets and Financial Liabilities*", which permits entities the option to measure most financial instruments and certain other items at fair value at specified election dates and to report related unrealized gains and losses in earnings. We have not elected to apply the fair value option to any specific financial assets or liabilities.

Certain of our commitments related to our redeemable noncontrolling interests, included within Redeemable Noncontrolling Interest on the Consolidated Statements of Financial Condition, are initially recorded at fair value and may be subject to periodic adjustment to reflect changes in the estimate of the amount due.

Marketable Securities

Investments in corporate and municipal bonds and other debt securities are accounted for as available-for-sale under ASC 320-10, "*Accounting for Certain Investments in Debt and Equity Securities*". These securities are carried at fair value on the Consolidated Statements of Financial Condition. Unrealized gains and losses are reported as net increases or decreases to Accumulated Other Comprehensive Income (Loss), net of tax, while realized gains and losses on these securities are determined using the specific identification method and are included in Other Revenue on the Consolidated Statements of Operations. We invest in readily-marketable debt and equity securities which are managed by EWM and G5. These securities are valued using quoted market prices on applicable exchanges or markets. The realized and unrealized gains and losses on these securities are included in the Consolidated Statements of Operations in Investment Management Revenue. Marketable Securities also include investments in municipal bonds and mutual funds, which are carried at fair value, with changes in fair value recorded in Other Revenue on the Consolidated Statements of Operations.

Marketable Securities transactions are recorded as of the trade date.

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Financial Instruments Owned and Pledged as Collateral at Fair Value

Our Financial Instruments Owned and Pledged as Collateral at Fair Value consist principally of foreign government obligations, which are recorded on a trade-date basis and are stated at quoted market values. Related gains and losses are reflected in Other Revenue on the Consolidated Statements of Operations. We pledge our Financial Instruments Owned and Pledged as Collateral at Fair Value to collateralize certain financing arrangements which permits the counterparty to pledge the securities.

Equity Compensation

Share-Based Payments – We account for share-based payments in accordance with Financial Accounting Standards Board (“FASB”) issued ASC 718, “*Compensation – Stock Compensation*”. We grant employees event-based awards and performance-based awards that vest upon the occurrence of certain events or performance criteria being achieved. Compensation cost is accrued if it is probable that the event or performance condition will be achieved and is not accrued if it is not probable that the event or performance condition will be achieved. Significant judgment is required in determining the probability an event’s occurrence or that the performance criteria will be achieved. The fair value of awards that vest from one to five years are amortized over the vesting period or requisite substantive service period, as required by ASC 718. See Note 17 to the consolidated financial statements herein for further information.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. This process requires us to estimate our actual current tax liability and to assess temporary differences resulting from differing book versus tax treatment of items, such as deferred revenue, compensation and benefits expense, unrealized gains and losses on long-term investments and depreciation. These temporary differences result in deferred tax assets and liabilities, which are included within our Consolidated Statements of Financial Condition. We must then assess the likelihood that deferred tax assets will be recovered from future taxable income, and, to the extent we believe that recovery is not more-likely-than-not, we must establish a valuation allowance. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the level of historical taxable income, scheduled reversals of deferred taxes, projected future taxable income and tax planning strategies that can be implemented by us in making this assessment. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust our valuation allowance, which could materially impact our consolidated financial condition and results of operations.

In addition, in order to determine the quarterly tax rate, we are required to estimate full year pre-tax income and the related annual income tax expense in each jurisdiction. Changes in the geographic mix or estimated level of annual pre-tax income can affect our overall effective tax rate. Furthermore, our interpretation of complex tax laws may impact our measurement of current and deferred income taxes.

ASC 740 provides a benefit recognition model with a two-step approach consisting of “more-likely-than-not” recognition criteria, and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. This standard also requires the recognition of liabilities created by differences between tax positions taken in a tax return and amounts recognized in the financial statements. See Note 20 to the consolidated financial statements herein in regard to the impact of the adoption of this standard on our consolidated financial statements.

The majority of the deferred tax assets relate to the U.S. operations of the Company. The realization of the deferred tax assets is primarily dependent on the amount of the Company’s historic and projected future taxable

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income for its U.S. and foreign operations. In 2012 and 2011, we performed an assessment of the ultimate realization of our deferred tax assets and determined that the Company should have sufficient future taxable income in the normal course of business to fully realize the portion of the deferred tax assets associated with its U.S. operations and management has concluded that it is more-likely-than-not the deferred tax assets will be realized. Prior to 2012 the Company concluded that the net deferred tax assets of certain foreign subsidiaries required a full valuation allowance as it was not more-likely-than-not to be recoverable. During 2012, sufficient positive evidence exists to support the reversal of the entire valuation allowance on those foreign subsidiaries. See Note 20 to the consolidated financial statements herein for further information.

The Company estimates that Evercore Partners Inc. must generate approximately \$596.2 million of future taxable income to realize the U.S. deferred tax asset balance of approximately \$238.7 million. The deferred tax balance is expected to reverse over a period ranging of 5 to 15 taxable years. The Company evaluated Evercore Partners Inc.'s historical U.S. taxable income, which has averaged approximately \$20 million per year, as well as the current anticipated profitability of approximately \$72 million and taxable income in the future, which indicates sufficient taxable income to support the realization of these deferred tax assets. To the extent enough taxable income is not generated in the 15 year estimated reversal period, the Company will have an additional 20 years to utilize any net operating loss carry forwards created, as well as the relevant net operating loss carry back period in effect at the time of a taxable loss.

During 2012, the Company experienced significant favorable developments in its foreign subsidiaries, including sustained profitability and projections of sufficient future taxable income. These, together with the projected emergence from cumulative losses and the anticipated utilization of net operating losses in the impacted foreign subsidiaries during 2013, represent significant positive evidence. As of December 31, 2012, the cumulative positive evidence outweighed the historical negative evidence regarding the likelihood that the deferred tax asset for the Company's impacted foreign subsidiaries will be realized. This assessment was evidenced by the Company meeting all of the criteria in its framework, resulting in its conclusion that the valuation allowance against the deferred tax assets for certain foreign subsidiaries should be released in 2012.

Impairment of Assets

In accordance with ASC 350, "*Goodwill and Other Intangible Assets*", we test Goodwill for impairment annually, as of November 30th, or more frequently if circumstances indicate impairment may have occurred. In this process, we make estimates and assumptions in order to determine the fair value of our reporting units and to project future earnings using valuation techniques. We use our best judgment and information available to us at the time to perform this review. Because our assumptions and estimates are used in projecting future earnings as part of the valuation, actual results could differ. Intangible assets with finite lives are amortized over their estimated useful lives which are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable as prescribed by ASC 360, "*Accounting for the Impairment or Disposal of Long-Lived Assets*".

We test goodwill for impairment at the reporting unit level. In determining the fair value for each reporting unit, we utilize either a market multiple approach or a discounted cash flow methodology based on the adjusted cash flows from operations. The market multiple approach includes applying the average earnings multiples of comparable public companies for their respective reporting segment multiplied by the forecasted earnings of the respective reporting unit to yield an estimate of fair value. The discounted cash flow methodology begins with the adjusted cash flows from each of the reporting units and uses a discount rate that reflects the weighted average costs of capital adjusted for the risks inherent in the future cash flows.

As of November 30, 2012, we concluded that the fair value of our Institutional Asset Management reporting unit exceeded its carrying value by 11%, and the fair values of our other reporting units substantially exceeded their carrying values. As of November 30, 2011, we concluded the fair values substantially exceeded the carrying values for all of our reporting units. For further information see "Impairment of Assets" in "Results of Operations".

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In addition to Goodwill and Intangible Assets, we annually assess our Equity Method Investments for impairment (or more frequently if circumstances indicate impairment may have occurred) per ASC 323-10-35 “*Subsequent Measurement*”. We concluded there was no impairment of Goodwill, Intangible Assets and Equity Method Investments during the year ended December 31, 2012.

Recently Issued Accounting Standards

ASU 2011-11 – In December 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-11, “*Disclosures about Offsetting Assets and Liabilities*” (“ASU 2011-11”). ASU 2011-11 provides amendments to ASC No. 210, “*Balance Sheet*”, which are intended to enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. This information will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements on an entity’s financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this update. The amendments in this update are effective retrospectively for interim and annual periods beginning after January 1, 2013. The Company does not expect the adoption of this update to have a material impact on the Company’s consolidated financial condition, results of operations and cash flows.

ASU 2013-02 – In February 2013, the FASB issued ASU No. 2013-02, “*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*” (“ASU 2013-02”). ASU 2013-02 provides amendments to ASC No. 220, “*Comprehensive Income*”, which are intended to enhance disclosures required by U.S. GAAP by requiring improved information about the amounts reclassified out of accumulated other comprehensive income by component, and to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income and their corresponding effect on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2012, with early adoption permitted. The Company is currently assessing the impact of the adoption of this update on the Company’s consolidated financial condition, results of operations and cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Market Risk and Credit Risk.” We do not believe we face any material interest rate risk, foreign currency exchange risk, equity price risk or other market risk except as disclosed in Item 7 “– Market Risk and Credit Risk” above.

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Item 8. Financial Statements and Supplemental Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Evercore Partners Inc.:

We have audited the accompanying consolidated statements of financial condition of Evercore Partners Inc. and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Evercore Partners Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2013 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 27, 2013

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

	December 31,	
	2012	2011
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 259,431	\$ 182,905
Marketable Securities	36,545	81,288
Financial Instruments Owned and Pledged as Collateral at Fair Value	120,594	127,178
Securities Purchased Under Agreements to Resell	—	2,146
Accounts Receivable (net of allowances of \$3,886 and \$1,964 at December 31, 2012 and 2011, respectively)	89,098	52,060
Receivable from Employees and Related Parties	5,166	7,793
Deferred Tax Assets—Current	9,214	8,621
Other Current Assets	6,699	23,869
Total Current Assets	526,747	485,860
Investments	110,897	108,930
Deferred Tax Assets—Non-Current	229,449	186,689
Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$19,880 and \$13,490 at December 31, 2012 and 2011, respectively)	29,777	21,437
Goodwill	188,684	177,849
Intangible Assets (net of accumulated amortization of \$20,002 and \$25,701 at December 31, 2012 and 2011, respectively)	35,397	40,909
Assets Segregated for Bank Regulatory Requirements	10,200	10,200
Other Assets	14,067	11,718
Total Assets	<u>\$ 1,145,218</u>	<u>\$ 1,043,592</u>
Liabilities and Equity		
Current Liabilities		
Accrued Compensation and Benefits	\$ 138,187	\$ 125,869
Accounts Payable and Accrued Expenses	17,909	17,849
Securities Sold Under Agreements to Repurchase	120,787	129,577
Payable to Employees and Related Parties	12,964	12,647
Taxes Payable	20,304	5,159
Other Current Liabilities	10,755	11,796
Total Current Liabilities	320,906	302,897
Notes Payable	101,375	99,664
Amounts Due Pursuant to Tax Receivable Agreements	165,350	137,448
Other Long-term Liabilities	17,111	15,490
Total Liabilities	604,742	555,499
Commitments and Contingencies (Note 18)		
Redeemable Noncontrolling Interest	49,727	22,267
Equity		
Evercore Partners Inc. Stockholders' Equity		
Common Stock		
Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 35,040,501 and 31,014,265 issued at December 31, 2012 and 2011, respectively, and 29,576,986 and 27,941,307 outstanding at December 31, 2012 and 2011, respectively)	350	310
Class B, par value \$0.01 per share (1,000,000 shares authorized, 43 and 47 issued and outstanding at December 31, 2012 and 2011, respectively)	—	—
Additional Paid-In-Capital	654,275	575,122
Accumulated Other Comprehensive Income (Loss)	(9,086)	(12,058)
Retained Earnings (Deficit)	(77,079)	(76,703)
Treasury Stock at Cost (5,463,515 and 3,072,958 shares at December 31, 2012 and 2011, respectively)	(139,954)	(79,007)
Total Evercore Partners Inc. Stockholders' Equity	428,506	407,664
Noncontrolling Interest	62,243	58,162
Total Equity	490,749	465,826
Total Liabilities and Equity	<u>\$ 1,145,218</u>	<u>\$ 1,043,592</u>

See Notes to Consolidated Financial Statements.

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

	For the Years Ended December 31,		
	2012	2011	2010
Revenues			
Investment Banking Revenue	\$ 568,238	\$ 430,597	\$ 301,931
Investment Management Revenue	79,790	99,161	74,610
Other Revenue, Including Interest	9,646	13,897	22,205
Total Revenues	657,674	543,655	398,746
Interest Expense	15,301	19,391	22,841
Net Revenues	<u>642,373</u>	<u>524,264</u>	<u>375,905</u>
Expenses			
Employee Compensation and Benefits	430,415	357,680	247,737
Occupancy and Equipment Rental	34,673	23,497	18,081
Professional Fees	35,506	33,516	28,035
Travel and Related Expenses	28,473	23,172	16,475
Communications and Information Services	11,445	8,303	5,664
Depreciation and Amortization	16,834	17,746	9,921
Special Charges	662	3,894	—
Acquisition and Transition Costs	840	3,465	3,399
Other Operating Expenses	17,990	17,179	9,733
Total Expenses	<u>576,838</u>	<u>488,452</u>	<u>339,045</u>
Income Before Income from Equity Method Investments and Income Taxes	<u>65,535</u>	<u>35,812</u>	<u>36,860</u>
Income (Loss) from Equity Method Investments	4,852	919	(557)
Income Before Income Taxes	<u>70,387</u>	<u>36,731</u>	<u>36,303</u>
Provision for Income Taxes	30,908	22,724	16,177
Net Income from Continuing Operations	<u>39,479</u>	<u>14,007</u>	<u>20,126</u>
Discontinued Operations			
Income (Loss) from Discontinued Operations	—	(4,198)	(2,618)
Provision (Benefit) for Income Taxes	—	(722)	(297)
Net Income (Loss) from Discontinued Operations	<u>—</u>	<u>(3,476)</u>	<u>(2,321)</u>
Net Income	<u>39,479</u>	<u>10,531</u>	<u>17,805</u>
Net Income Attributable to Noncontrolling Interest	10,590	3,579	8,851
Net Income Attributable to Evercore Partners Inc.	<u>\$ 28,889</u>	<u>\$ 6,952</u>	<u>\$ 8,954</u>
Net Income (Loss) Attributable to Evercore Partners Inc. Common Shareholders:			
From Continuing Operations	\$ 28,805	\$ 7,834	\$ 9,397
From Discontinued Operations	—	(966)	(517)
Net Income Attributable to Evercore Partners Inc.	<u>\$ 28,805</u>	<u>\$ 6,868</u>	<u>\$ 8,880</u>
Weighted Average Shares of Class A Common Stock Outstanding			
Basic	29,275	26,019	19,655
Diluted	32,548	29,397	22,968
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:			
From Continuing Operations	\$ 0.98	\$ 0.30	\$ 0.47
From Discontinued Operations	—	(0.04)	(0.02)
Net Income Attributable to Evercore Partners Inc.	<u>\$ 0.98</u>	<u>\$ 0.26</u>	<u>\$ 0.45</u>
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:			
From Continuing Operations	\$ 0.89	\$ 0.27	\$ 0.41
From Discontinued Operations	—	(0.04)	(0.02)
Net Income Attributable to Evercore Partners Inc.	<u>\$ 0.89</u>	<u>\$ 0.23</u>	<u>\$ 0.39</u>
Dividends Declared per Share of Class A Common Stock	\$ 0.82	\$ 0.74	\$ 0.63

See Notes to Consolidated Financial Statements.

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

	For the Years Ended December 31,		
	2012	2011	2010
Net Income	\$ 39,479	\$ 10,531	\$ 17,805
Other Comprehensive Income (Loss), net of tax:			
Unrealized Gain (Loss) on Marketable Securities, net	454	(1,964)	(2,106)
Foreign Currency Translation Adjustment Gain (Loss), net	3,787	(8,119)	919
Other Comprehensive Income (Loss)	4,241	(10,083)	(1,187)
Comprehensive Income	43,720	448	16,618
Comprehensive Income Attributable to Noncontrolling Interest	11,859	1,361	8,097
Comprehensive Income (Loss) Attributable to Evercore Partners Inc.	\$ 31,861	\$ (913)	\$ 8,521

See Notes to Consolidated Financial Statements.

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

	Class A Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Dollars				Shares	Dollars		
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	—	—	—	—	8,954	—	—	8,851	17,805
Other Comprehensive Income (Loss)	—	—	—	(433)	—	—	—	(754)	(1,187)
Treasury Stock Purchases	—	—	—	—	—	(1,286,277)	(35,053)	—	(35,053)
Proceeds from Equity Offering, Net of Direct Expenses	2,954,437	29	77,573	—	—	—	—	—	77,602
Evercore LP Units Purchased or Converted into Class A									
Common Stock	77,110	1	(59,062)	—	—	—	—	(9,834)	(68,895)
Stock-based Compensation Awards	1,310,261	13	35,695	—	—	—	—	20,059	55,767
Shares Issued as Consideration for Acquisitions and Investments	—	—	5,748	—	—	581,531	13,271	—	19,019
Dividends and Equivalents	—	—	1,344	—	(13,702)	—	—	—	(12,358)
Noncontrolling Interest (Note 15)	—	—	(74)	—	—	—	—	18,859	18,785
Balance at December 31, 2010	21,497,691	215	400,719	(4,193)	(61,504)	(1,514,045)	(34,538)	66,542	367,241
Net Income	—	—	—	—	6,952	—	—	3,579	10,531
Other Comprehensive Income (Loss)	—	—	—	(7,865)	—	—	—	(2,218)	(10,083)
Treasury Stock Purchases	—	—	—	—	—	(1,586,780)	(45,105)	—	(45,105)
Proceeds from Equity Offering, Net of Direct Expenses	5,364,991	54	167,880	—	—	—	—	—	167,934
Evercore LP Units Purchased or Converted into Class A									
Common Stock	422,843	4	(67,264)	—	—	—	—	(12,268)	(79,528)
Stock-based Compensation Awards	3,728,740	37	67,395	—	—	—	—	21,057	88,489
Shares Issued as Consideration for Acquisitions and Investments	—	—	—	—	—	27,867	636	—	636
Dividends and Equivalents	—	—	2,805	—	(22,151)	—	—	—	(19,346)
Noncontrolling Interest (Note 15)	—	—	3,587	—	—	—	—	(18,530)	(14,943)
Balance at December 31, 2011	31,014,265	310	575,122	(12,058)	(76,703)	(3,072,958)	(79,007)	58,162	465,826
Net Income	—	—	—	—	28,889	—	—	10,590	39,479
Other Comprehensive Income	—	—	—	2,972	—	—	—	1,269	4,241
Treasury Stock Purchases	—	—	—	—	—	(2,610,505)	(66,588)	—	(66,588)
Evercore LP Units Purchased or Converted into Class A									
Common Stock	2,107,753	21	16,499	—	—	—	—	(9,867)	6,653
Stock-based Compensation Awards	1,918,483	19	78,923	—	—	—	—	21,697	100,639
Shares Issued as Consideration for Acquisitions and Investments	—	—	2,618	—	—	219,948	5,641	—	8,259
Dividends and Equivalents	—	—	4,969	—	(29,265)	—	—	—	(24,296)
Noncontrolling Interest (Note 15)	—	—	(23,856)	—	—	—	—	(19,608)	(43,464)
Balance at December 31, 2012	<u>35,040,501</u>	<u>\$ 350</u>	<u>\$ 654,275</u>	<u>\$ (9,086)</u>	<u>\$ (77,079)</u>	<u>(5,463,515)</u>	<u>\$(139,954)</u>	<u>\$ 62,243</u>	<u>\$490,749</u>

See Notes to Consolidated Financial Statements.

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

	For the Years Ended December 31,		
	2012	2011	2010
Cash Flows From Operating Activities			
Net Income	\$ 39,479	\$ 10,531	\$ 17,805
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Net Realized and Unrealized (Gains) Losses on Investments, Marketable Securities and Contingent Consideration	(1,916)	(4,988)	(4,898)
Equity-Based and Other Deferred Compensation	115,632	94,253	55,914
Depreciation, Amortization and Accretion	18,784	20,401	11,541
Bad Debt Expense	1,803	1,558	1,008
Deferred Taxes	(7,967)	11,026	2,899
Decrease (Increase) in Operating Assets:			
Marketable Securities	674	461	(481)
Financial Instruments Owned and Pledged as Collateral at Fair Value	16,056	(91,056)	75,435
Securities Purchased Under Agreements to Resell	2,278	123,559	66,225
Accounts Receivable	(37,111)	2,749	(18,822)
Receivable from Employees and Related Parties	2,627	(4,275)	1,770
Assets Segregated for Bank Regulatory Requirements	—	—	(200)
Other Assets	15,485	(144)	(1,138)
(Decrease) Increase in Operating Liabilities:			
Accrued Compensation and Benefits	2,967	32,128	(17,265)
Accounts Payable and Accrued Expenses	466	1,499	976
Securities Sold Under Agreements to Repurchase	(18,413)	(32,283)	(141,759)
Payables to Employees and Related Parties	(2,429)	(7,067)	(2,523)
Taxes Payable	13,694	(1,777)	380
Other Liabilities	(1,951)	(8,739)	(1,872)
Net Cash Provided by Operating Activities	<u>160,158</u>	<u>147,836</u>	<u>44,995</u>
Cash Flows From Investing Activities			
Investments Purchased	(2,161)	(48,575)	(16,645)
Distributions of Private Equity Investments	1,192	1,211	2,629
Marketable Securities:			
Proceeds from Sales and Maturities	67,958	80,678	188,701
Purchases	(23,499)	(71,599)	(138,683)
Cash Paid for Acquisitions, net of cash acquired	(6,743)	(30,397)	(70,481)
Change in Restricted Cash	2,111	—	(820)
Purchase of Furniture, Equipment and Leasehold Improvements	(13,941)	(8,662)	(8,567)
Net Cash Provided by (Used in) Investing Activities	<u>24,917</u>	<u>(77,344)</u>	<u>(43,866)</u>
Cash Flows From Financing Activities			
Payments for Settlement of Debt and Capital Lease Obligations	(1,047)	(8,335)	(9)
Issuance of Noncontrolling Interests	469	1,009	4,381
Distributions to Noncontrolling Interests—Evercore LP Limited Partners	(16,528)	(19,087)	(19,513)
Cash Paid for Deferred and Contingent Consideration	(3,000)	(13,486)	(5,936)
Proceeds from Equity Offering, Net of Direct Expenses	—	168,140	77,185
Purchase of Evercore LP Units and Treasury Stock	(66,983)	(140,242)	(114,141)
Excess Tax Benefits Associated with Equity-Based Awards	1,451	6,266	2,923
Dividends—Class A Stockholders	(24,296)	(19,346)	(12,358)
Other	(78)	—	645
Net Cash (Used in) Provided by Financing Activities	<u>(110,012)</u>	<u>(25,081)</u>	<u>(66,823)</u>
Effect of Exchange Rate Changes on Cash	<u>1,463</u>	<u>(3,843)</u>	<u>349</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>76,526</u>	<u>41,568</u>	<u>(65,345)</u>
Cash and Cash Equivalents—Beginning of Period	<u>182,905</u>	<u>141,337</u>	<u>206,682</u>
Cash and Cash Equivalents—End of Period	<u>\$ 259,431</u>	<u>\$ 182,905</u>	<u>\$ 141,337</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE			
Payments for Interest	<u>\$ 13,692</u>	<u>\$ 17,914</u>	<u>\$ 21,473</u>
Payments for Income Taxes	<u>\$ 9,569</u>	<u>\$ 13,957</u>	<u>\$ 9,649</u>
Furniture, Equipment and Leasehold Improvements Accrued	<u>\$ 267</u>	<u>\$ 1,293</u>	<u>\$ 644</u>
Increase (Decrease) in Fair Value of Redeemable Noncontrolling Interest	<u>\$ 27,376</u>	<u>\$ (3,942)</u>	<u>\$ —</u>
Dividend Equivalents Issued	<u>\$ 4,969</u>	<u>\$ 2,805</u>	<u>\$ 1,344</u>

See Notes to Consolidated Financial Statements.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1 – Organization

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

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

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

Note 2 – Significant Accounting Policies

Basis of Presentation – The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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

In February 2010, Accounting Standards Update (“ASU”) No. 2010-10, “*Amendments for Certain Investment Funds*”, was issued. This ASU defers the application of the revised consolidation rules for a reporting entity’s interest in an entity if certain conditions are met, including if the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment,

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

and other applicable consolidation guidance. Generally, the Company would consolidate those entities when it absorbs a majority of the expected losses or a majority of the expected residual returns, or both, of the entities.

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

All intercompany balances and transactions with the Company's subsidiaries have been eliminated upon consolidation. The consolidated financial statements include Mt. Eden Investment Advisors, LLC ("Mt. Eden") following its acquisition on December 28, 2012. See Note 4 for further disclosure.

At the time of the formation transaction, the members of Evercore LP (the "Members") received Evercore LP partnership units ("LP Units") in consideration for their contribution of the various entities included in the historical combined financial statements of the Company. The LP Units are subject to vesting requirements and transfer restrictions and are exchangeable on a one-for-one basis for shares of Class A common stock ("Class A Shares"). The Company accounts for exchanges of LP Units for Class A Shares based on the carrying amounts of the Members' LP Units immediately before the exchange.

The Company's interest in Evercore LP is within the scope of Accounting Standards Codification ("ASC") 810-20, "*Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*". The Company consolidates Evercore LP and records noncontrolling interest for the economic interest in Evercore LP held directly by others, which includes the Members.

The Company has evaluated all subsequent events through the date this Form 10-K was available to be issued.

Corrections – Certain balances for prior periods were reclassified to conform to their current presentation.

Discontinued Operations – After further consideration of the guidance within ASC 810-10, "*Consolidation*", the Company determined it would be appropriate to correct its presentation for discontinued operations and therefore reclassified Net Income (Loss) Attributable to Noncontrolling Interest related to Evercore Asset Management L.L.C. ("EAM") from Discontinued Operations to Net Income Attributable to Noncontrolling Interest, below Net Income on the Consolidated Statements of Operations. The effect of the correction is to increase Discontinued Operations, with a corresponding decrease to Net Income Attributable to Noncontrolling Interest by \$2,510, \$1,804 and \$1,693, for the years ended December 31, 2011, 2010 and 2009, respectively. The Company believes this correction is not material to the consolidated financial statements taken as a whole.

Accounts Receivable – Accounts Receivable consists primarily of investment banking fees and expense reimbursements charged to the Company's clients. The Company records Accounts Receivable net of any allowance for doubtful accounts. The Company maintains an allowance for bad debts to provide coverage for

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

estimated losses from its client receivables. The Company determines the adequacy of the allowance by estimating the probability of loss based on the Company's analysis of the client's creditworthiness and specifically reserves against exposure where the Company determines the receivables are impaired, which may include situations where a fee is in dispute or litigation has commenced.

Furniture, Equipment and Leasehold Improvements – Fixed assets, including office equipment, hardware and software and leasehold improvements, are stated at cost, net of accumulated depreciation and amortization. Furniture, equipment and computer hardware and software are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset.

Investment Banking Revenue – The Company earns investment banking fees from our clients for providing advisory services on mergers, acquisitions, divestitures, leveraged buyouts, restructurings and similar corporate finance matters. The Company's Investment Banking services also include services related to securities underwriting, private fund placement services and commissions for agency-based equity trading services and equity research. 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. The Company records Investment Banking Revenue on the Consolidated Statements of Operations for the following:

Advisory Fees – In general, advisory fees are paid at the time the Company signs an engagement letter, during the course of the engagement or when an engagement is completed. 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 in Other Current Liabilities on the Consolidated Statements of Financial Condition, and subsequently recognized as revenue on the Consolidated Statements of Operations 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 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.

Placement Fees – Placement fee revenues are attributable to capital raising. The Company recognizes placement advisory fees at the time of the client's acceptance of capital or capital commitments in accordance with the terms of the engagement letter.

Underwriting Fees – 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. When the offering is completed, the Company recognizes the applicable management fee, selling concession and underwriting fee, the latter net of estimated offering expenses.

Commissions – Commissions received from customers for the execution of agency-based brokerage transactions in listed and over-the-counter equities are recorded on a trade-date basis or, in the case of payments under commission sharing arrangements, when earned.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Taxes collected from customers and remitted to governmental authorities are presented on a net basis on the Consolidated Statements of Operations.

Investment Management Revenue – The Company’s Investment Management business generates revenues from the management of client assets and the private equity funds.

Investment management fees for third-party clients are generally based on the value of the assets under management (“AUM”) and any performance fees that may be negotiated with the client. These fees are generally recognized over the period that the related services are provided, based upon the beginning, ending or average value of the assets for the relevant period. Fees paid in advance of services rendered are initially recorded as deferred revenue, which is recorded in Other Current Liabilities on the Consolidated Statements of Financial Condition, and are recognized in Investment Management Revenue on the Consolidated Statements of Operations ratably over the period in which the related service is rendered. Generally, to the extent performance fee arrangements have been negotiated, these fees are earned when the return on assets exceeds certain benchmark returns. Performance fees are accrued on a monthly basis and are not subject to adjustment once the measurement period ends (annually) and performance fees have been realized.

Management fees for private equity funds are contractual and are typically based on committed capital during the private equity funds’ investment period, and on invested capital, thereafter. Management fees are recognized ratably over the period during which services are provided. The management fees may provide for a management fee offset for certain portfolio company fees the Company earns. The Company also records performance fee revenue from the private equity funds when the returns on the private equity funds’ investments exceed certain threshold minimums. These performance fees, or carried interest, are computed in accordance with the underlying private equity funds’ partnership agreements and are based on investment performance over the life of each investment partnership. Performance fees are recorded as revenue as earned pursuant to the underlying agreements.

Fees generated for serving as an independent fiduciary and/or trustee are either based on a flat fee, are pre-negotiated with the client or are based on the value of assets under administration. For ongoing engagements, fees are billed quarterly either in advance or in arrears. Fees paid in advance of services rendered are initially recorded as deferred revenue in Other Current Liabilities on the Consolidated Statements of Financial Condition, and are recognized in Investment Management Revenue on the Consolidated Statements of Operations ratably over the period in which the related services are rendered.

Other Revenue, Including Interest and Interest Expense – Other Revenue, Including Interest and Interest Expense is derived primarily from financing transactions. These transactions are principally repurchases and resales of Mexican government securities. Revenue and expenses associated with these transactions are recognized over the term of the repurchase transaction. Other Revenue, Including Interest and Interest Expense also includes interest expense associated with the \$120,000 principal amount of senior unsecured notes (“Senior Notes”), as well as income earned on marketable securities and cash deposited with financial institutions.

Client Expense Reimbursement – In the conduct of its financial advisory service engagements and in advising the private equity funds, the Company receives reimbursement for certain expenses incurred by the Company on behalf of its clients and the funds. Transaction-related expenses, which are billable to clients, are recognized as revenue and recorded in Accounts Receivable on the later of the date of an executed engagement letter or the date the expense is incurred.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Noncontrolling Interest – Noncontrolling interest recorded in the consolidated financial statements of the Company relates to the portions of the subsidiaries not owned by the Company. The Company allocates net income 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 for the entity which the noncontrolling interest relates. In circumstances where the governing documents of the entity to 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.

ASC 810-10, “*Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No.51*” (“ASC 810-10”) requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. The adoption of ASC 810-10 resulted in the presentation of Noncontrolling Interest as a component of Total Equity on the Consolidated Statements of Financial Condition and below Net Income on the Consolidated Statements of Operations. In addition, the adoption of ASC 810-10 resulted in an allocation of the components of Total Comprehensive Income between controlling interests and noncontrolling interests for the years ended December 31, 2012, 2011 and 2010.

Cash and Cash Equivalents – Cash and Cash Equivalents consist of short-term highly-liquid investments with original maturities of three months or less.

Fair Value of Financial Instruments – The majority of the Company’s assets and liabilities are recorded at fair value or at amounts that approximate fair value. Such assets and liabilities include cash and cash equivalents, investments, marketable securities, financial instruments owned and pledged as collateral, repurchase and reverse repurchase agreements, receivables and payables and accruals. See Note 10 for further information.

Marketable Securities – Marketable Securities include investments in corporate, municipal and other debt securities, as well as investments in readily-marketable equity securities, which are accounted for as available-for-sale under ASC 320-10, “*Accounting for Certain Investments in Debt and Equity Securities*”. These securities are carried at fair value on the Consolidated Statements of Financial Condition. Unrealized gains and losses are reported as net increases or decreases to Accumulated Other Comprehensive Income (Loss), net of tax, while realized gains and losses on these securities are determined using the specific identification method and are included in Other Revenue, Including Interest on the Consolidated Statements of Operations. The readily-marketable debt and equity securities are valued using quoted market prices on applicable exchanges or markets. Marketable Securities also include investments in municipal bonds held at EGL and mutual funds, which are carried at fair value, with changes in fair value recorded in Other Revenues, Including Interest on the Consolidated Statements of Operations. Marketable Securities transactions are recorded as of the trade date.

Financial Instruments Owned and Pledged as Collateral at Fair Value – The Company’s Financial Instruments Owned and Pledged as Collateral at Fair Value consist principally of foreign government obligations, which are recorded on a trade-date basis and are stated at quoted market values. Related gains and losses are reflected in Other Revenue, Including Interest on the Consolidated Statements of Operations. The Company pledges the Financial Instruments Owned and Pledged as Collateral at Fair Value to collateralize certain financing arrangements, which permits the counterparty to pledge the securities.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase – Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase are treated as collateralized financing transactions. The agreements provide that the transferor will

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

receive substantially the same securities in return at the maturity of the agreement. These transactions are carried at the amounts at which the related securities will be subsequently resold or repurchased, plus accrued interest payable or receivable. As the maturities on these transactions are short-term in nature (i.e. generally mature on the next business day) and the underlying securities are debt instruments of the Mexican Governments or its agencies, their carrying amounts approximate fair value. The Company periodically assesses the collectability or credit quality related to securities purchased under agreements to resell.

Investments – The Company’s investments include investments in private equity partnerships, the Company’s equity interests in G5, ABS Investment Management, LLC (“ABS”) and Evercore Pan-Asset Capital Management (“Pan”), which are accounted for under the equity method of accounting.

Private Equity – The investments of private equity funds consist primarily of investments in marketable and non-marketable securities of the portfolio companies. The underlying investments held by the private equity funds are valued based on quoted market prices or estimated fair value if there is no public market. The Company determines fair value of non-marketable securities by giving consideration to a range of factors, including but not limited to, market conditions, operating performance (current and projected) and subsequent financing transactions. Due to the inherent uncertainty in the valuation of these non-marketable securities, estimated values may materially differ from the values that would have been used had a ready market existed for these investments. Investments in publicly-traded securities held by the private equity funds are valued using quoted market prices. The Company recognizes its allocable share of the changes in fair value of the private equity funds’ underlying investments as realized and unrealized gains (losses) within Investment Management Revenue in the Consolidated Statements of Operations.

Affiliates – The Company’s equity interests in G5, ABS and Pan include its share of the income (losses) within Income (Loss) from Equity Method Investments, as a component of Income Before Income Taxes, on the Consolidated Statements of Operations.

The Company assesses its Equity Method Investments annually for impairment, or more frequently if circumstances indicate impairment may have occurred.

The Company also maintains an investment in Trilantic Capital Partners (“Trilantic”). See Note 9 for further information.

Goodwill and Intangible Assets – Goodwill is tested for impairment annually, as of November 30th, or more frequently if circumstances indicate impairment may have occurred. The Company assesses whether any goodwill recorded by its applicable reporting unit is impaired by comparing the fair value of each business with its respective carrying amount. For acquired businesses, contingent consideration is recognized and measured at fair value as of the acquisition date and at subsequent reporting periods.

Intangible assets with finite lives are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable as prescribed by ASC 360, “Accounting for the Impairment or Disposal of Long-Lived Assets”.

The Company tests goodwill for impairment at the reporting unit level. In determining the fair value for each reporting unit the Company utilizes either a market multiple approach or a discounted cash flow methodology based on the adjusted cash flows from operations, or a weighted combination of both a market multiple approach and discounted cash flow methodology. The market multiple approach includes applying the average earnings multiples of comparable public companies for their respective reporting segment multiplied by

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

the forecasted earnings of the respective reporting unit to yield an estimate of fair value. The discounted cash flow methodology begins with the forecasted adjusted cash flows from each of the reporting units and uses a discount rate that reflects the weighted average cost of capital adjusted for the risks inherent in the future cash flows.

See Note 4 for further information.

Compensation and Benefits – Compensation includes salaries, bonuses (discretionary awards and guaranteed amounts), severance, deferred cash and share-based compensation. Cash bonuses are accrued over the respective service periods to which they relate and deferred cash and share-based bonuses are expensed prospectively over their requisite service period.

Share-Based Payments –The Company accounts for share-based payments in accordance with ASC 718, “*Compensation – Stock Compensation*” (“ASC 718”) and the impact on the Company’s Consolidated Statements of Financial Condition and Statements of Operations is discussed in Note 17.

Compensation expense recognized pursuant to share-based awards is based on the grant date fair value of the award. The fair value (as measured on the grant date) of awards that vest from one to five years (“Service-based Awards”) is amortized over the vesting periods or requisite service periods as required under ASC 718, however, the vesting of some Service-based Awards will accelerate upon the occurrence of certain events. The Company amortizes the grant-date fair value of share-based compensation awards made to employees, who are or will become retirement eligible prior to the stated vesting date, over the expected substantive service period. For the purposes of calculating diluted net income per share attributable to Evercore Partners Inc. common shareholders, unvested Service-based Awards are included in the diluted weighted average Class A Shares outstanding using the treasury stock method. Once vested, restricted stock units (“RSUs”) and restricted stock are included in the basic and diluted weighted average Class A Shares outstanding. Expense relating to RSUs and restricted stock is charged to Employee Compensation and Benefits within the Consolidated Statements of Operations. For a discussion of Event-based Awards, see Note 17.

Awards classified as liabilities as required under ASC 718, such as cash settled share-based awards, are re-measured at fair value at each reporting period.

Foreign Currency Translation – Foreign currency assets and liabilities have been translated at rates of exchange prevailing at the end of the periods presented. Income and expenses transacted in foreign currency have been translated at average monthly exchange rates during the period. Translation gains and losses are included in the foreign currency translation adjustment as a component of Accumulated Other Comprehensive Income (Loss) in the Consolidated Statements of Changes in Equity and Other Comprehensive Income (Loss) in the Consolidated Statements of Comprehensive Income. Exchange gains and losses arising from translating intercompany balances of a long-term investment nature are recorded in the foreign currency translation account while transactional exchange gains and losses are included in Other Revenue, Including Interest on the Consolidated Statements of Operations.

Income Taxes –The Company accounts 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 bases of its assets and liabilities, as disclosed in Note 20.

Deferred income taxes reflect the net tax effects of temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect

EVERCORE PARTNERS INC.

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when such differences are expected to reverse. Such temporary differences are reflected on the Company's Consolidated Statements of Financial Condition as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Significant management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against the Company's net deferred tax assets.

ASC 740 provides a benefit recognition model with a two-step approach consisting of "more-likely-than-not" recognition criteria, and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. ASC 740 also requires the recognition of liabilities created by differences between tax positions taken in a tax return and amounts recognized in the financial statements. See Note 20 for disclosure in regard to the impact of the adoption of ASC 740 on the Company's consolidated financial statements.

Note 3 – Recent Accounting Pronouncements

ASU 2011-11 – In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-11, "*Disclosures about Offsetting Assets and Liabilities*" ("ASU 2011-11"). ASU 2011-11 provides amendments to ASC No. 210, "*Balance Sheet*", which are intended to enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments in the scope of this update. The amendments in this update are effective retrospectively for interim and annual periods beginning after January 1, 2013. The Company does not expect the adoption of this update to have a material impact on the Company's consolidated financial condition, results of operations and cash flows.

ASU 2013-02 – In February 2013, the FASB issued ASU No. 2013-02, "*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*" ("ASU 2013-02"). ASU 2013-02 provides amendments to ASC No. 220, "*Comprehensive Income*", which are intended to enhance disclosures required by U.S. GAAP by requiring improved information about the amounts reclassified out of accumulated other comprehensive income by component, and to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income and their corresponding effect on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2012, with early adoption permitted. The Company is currently assessing the impact of the adoption of this update on the Company's consolidated financial condition, results of operations and cash flows.

Note 4 – Business Changes and Developments

Year Ended December 31, 2012

Mt. Eden Investment Advisors, LLC – In October 2012, the Company, through EWM, entered into an agreement to acquire Mt. Eden, a San Francisco-based registered investment advisor. The terms of the

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acquisition include \$6,917 of cash and \$2,694 of EWM equity paid to the sellers at closing, as well as contingent consideration of \$282 subject to the retention of client relationships. The transaction was consummated on December 28, 2012. The transaction resulted in goodwill of \$6,500 and intangible assets relating to client relationships, non-compete agreements and other intangibles of \$3,630, \$169 and \$445, respectively, recognized in the Investment Management Segment. The intangible assets are being amortized over estimated useful lives ranging from two to 10 years. As of December 31, 2012, the company is in the process of finalizing the valuation work related to this transaction. In addition, upon closing the Company funded the repayment of \$1,047 of outstanding Mt. Eden debt.

Year Ended December 31, 2011

Lexicon Partnership LLP – On August 19, 2011, the Company completed its acquisition of all of the outstanding partnership interests of Lexicon, in accordance with the definitive sale and purchase agreement entered into on June 7, 2011, for consideration consisting of cash and stock. In the aggregate, the sellers will receive approximately £46,142, or \$76,167, in cash and 1,911 shares of the Company’s Class A common stock, par value \$0.01 per share (“Class A Shares”). Of the total consideration, £31,598, or \$52,160, in cash was paid and 28 Class A Shares were issued to the sellers at closing, and approximately £5,619, or \$9,274, in cash was paid to the sellers on December 31, 2011. Payment of the remaining approximately £8,925, or \$14,733, in cash and 1,883 restricted Class A Shares was deferred and vests under graded vesting in various installments over a four-year period. Accordingly, these amounts are being expensed over the graded vesting period and included in Employee Compensation and Benefits expense. This deferred consideration, whether in the form of Class A Shares or cash, upon vesting, will be delivered to the sellers on the earlier of (i) the first anniversary of the relevant vesting date and (ii) the date of the first secondary offering by the Company following the relevant vesting date. Vesting of the Class A Shares and cash consideration will accelerate in certain circumstances, including, but not limited to, a seller’s termination without cause, a qualifying retirement or upon a change of control. In addition, upon closing the Company funded the repayment of £5,039, or \$8,318, of outstanding Lexicon capital notes. These notes are included as Long-term Debt in the table below.

Lexicon was purchased to expand the Company’s advisory capabilities.

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

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 the fair value at August 19, 2011. The purchase price allocation is as follows:

	<u>Amount</u>
Purchase Price:	
Cash Paid	\$ 52,160
Fair Value of Shares Issued	636
Fair Value of Deferred Cash Consideration	9,274
Total Fair Value of Purchase Price	<u>62,070</u>
Fair Value of Assets Acquired and Liabilities Assumed:	
Cash and Cash Equivalents	21,812
Accounts Receivable	7,821
Prepaid Expenses	9,504
Fixed Assets	429
Other Assets	964
Intangible Assets	7,164
Current Liabilities	(21,592)
Long-term Debt	(8,318)
Identifiable Net Assets	<u>17,784</u>
Goodwill Resulting from Business Combination	<u>\$ 44,286</u>

In conjunction with the acquisition, the Company recognized accounts receivable with a gross value of \$7,821, 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. The total amount of goodwill is expected to be deductible for tax purposes.

In connection with the acquisition of Lexicon, the Company recorded client related intangible assets of \$7,164. Management views client related assets as the primary intangible assets of Lexicon. The intangible assets were valued at the date of acquisition at their fair value as determined by management. The intangible assets were amortized over an estimated useful life of six months. The Company recognized \$2,089 and \$5,075 of amortization expense related to these intangible assets for the years ended December 31, 2012 and 2011, respectively.

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

During the fourth quarter of 2011, the Company fully integrated the operations of Lexicon in its existing operations. Accordingly, operating costs can not be explicitly segregated and it is not possible to measure the marginal operating income attributable to the business. Below is an estimate of the operating income of the business based on estimated expenses derived from Lexicon's historical expense run-rate. The Company's consolidated results for the year ended December 31, 2011, included revenue of \$41,637 and estimated operating expenses of \$32,073, resulting in estimated operating income of \$9,564 related to Lexicon from the period of acquisition, August 19, 2011 to December 31, 2011, before taking into consideration certain acquisition related charges, as follows. The Company also incurred \$23,587 of other expenses related to the Lexicon acquisition, which included \$14,618 of acquisition related compensation charges, \$3,894 of Special Charges and \$5,075 of

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intangible amortization expense associated with the acquisition of Lexicon. See Note 5 for a further explanation of Special Charges and Note 22 for a further explanation of Other Expenses.

If the acquisition of Lexicon was effective as of January 1, 2010, the operating results of the Company, on a pro forma basis, would have been:

	For the Years Ended December 31,	
	2011	2010
	(Unaudited)	
Net Revenues	\$ 575,344	\$ 446,174
Pre-tax Income	\$ 31,325	\$ 18,650
Net Income from Continuing Operations Attributable to Evercore Partners Inc.	\$ 4,635	\$ 2,504
Diluted Net Income Per Share from Continuing Operations Available to Evercore Partners Inc.	\$ 0.15	\$ 0.10

ABS Investment Management, LLC – On December 29, 2011, the Company completed its acquisition of a 45% non-controlling interest in ABS, a Connecticut based institutionally focused hedge fund-of-funds manager, for a cash purchase price of \$45,104, subject to certain adjustments after the closing, as set forth in the Purchase Agreement. Following the consummation of the transaction, the remaining 55% of the interest in ABS is owned by the founders of ABS and its employees. ABS is governed by a five member management committee consisting of three members of ABS' management team and two designees of the Company. The Company does not have majority voting power and therefore the Company does not maintain the unilateral ability to control significant operational or corporate governance matters of ABS and the founders of ABS have certain protective and participating rights which include the ability to block certain corporate actions relating to liquidation or sale of any material assets, approval of any material transaction outside of the ordinary course of business and approval of the annual budget and compensation arrangements. Accordingly, this transaction is accounted for as an equity method investment.

Evercore Asset Management – In October 2011, EAM announced its plan to wind down its business. Management and the Company made this decision because EAM was unable to attain sufficient scale to be a viable business due to several factors including the ongoing effects of the financial crisis. Accordingly, at this time it was determined there would be no future cash inflows from EAM. As a result, during the third quarter of 2011 the Company concluded that EAM's client-based intangible assets had no future value, which resulted in a \$975 charge included within Income (Loss) from Discontinued Operations related to the write-off of these intangibles.

EAM had pretax losses of \$4,198 and \$2,618 reported in discontinued operations for the years ended December 31, 2011 and 2010, respectively.

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Goodwill and Intangible Assets

Goodwill associated with the Company's acquisitions is as follows:

	Investment Banking	Investment Management	Total
Balance at December 31, 2010	\$ 43,199	\$ 95,832	\$ 139,031
Acquisitions	44,286	80	44,366
Foreign Currency Translation and Other	(5,548)	—	(5,548)
Balance at December 31, 2011	81,937	95,912	177,849
Acquisitions	—	6,500	6,500
Foreign Currency Translation and Other	4,415	(80)	4,335
Balance at December 31, 2012	<u>\$ 86,352</u>	<u>\$ 102,332</u>	<u>\$ 188,684</u>

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

	December 31, 2012					
	Gross Carrying Amount			Accumulated Amortization		
	Investment Banking	Investment Management	Total	Investment Banking	Investment Management	Total
Client Related	\$ 2,300	\$ 46,960	\$49,260	\$ 969	\$ 16,412	\$17,381
Acquired Mandates	1,810	—	1,810	1,324	—	1,324
Non-compete/Non-solicit Agreements	135	1,949	2,084	67	920	987
Other	—	2,245	2,245	—	310	310
Total	<u>\$ 4,245</u>	<u>\$ 51,154</u>	<u>\$55,399</u>	<u>\$ 2,360</u>	<u>\$ 17,642</u>	<u>\$20,002</u>

	December 31, 2011					
	Gross Carrying Amount			Accumulated Amortization		
	Investment Banking	Investment Management	Total	Investment Banking	Investment Management	Total
Client Related	\$ 17,835	\$ 43,250	\$61,085	\$ 13,874	\$ 10,197	\$24,071
Acquired Mandates	1,810	—	1,810	836	—	836
Non-compete/Non-solicit Agreements	135	1,780	1,915	40	564	604
Other	—	1,800	1,800	—	190	190
Total	<u>\$ 19,780</u>	<u>\$ 46,830</u>	<u>\$66,610</u>	<u>\$ 14,750</u>	<u>\$ 10,951</u>	<u>\$25,701</u>

Expense associated with the amortization of intangible assets was \$10,872, \$14,315 and \$7,541 for the years ended December 31, 2012, 2011 and 2010, respectively.

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Based on the intangible assets above, as of December 31, 2012, annual amortization of intangibles for each of the next five years is as follows:

2013	\$ 7,962
2014	\$ 5,668
2015	\$ 4,008
2016	\$ 3,627
2017	\$ 3,237

The Company concluded that there was no impairment of Goodwill or Intangible Assets during the year ended December 31, 2012.

Note 5 – Special Charges and Acquisition and Transition Costs***Special Charges***

The Company recognized costs of \$662 for the year ended December 31, 2012, as Special Charges incurred in connection with exiting facilities in the UK, and \$3,894 for the year ended December 31, 2011, as Special Charges incurred in connection with the Lexicon acquisition, including the exiting of a lease commitment for office space of \$731, an introducing fee of \$1,895, as well as other professional fees incurred by Lexicon of \$1,268. See Note 4 for further information on the Company's acquisition of Lexicon.

Acquisition and Transition Costs

The Company has recognized \$840, \$3,465, and \$3,399 for the years ended December 31, 2012, 2011 and 2010, respectively, as Acquisition and Transition Costs incurred in connection with recent acquisitions and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services. Acquisition and Transition Costs included expenses of \$2,118 for the year ended December 31, 2011, related to the Company's acquisition of Lexicon.

Note 6 – Related Parties

The Company remits payment for expenses on behalf of the private equity funds and is reimbursed accordingly. For the years ended December 31, 2012, 2011 and 2010, the Company disbursed \$1,098, \$1,833 and \$1,301, respectively, on behalf of these entities.

Investment Management Revenue includes income from related parties earned from the Company's private equity funds for portfolio company fees, management fees, expense reimbursements and realized and unrealized gains and losses of private equity fund investments. Total Investment Management revenues from related parties amounted to \$4,781, \$6,696 and \$8,346 for the years ended December 31, 2012, 2011 and 2010, respectively.

Investment Banking Revenue includes advisory fees earned from clients that have a Senior Managing Director as a member of their Board of Directors of \$2,000 and \$1,250 for the years ended December 31, 2012 and 2011, respectively.

Other Assets on the Consolidated Statement of Financial Condition as of December 31, 2012 includes \$1,546 of receivables from certain employees as part of compensation arrangements.

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Receivable from Employees and Related Parties on the Consolidated Statements of Financial Condition consisted of the following at December 31, 2012 and 2011:

	December 31,	
	2012	2011
Advances to Employees	\$3,624	\$4,830
Personal Expenses Paid on Behalf of Employees and Related Parties	213	49
Receivable from Affiliates	390	689
Reimbursable Expenses Due From Portfolio Companies of the Company's Private Equity Funds	409	636
Reimbursable Expenses Relating to the Private Equity Funds	530	1,589
Receivable from Employees and Related Parties	<u>\$5,166</u>	<u>\$7,793</u>

Payable to Employees and Related Parties on the Consolidated Statements of Financial Condition consisted of the following at December 31, 2012 and 2011:

	December 31,	
	2012	2011
Board of Director Fees	\$ 266	\$ 235
Lexicon Deferred Consideration Payable	—	358
Amounts Due to Former Members of Lexicon	5,424	5,844
Amounts Due Pursuant to Tax Receivable Agreements(a)	7,274	6,210
Payable to Employees and Related Parties	<u>\$12,964</u>	<u>\$12,647</u>

(a) Relates to the current portion of the Member exchange of LP Units for Class A Shares. The long-term portion of \$165,350 and \$137,448 is disclosed in Amounts Due Pursuant to Tax Receivable Agreements on the Consolidated Statements of Financial Condition at December 31, 2012 and 2011, respectively.

Note 7 – Marketable Securities

The amortized cost and estimated fair value of the Company's Marketable Securities as of December 31, 2012 and 2011 were as follows:

	December 31, 2012				December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale								
Debt Securities:								
Corporate Bonds	\$ —	\$ —	\$ —	\$ —	\$ 1,008	\$ —	\$ 2	\$ 1,006
Municipal Bonds	—	—	—	—	9,544	9	—	9,553
Other Debt Securities	—	—	—	—	2,000	—	—	2,000
Seed Capital Investments	10,172	1,428	20	11,580	10,905	812	27	11,690
Total Available-for-Sale	10,172	1,428	20	11,580	23,457	821	29	24,249
Debt Securities Carried by EGL	13,522	97	—	13,619	47,583	518	—	48,101
Mutual Funds	10,946	412	12	11,346	9,350	191	603	8,938
Total	<u>\$34,640</u>	<u>\$ 1,937</u>	<u>\$ 32</u>	<u>\$ 36,545</u>	<u>\$80,390</u>	<u>\$ 1,530</u>	<u>\$ 632</u>	<u>\$ 81,288</u>

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Scheduled maturities of the Company's available-for-sale debt securities as of December 31, 2012 and 2011 were as follows:

	December 31, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 658	\$ 659	\$ 8,699	\$ 8,703
Due after one year through five years	1,415	1,437	3,853	3,856
Due after five years through 10 years	347	346	—	—
Total	<u>\$ 2,420</u>	<u>\$2,442</u>	<u>\$ 12,552</u>	<u>\$12,559</u>

Since the Company has the ability and intent to hold available-for-sale securities until a recovery of fair value is equal to an amount approximating its amortized cost, which may be at maturity, and has not incurred credit losses on its securities, it does not consider such unrealized loss positions to be other-than-temporarily impaired at December 31, 2012.

Debt Securities

The Company invests in corporate and municipal securities, which are classified as available-for-sale securities within Marketable Securities on the Consolidated Statements of Financial Condition. Unrealized gains and losses for these securities are included in Accumulated Other Comprehensive Income (Loss) and realized gains and losses are included in earnings. The Company had realized gains of \$2, \$86 and \$3,450 for the years ended December 31, 2012, 2011 and 2010, respectively.

Seed Capital Investments

Seed Capital Investments include equity and debt securities, which are classified as available-for-sale securities within Marketable Securities on the Consolidated Statements of Financial Condition. These securities are stated at quoted market value with unrealized gains and losses included in Accumulated Other Comprehensive Income (Loss) and realized gains and losses included in earnings. The Company had realized gains (losses) of (\$85), \$936 and \$1,653 for the years ended December 31, 2012, 2011 and 2010, respectively.

Debt Securities Carried by EGL

During the first quarter of 2010, EGL began to invest in a fixed income portfolio consisting primarily of municipal bonds. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest, on the Consolidated Statements of Operations, as required for broker-dealers in securities. The Company had net realized and unrealized gains (losses) of (\$674), (\$460) and \$481 for the years ended December 31, 2012, 2011 and 2010, respectively.

Mutual Funds

During the first quarter of 2011, the Company began to invest in a portfolio of mutual funds as an economic hedge against the Company's deferred compensation program. See Note 17 for further information. These securities are carried at fair value, with changes in fair value recorded in Other Revenue, Including Interest, on the Consolidated Statements of Operations. The Company had net realized and unrealized gains (losses) of \$1,025 and (\$412) for the years ended December 31, 2012 and 2011.

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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 Evercore Casa de Bolsa, S.A. de C.V. (“ECB”), enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market, which the Company reflects as Financial Instruments Owned and Pledged as Collateral at Fair Value on the 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 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 Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where the Company has acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to Resell (where the Company has acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities have an estimated average time to maturity of approximately 2.7 years, as of December 31, 2012, and are pledged as collateral against repurchase agreements. Generally, collateral is posted equal to the contract value at inception and is subject to market changes. These repurchase agreements are primarily with institutional customer accounts managed by ECB and permit the counterparty to pledge the securities.

As of December 31, 2012 and 2011, a summary of the Company’s assets, liabilities and collateral received or pledged related to these transactions is as follows:

	December 31, 2012		December 31, 2011	
	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	\$ 120,594		\$ 127,178	
Securities Purchased Under Agreements to Resell	—	\$ —	2,146	\$ 2,143
Total Assets	<u>\$ 120,594</u>		<u>\$ 129,324</u>	
Liabilities				
Securities Sold Under Agreements to Repurchase	<u>\$(120,787)</u>	\$ (121,029)	<u>\$(129,577)</u>	\$ (129,809)

Note 9 – Investments

The Company’s investments reported on the Consolidated Statements of Financial Condition consist of investments in private equity partnerships 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 the private equity investments are included within Investment Management Revenue. The Company’s share of

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earnings (losses) on the investments in G5, ABS and Pan are included within Income (Loss) from Equity Method Investments on the Consolidated Statements of Operations.

Investments in Private Equity

The Company's investments in private equity partnerships include investments in Evercore Capital Partners II L.P. and its affiliated entities ("ECP II"), Discovery Americas I, L.P. (the "Discovery Fund"), Evercore Mexico Capital Partners II ("EMCP II"), Evercore Mexico Capital Partners III ("EMCP III"), CSI Capital, L.P. ("CSI Capital") and Trilantic Capital Partners Associates IV L.P. ("Trilantic IV"). Portfolio holdings of the private equity funds are carried at fair value. Accordingly, the Company reflects its pro rata share of the unrealized gains and losses occurring from changes in fair value. Additionally, the Company reflects its pro rata share of realized gains, losses and carried interest associated with any investment realizations.

In 2012, the Company held an initial and second closing on EMCP III, a private equity fund focused on middle market investments in Mexico. Subscribed capital commitments were \$96,500 as of December 31, 2012, which included a capital commitment of \$3,600 by the Company.

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

As a result of its investment in CITIC Securities International Partners, LTD ("CSIP"), during 2010, the Company made an investment of \$3,164 in CSI Capital, a China focused fund affiliated with CSIP.

A summary of the Company's investment in the private equity funds as of December 31, 2012 and 2011 was as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
ECP II	\$ 3,793	\$ 5,037
Discovery Fund	3,060	2,393
EMCP II	10,400	9,674
EMCP III	1,696	—
CSI Capital	3,056	3,496
Trilantic IV	4,573	4,551
Total Private Equity Funds	<u>\$ 26,578</u>	<u>\$ 25,151</u>

Net realized and unrealized gains (losses) on private equity fund investments, including performance fees, were (\$206), \$6,200 and \$2,148 for years ended December 31, 2012, 2011 and 2010, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of December 31, 2012, the Company had \$2,701 of previously received carried interest that may be subject to repayment.

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Trilantic Capital Partners

During the first quarter of 2010, the Company made an investment in Trilantic. See Note 15 for further information. This investment had a balance of \$14,999 and \$15,549 as of December 31, 2012 and 2011, respectively.

Equity Method Investments

A summary of the Company's other equity investments as of December 31, 2012 and 2011 was as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
G5	\$ 19,720	\$ 20,595
ABS	46,851	45,104
Pan	2,749	2,531
Total	<u>\$ 69,320</u>	<u>\$ 68,230</u>

G5

During the fourth quarter of 2010, the Company made an equity method investment in G5. At December 31, 2012, the Company's economic ownership interest in G5 was 49%. This investment resulted in earnings of \$1,368, \$1,340 and \$64 for the years ended December 31, 2012, 2011 and 2010, respectively, included within Income (Loss) from Equity Method Investments on the Consolidated Statements of Operations.

ABS

During the fourth quarter of 2011, the Company made an equity method investment in ABS. At December 31, 2012, the Company's economic ownership interest in ABS was 45%. This investment resulted in earnings of \$3,394 for the year ended December 31, 2012, included within Income (Loss) from Equity Method Investments on the Consolidated Statement of Operations.

Pan

In 2008, the Company made an equity method investment of \$4,158 in Pan and maintains a 50% interest at December 31, 2012. This investment resulted in earnings (losses) of \$90, (\$420) and (\$621) for the years ended December 31, 2012, 2011 and 2010, respectively, included within Income (Loss) from Equity Method Investments on the Consolidated Statements of Operations.

In 2011 and 2012, the Company provided Pan with additional funding in exchange for notes receivable, which are treated as debt on Pan's statement of financial condition. The terms of the notes receivable require Pan to periodically pay interest on the debt. These notes, with a carrying value of \$1,122 as of December 31, 2012, are due in 2016 and 2017. Based on the terms, the Company viewed the lending activities as reconsideration events and concluded in both 2011 and 2012 that Pan is a VIE as it did not have a sufficient level of equity to finance its activities without additional subordinated financial support. The Company's assessment of the primary beneficiary of Pan included assessing which parties have the power to significantly impact the economic performance of Pan and the obligation to absorb losses of Pan, which could be potentially significant to Pan, or the right to receive benefits from Pan that could be potentially significant. Specifically, the Company concluded the other stakeholders, including Pan's Chief Executive Officer, have the most significant influence in impacting

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the cash flows, operating margins and revenues and that the Company is not the primary beneficiary of Pan. The terms of the loan agreements did not change or modify the governance structure of Pan's operating agreement, in which the Company holds two of the four seats on Pan's Board.

As of December 31, 2012 and 2011, the Company has not recorded any of the assets or liabilities of Pan on the Consolidated Statements of Financial Condition.

The maximum exposure to loss represents the aggregate of (i) the Company's equity interest in Pan in both the common and preferred shares, (ii) the outstanding notes receivable on loans made to Pan and (iii) the amount of undrawn preferred capital commitment. See Note 18 for a description of the Company's commitment to purchase preferred equity of Pan.

Other

The Company allocates the purchase price of its equity method investments, in part, to the inherent finite-lived identifiable intangible assets of the investees. The Company's share of the earnings of the investees has been reduced by the amortization of these identifiable intangible assets inherent in the investments of \$2,696, \$944 and \$236 for the years ended December 31, 2012, 2011 and 2010 respectively.

Cost Basis Investments

In 2009, the Company invested \$1,250 in CSIP in exchange for a 5% noncontrolling interest in the entity that was accounted for on the cost basis. During the fourth quarter of 2011, the Company and CSIP agreed to terminate the advising activities with respect to this venture and, accordingly, the Company incurred a charge for the write-off of this investment of \$1,250, included within Other Operating Expenses on the Consolidated Statement of Operations.

Note 10 – Fair Value Measurements

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

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

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by ASC 820, the Company does not adjust the quoted price for these investments, even in situations where 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 the Corporate Bonds, Municipal Bonds, Other

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Debt Securities and Seed Capital Investments held at December 31, 2012 and 2011 are based on quoted market prices provided by external pricing services.

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

The following table presents the categorization of investments and certain other financial assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	December 31, 2012			Total
	Level I	Level II	Level III	
Corporate Bonds, Municipal Bonds and Other Debt Securities(1)	\$ —	\$ 38,482	\$ —	\$ 38,482
Seed Capital Investments	9,138	2,442	—	11,580
Mutual Funds	11,346	—	—	11,346
Financial Instruments Owned and Pledged as Collateral at Fair Value	120,594	—	—	120,594
Total Assets Measured At Fair Value	<u>\$141,078</u>	<u>\$ 40,924</u>	<u>\$ —</u>	<u>\$182,002</u>

	December 31, 2011			Total
	Level I	Level II	Level III	
Corporate Bonds, Municipal Bonds and Other Debt Securities(1)	\$ —	\$106,951	\$ —	\$106,951
Seed Capital Investments	9,150	2,540	—	11,690
Mutual Funds	8,938	—	—	8,938
Financial Instruments Owned and Pledged as Collateral at Fair Value	127,178	—	—	127,178
Total Assets Measured At Fair Value	<u>\$145,266</u>	<u>\$109,491</u>	<u>\$ —</u>	<u>\$254,757</u>

(1) Includes \$24,863 and \$46,291 of municipal bonds and commercial paper classified within Cash and Cash Equivalents on the Consolidated Statements of Financial Condition as of December 31, 2012 and 2011, respectively.

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

The Company had no transfers between fair value levels during the years ended December 31, 2012 or 2011.

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

	Carrying Amount	December 31, 2012			
		Estimated Fair Value			Total
		Level I	Level II	Level III	
Financial Assets:					
Cash and Cash Equivalents	\$ 234,568	\$ 234,568	\$ —	\$ —	\$ 234,568
Accounts Receivable	89,098	—	89,098	—	89,098
Receivable from Employees and Related Parties	5,166	—	5,166	—	5,166
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Financial Liabilities:					
Accounts Payable and Accrued Expenses	\$ 17,909	\$ —	\$ 17,909	\$ —	\$ 17,909
Securities Sold Under Agreements to Repurchase	120,787	—	120,787	—	120,787
Payable to Employees and Related Parties	12,964	—	12,964	—	12,964
Notes Payable	101,375	—	136,860	—	136,860

	Carrying Amount	December 31, 2011			
		Estimated Fair Value			Total
		Level I	Level II	Level III	
Financial Assets:					
Cash and Cash Equivalents	\$ 136,614	\$ 136,614	\$ —	\$ —	\$ 136,614
Securities Purchased Under Agreements to Resell	2,146	—	2,146	—	2,146
Accounts Receivable	52,060	—	52,060	—	52,060
Receivable from Employees and Related Parties	7,793	—	7,793	—	7,793
Assets Segregated for Bank Regulatory Requirements	10,200	10,200	—	—	10,200
Financial Liabilities:					
Accounts Payable and Accrued Expenses	\$ 17,849	\$ —	\$ 17,849	\$ —	\$ 17,849
Securities Sold Under Agreements to Repurchase	129,577	—	129,577	—	129,577
Payable to Employees and Related Parties	12,647	—	12,647	—	12,647
Notes Payable	99,664	—	122,279	—	122,279

The following methods and assumptions were used to estimate the fair value of these financial assets and liabilities:

The fair value of the Company's Notes Payable is estimated based on a present value analysis utilizing aggregate market yields obtained from independent pricing sources for similar financial instruments.

The carrying amounts reported on the Consolidated Statements of Financial Condition for Cash and Cash Equivalents, Securities Purchased Under Agreements to Resell, Securities Sold Under Agreements to Repurchase, Accounts Receivable, Receivables from Employees and Related Parties, Accounts Payable and Accrued Expenses, Payables to Employees and Related Parties and Assets Segregated for Bank Regulatory Requirements approximate fair value due to the short term nature of these items.

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Note 11 – Furniture, Equipment and Leasehold Improvements

Furniture, Equipment and Leasehold Improvements consisted of the following:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Furniture and Office Equipment	\$ 8,891	\$ 7,137
Leasehold Improvements	30,884	19,890
Computer and Computer-related Equipment	9,882	7,900
Total	49,657	34,927
Less: Accumulated Depreciation and Amortization	(19,880)	(13,490)
Furniture, Equipment and Leasehold Improvements, Net	<u>\$ 29,777</u>	<u>\$ 21,437</u>

Depreciation and amortization expense for Furniture, Equipment and Leasehold Improvements totaled \$5,962, \$3,431 and \$2,380 for the years ended December 31, 2012, 2011 and 2010, respectively.

Note 12 – Issuance of Notes Payable and Warrants

On August 21, 2008, the Company entered into a Purchase Agreement with Mizuho Corporate Bank, Ltd. (“Mizuho”) pursuant to which Mizuho purchased from the Company \$120,000 principal amount of Senior Notes due 2020 with a 5.20% coupon and warrants to purchase 5,455 Class A Shares at \$22.00 per share (the “Warrants”) expiring in 2020. Based on their relative fair value at issuance, plus accretion, the Senior Notes and Warrants were reflected in Notes Payable and Additional Paid-In-Capital on the Consolidated Statements of Financial Condition. The Senior Notes have an effective yield of 7.94%.

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

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

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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.

As of December 31, 2012, the future payments required on the Senior Notes, including principal and interest were as follows:

2013	\$ 6,240
2014	6,240
2015	6,240
2016	6,240
2017	6,240
Thereafter	138,720
Total	<u>\$ 169,920</u>

Note 13 – Employee Benefit Plans

Defined Contribution Retirement Plan – The Company, through a subsidiary, provides certain retirement benefits to employees through a qualified retirement plan. The Evercore Partners Services East L.L.C. Retirement Plan (the “Plan”) is a defined contribution plan with a salary deferral feature under Section 401(k) of the Internal Revenue Code. It also includes a discretionary profit sharing feature. The Plan was formed on February 1, 1996 and subsequently amended. The Plan year ends on December 31 of each year. The Company, at its sole discretion, determines the amount, if any, of profit to be contributed to the Plan.

The Company made no contributions for the years ended December 31, 2012, 2011 and 2010.

Evercore Europe Defined Contribution Benefit Plan – Evercore Europe established the Evercore Partners Limited Group Personal Pension Plan (the “Evercore Europe Plan”), a defined contribution benefit plan, in November 2006 for Evercore Europe employees and members. The Evercore Europe Plan has a salary deferral feature as permitted under existing tax guidelines for HM Customs and Revenue, the Inland Revenue Service in the United Kingdom. Evercore Europe employees must elect to participate in the plan, and Evercore Europe has a minimum annualized contribution of 15% to 50% of an employee’s salary for all employees who participate, depending on the respective employee’s level within the Company.

Evercore Europe employees are also eligible to contribute up to 10% of their salary to the Evercore Europe Plan. Under the terms of the Evercore Europe Plan, if an employee contributes a minimum of 7.5% to 10% of their salary to the plan, Evercore Europe must make a matching contribution of 5% to 10% of the employee’s salary depending on the employee’s level within the company.

The Company made contributions to the Evercore Europe Plan for the years ended December 31, 2012, 2011 and 2010 totaling \$3,360, \$2,094 and \$1,496, respectively.

Note 14 – Evercore Partners Inc. Stockholders’ Equity

Offerings – During the second quarter of 2011, the Company had an offering of 5,365 Class A Shares. A portion of the proceeds were used to purchase from certain holders, including members of the Company’s senior management, a number of outstanding LP Units. The Company used a portion of the remainder of the proceeds to fund the initial cash payments associated with the acquisition of Lexicon. See Note 4. The offering resulted in

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an increase to Common Stock and Additional Paid-In-Capital of \$54 and \$167,880, respectively, on the Company's Consolidated Statement of Financial Condition as of December 31, 2011. The purchase of outstanding LP Units resulted in a decrease to Additional Paid-In-Capital of \$84,195 on the Company's Consolidated Statement of Financial Condition as of December 31, 2011. See Note 15 for the impact of this transaction on Noncontrolling Interest.

Additionally, the above transaction resulted in an increase in the tax basis of the tangible and intangible assets of Evercore LP, which triggered an additional liability under the tax receivable agreement that was entered into in 2006 between the Company and the LP Unit holders. The agreement provides for a payment to the LP Unit holders of 85% of the cash tax savings (if any), resulting from the increased tax benefits from the exchange and for the Company to retain 15% of such benefits. Accordingly, Deferred Tax Assets – Non-Current, Amounts Due Pursuant to Tax Receivable Agreements and Additional Paid-In-Capital increased \$47,481, \$40,360 and \$7,122, respectively, on the Company's Consolidated Statement of Financial Condition as of December 31, 2011. See Note 18 for estimated future payments related to the tax receivable agreement.

Dividends – The Company's Board of Directors declared on January 29, 2013, a quarterly cash dividend of \$0.22 per share, to the holders of Class A Shares as of February 22, 2013, which will be paid on March 8, 2013. During the year ended December 31, 2012, the Company declared and paid dividends of \$0.82 per share, totaling \$24,296. During the year ended December 31, 2011, the Company declared and paid dividends of \$0.74 per share, totaling \$19,346. See Note 17 for information related to the Company's dividend equivalent units.

Treasury Stock – During 2012, the Company purchased 726 Class A Shares primarily from employees at market values ranging from \$21.71 to \$29.62 per share primarily for the net settlement of stock-based compensation awards and 1,884 Class A Shares at market values ranging from \$22.58 to \$26.62 per share pursuant to the Company's share repurchase program. The result of these purchases was an increase in Treasury Stock of \$66,588 on the Company's Consolidated Statement of Financial Condition as of December 31, 2012. During 2012, the Company issued 39 Class A Shares from treasury stock as payment of contingent consideration in connection with the Morse Williams Agreement, 65 Class A Shares from treasury stock as payment of contingent consideration in connection with the MJC Associates Agreement and 116 Class A Shares in conjunction with the acquisition of Lexicon. The result of these issuances was a decrease in Treasury stock of \$5,641 on the Company's Consolidated Statement of Financial Condition as of December 31, 2012. During 2011, the Company purchased 1,587 Class A Shares from employees at market values ranging from \$15.76 to \$36.41 per share primarily for the net settlement of share-based compensation awards. The result of these purchases was an increase in Treasury Stock of \$45,105 on the Company's Consolidated Statement of Financial Condition as of December 31, 2011. During 2011, the Company issued 28 Class A Shares from treasury stock in conjunction with the Company's acquisition of Lexicon. The result of this issuance was a decrease in Treasury stock of \$636 on the Company's Consolidated Statement of Financial Condition as of December 31, 2011.

LP Units – During 2012, 2,108 LP Units were exchanged for Class A Shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of \$21 and \$15,022, respectively, on the Company's Consolidated Statement of Financial Condition as of December 31, 2012. An additional 983 LP Units were exchanged on December 31, 2012, where settlement did not occur until January 2013. During 2011, 423 LP Units were exchanged for Class A Shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of \$4 and \$2,545, respectively, on the Company's Consolidated Statement of Financial Condition as of December 31, 2011.

The above transactions, which increased the Company's ownership in Evercore LP and resulted in a step-up in the tax basis of the assets of Evercore LP, increased both Deferred Tax Assets – Non-Current and Additional

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Paid-In-Capital by \$1,477 and \$7,264 on the Company's Consolidated Statement of Financial Condition as of December 31, 2012 and 2011, respectively. See "Offerings" above for additional LP Unit transactions.

Accumulated Other Comprehensive Income (Loss) – As of December 31, 2012, Accumulated Other Comprehensive Income (Loss) on the Company's Consolidated Statement of Financial Condition includes accumulated Unrealized Gain (Loss) on Marketable Securities, net, and Foreign Currency Translation Adjustment Gain (Loss), net, of (\$1,353) and (\$7,733), respectively.

Note 15 – Noncontrolling Interest

Noncontrolling Interest recorded in the consolidated financial statements of the Company relates to a 20% interest in Evercore LP, a 28% interest in ECB, a 49% interest in EWM, a 34% equity interest in Atalanta Sosnoff, a 38% interest in Institutional Equities, and a 14% interest in ETC, not owned by the Company at December 31, 2012. The Atalanta Sosnoff interest excludes the Series C Profits Interest, which has been reflected in Employee Compensation and Benefits Expense on the Consolidated Statements of Operations. The Noncontrolling Interest for Evercore LP, EWM, Atalanta Sosnoff, Institutional Equities and ETC have rights, in certain circumstances, to convert into Class A Shares.

Changes in Noncontrolling Interest for the years ended December 31, 2012, 2011 and 2010 were as follows:

	For the Years Ended December 31,		
	2012	2011	2010
Beginning balance	\$ 58,162	\$ 66,542	\$ 29,361
Comprehensive income (loss)			
Operating income	10,590	3,579	8,851
Other comprehensive income (loss)	1,269	(2,218)	(754)
Total comprehensive income	11,859	1,361	8,097
Other items			
Evercore LP Units Purchased or Converted into Class A Common Stock	(9,867)	(12,268)	(9,834)
Amortization and Vesting of LP Units	21,697	21,057	20,059
Distributions to Noncontrolling Interests	(16,528)	(19,087)	(19,513)
Fair value of noncontrolling interest in AS	—	—	33,139
Issuance of noncontrolling interest	469	917	4,381
Other	(3,549)	(360)	852
Total other items	(7,778)	(9,741)	29,084
Ending balance	<u>\$ 62,243</u>	<u>\$ 58,162</u>	<u>\$ 66,542</u>

Net Income (Loss) Attributable to Noncontrolling Interest related to EAM from Discontinued Operations was (\$2,510) and (\$1,804) for the years ended December 31, 2011 and 2010, respectively.

Pursuant to the strategic alliance with Trilantic, Evercore LP issued 500 LP Units with a minimum redemption value of \$16,500 on December 31, 2014 in exchange for the issuance of certain limited partnership interests in Trilantic. This transaction resulted in Redeemable Noncontrolling Interest on the Consolidated Statements of Financial Condition of \$16,090, representing the fair value of the LP Units exchanged 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 \$84 for the years ended December 31, 2012 and 2011.

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In conjunction with the Company's purchase agreement with Atalanta Sosnoff, the Company issued a management member of Atalanta Sosnoff certain capital interests in Atalanta Sosnoff, which are redeemable for cash, at their fair value. Accordingly, these capital interests have been reflected at their fair value of \$3,997 and \$5,300 within Redeemable Noncontrolling Interest on the Consolidated Statements of Financial Condition at December 31, 2012 and 2011, respectively.

EWM has issued capital interests to certain employees which may be redeemable for cash at fair value at certain points in the future. Accordingly, these interests have been reflected at their fair value of \$29,399 and \$720 within Redeemable Noncontrolling Interest on the Consolidated Statements of Financial Condition at December 31, 2012 and 2011, respectively.

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Note 16 – Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders

The calculations of basic and diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders for the years ended December 31, 2012, 2011 and 2010 are described and presented below.

	For the Years Ended December 31,		
	2012	2011	2010
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders			
Numerator:			
Net income from continuing operations attributable to Evercore Partners Inc.	\$ 28,889	\$ 7,918	\$ 9,471
Associated accretion of redemption price of noncontrolling interest in Trilantic (See Note 15)	(84)	(84)	(74)
Net income from continuing operations attributable to Evercore Partners Inc. common shareholders	28,805	7,834	9,397
Net income (loss) from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	(966)	(517)
Net income attributable to Evercore Partners Inc. common shareholders	<u>\$ 28,805</u>	<u>\$ 6,868</u>	<u>\$ 8,880</u>
Denominator:			
Weighted average shares of Class A common stock outstanding, including vested restricted stock units (“RSUs”)	29,275	26,019	19,655
Basic net income per share from continuing operations attributable to Evercore Partners Inc. common shareholders	\$ 0.98	\$ 0.30	\$ 0.47
Basic net income (loss) per share from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	(0.04)	(0.02)
Basic net income per share attributable to Evercore Partners Inc. common shareholders	<u>\$ 0.98</u>	<u>\$ 0.26</u>	<u>\$ 0.45</u>
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders			
Numerator:			
Net income from continuing operations attributable to Evercore Partners Inc. common shareholders	\$ 28,805	\$ 7,834	\$ 9,397
Noncontrolling interest related to the assumed exchange of LP Units for Class A common shares	(a)	(a)	(a)
Associated corporate taxes related to the assumed elimination of Noncontrolling Interest described above	(a)	(a)	(a)
Diluted net income from continuing operations attributable to Class A common shareholders	28,805	7,834	9,397
Net income (loss) from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	(966)	(517)
Diluted net income attributable to Class A common shareholders	<u>\$ 28,805</u>	<u>\$ 6,868</u>	<u>\$ 8,880</u>
Denominator:			
Weighted average shares of Class A common stock outstanding, including vested RSUs	29,275	26,019	19,655
Assumed exchange of LP Units for Class A common shares	(a)	(a)	(a)
Additional shares of the Company’s common stock assumed to be issued pursuant to non-vested RSUs and deferred consideration, as calculated using the Treasury Stock Method	2,386	1,903	1,892
Assumed conversion of Warrants issued	887	1,475	1,421
Diluted weighted average shares of Class A common stock outstanding	<u>32,548</u>	<u>29,397</u>	<u>22,968</u>
Diluted net income per share from continuing operations attributable to Evercore Partners Inc. common shareholders	\$ 0.89	\$ 0.27	\$ 0.41
Diluted net income (loss) per share from discontinued operations attributable to Evercore Partners Inc. common shareholders	—	(0.04)	(0.02)
Diluted net income per share attributable to Evercore Partners Inc. common shareholders	<u>\$ 0.89</u>	<u>\$ 0.23</u>	<u>\$ 0.39</u>

(a) During the years ended December 31, 2012, 2011 and 2010, the LP Units (which represent the right to receive Class A Shares upon exchange) were antidilutive and consequently the effect of their exchange into

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Class A Shares has been excluded from the calculation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders. The units that would have been included in the computation of diluted net income (loss) per share attributable to Evercore Partners Inc. common shareholders if the effect would have been dilutive were 8,695, 10,356 and 13,724 for the years ended December 31, 2012, 2011 and 2010, respectively.

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

Note 17 – Share-Based and Other Deferred Compensation**LP Units**

At the time of the Company's formation and IPO, collectively referred to as the reorganization ("Reorganization"), Members and certain trusts benefiting certain of their families received 13,548 vested and 9,589 unvested LP Units. The LP Units are exchangeable into Class A common stock of the Company on a one-for-one basis once vested.

The unvested partnership units vest ratably on December 31, 2011, 2012 and 2013 so long as the equity holder remains employed with Evercore Partners Inc., Evercore LP or their affiliates on such dates. The Company is expensing the fair value of the awards, prospectively, over the service period. Expense related to the amortization of these partnership units was \$20,971, \$22,189 and \$20,060 for the years ended December 31, 2012, 2011 and 2010, respectively. As of December 31, 2012, the total compensation cost related to unvested LP Units not yet recognized was \$19,350. The weighted-average period over which this compensation cost is expected to be recognized is 12 months.

Acquisition-related

During 2011, in connection with the Lexicon acquisition, the Company committed to issue 1,883 restricted Class A Shares, including dividend equivalent units, ("Acquisition-related Awards") and deferred cash consideration. Compensation expense related to the Acquisition-related Awards and deferred cash consideration was \$18,749 and \$7,216, respectively, for the year ended December 31, 2012, and \$6,621 and \$2,455, respectively, for the year ended December 31, 2011. See Note 4 for a further discussion.

The following table summarizes activity related to Acquisition-related Awards during the year ended December 31, 2012:

	Acquisition-related Awards	
	Number of Shares	Grant Date Weighted Average Fair Value
Unvested Balance at January 1, 2012	1,911	\$ 43,537
Granted	54	1,421
Modified	—	—
Forfeited	—	—
Vested	(246)	(5,620)
Unvested Balance at December 31, 2012	<u>1,719</u>	<u>\$ 39,338</u>

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As of December 31, 2012, the total compensation cost related to unvested Acquisition-related equity Awards and deferred cash consideration not yet recognized was \$23,381. The weighted-average period over which this compensation cost is expected to be recognized is 30 months.

In addition, certain Lexicon employees received deferred compensation of \$1,892, which vests over two years. Compensation expense related to these awards was \$875 and \$413 for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012, the total compensation cost related to these unvested deferred compensation awards not yet recognized was \$385. The weighted-average period over which this compensation cost is expected to be recognized is 8 months.

2006 Stock Incentive Plan

In 2006 the Company's stockholders and board of directors adopted the Evercore Partners Inc. 2006 Stock Incentive Plan (the "2006 Plan"). The 2006 Plan permits the Company to grant to key employees, directors and consultants incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, RSUs and other awards based on the Company's Class A common stock. The total number of shares of Class A common stock which may be issued under the 2006 Plan is 20,000 and the Company intends to use newly-issued shares of Class A common stock to satisfy any awards under the 2006 Plan. Shares of Class A common stock underlying any award granted under the 2006 Plan that expire, terminate or are cancelled or satisfied for any reason without being settled in stock again become available for awards under the 2006 Plan. The total shares available to be granted in the future under the 2006 Plan were 4,667 and 7,434 as of December 31, 2012 and 2011, respectively.

The Company also grants dividend equivalents, in the form of unvested RSU awards, concurrently with the payment of dividends to the holders of Class A common stock, on all unvested RSU grants awarded in conjunction with annual bonuses and new hire awards. The dividend equivalents have the same vesting and delivery terms as the underlying RSU award.

IPO Event-based Awards

Pursuant to the 2006 Plan, at the time of the IPO, the Company granted to the Company's employees 2,286 RSUs ("Event-based Awards"), which were convertible into Class A common stock on a one-for-one basis once vested. These Event-based Awards have since fully vested and, as a result, the Company recorded compensation expense equal to the value of these fully-vested awards.

In conjunction with the IPO, the Company also granted to an employee 12 IPO related Event-based awards, which remain unvested as of December 31, 2012.

During 2011, 546 Event-based Awards vested primarily in conjunction of the Company's offering of Class A Shares resulting in an expense of \$11,467 and 27 Event-based Awards were forfeited.

Deferred Cash Program

During the first quarter of 2011, the Company launched a deferred compensation program providing participants the ability to elect to receive a portion of their deferred compensation in deferred cash, which is indexed to a notional investment portfolio. The Company awarded deferred cash compensation of \$3,926 and \$9,153, during the first quarters of 2012 and 2011, respectively, which will vest ratably over four years and require payment upon vesting. Compensation expense related to this deferred compensation program was

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\$4,210 and \$1,938 for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012, the total compensation cost related to the deferred compensation program not yet recognized was \$7,316. The weighted-average period over which this compensation cost is expected to be recognized is 28 months.

Equity Grants

2012 Equity Grants. During 2012, pursuant to the 2006 Plan, the Company granted employees 3,163 RSUs that are Service-based Awards. Service-based Awards granted during 2012 had grant date fair values of \$22.62 to \$29.19 per share. During 2012, 1,760 Service-based Awards vested and 256 Service-based Awards were forfeited. Compensation expense related to Service-based Awards, excluding compensation expense related to the amortization of LP Units, was \$62,840 for the year ended December 31, 2012.

The following table summarizes activity related to Service-based Awards, which includes RSUs as well as LP Units, during the year ended December 31, 2012:

	Service-based Awards	
	Number of Shares	Grant Date Weighted Average Fair Value
Unvested Balance at January 1, 2012	8,351	\$ 188,051
Granted	3,312	94,059
Modified	—	—
Forfeited	(393)	(8,939)
Vested	(3,298)	(76,303)
Unvested Balance at December 31, 2012	7,972	\$ 196,868

As of December 31, 2012, the total compensation cost related to unvested Service-based Awards, excluding LP Units and Acquisition-related Awards, not yet recognized was \$104,967. The ultimate amount of such expense is dependent upon the actual number of Service-based Awards that vest. The Company periodically assesses the forfeiture rates used for such estimates. A change in estimated forfeiture rates would cause the aggregate amount of compensation expense recognized in future periods to differ from the estimated unrecognized compensation expense described herein. The weighted-average period over which this compensation cost is expected to be recognized is 20 months.

2011 Equity Grants. During 2011, pursuant to the 2006 Plan, the Company granted employees 2,273 RSUs that are Service-based Awards. Service-based Awards granted during 2011 had grant date fair values of \$21.93 to \$36.41 per share. During 2011, 1,552 Service-based Awards vested and 76 Service-based Awards were forfeited. Compensation expense related to Service-based Awards, excluding compensation expense related to the amortization of LP Units, was \$47,299 for the year ended December 31, 2011.

During 2011, the Company amended the terms of a Service-based Award with respect to 97 unvested and 37 vested RSUs. Due to this amendment, \$2,828 was reclassified from Additional Paid-In-Capital to Other Current Liabilities on the Consolidated Statement of Financial Condition.

2010 Equity Grants. During 2010, pursuant to the 2006 Plan, the Company granted employees 1,474 RSUs that are Service-based Awards. Service-based Awards granted during 2010 had grant date fair values of \$23.31 to \$35.79 per share. During 2010, 1,457 Service-based Awards vested and 32 Service-based Awards were forfeited, excluding the below agreement. Compensation expense related to Service-based Awards, excluding compensation expense related to the amortization of LP Units, was \$35,347 for the year ended December 31, 2010.

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In September 2010, one of the Company's executives substantially ceased providing active service with the Company. In conjunction with this change in role, the executive agreed to release all right, title and interest to 275 unvested RSUs, with a grant date fair value of \$3,226, since his service condition with the Company, as was contemplated at the time the RSUs were granted, will not be fulfilled. As a result of the executive's significant change in role, this transaction was accounted for as a forfeiture and previously accrued compensation expense of \$352, included above, related to the unvested RSUs was reversed in the third quarter of 2010.

Other

The total income tax benefit related to share-based compensation arrangements recognized in the Company's Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010 was \$26,773, \$19,423 and \$9,392, respectively.

During the first quarter of 2013, as part of the 2012 bonus awards, the Company granted to certain employees approximately 2,000 unvested RSUs pursuant to the 2006 Plan. The Company also granted the President and Chief Executive Officer of the Company 50 RSUs which will vest on the fourth anniversary of the grant, contingent that the Company's stock price has, by the fourth anniversary of the grant, closed at or above \$45.00 per share for 20 consecutive trading days. These awards will vest over four years. In addition, during the first quarter of 2013, the Company granted approximately \$10,300 of deferred cash to certain employees. These awards will principally be amortized over two years and be subject to claw-back provisions if the employee were to leave during the two year period.

During 2012, the Company granted separation benefits to certain employees, resulting in expense included in Employee Compensation and Benefits of approximately \$7,273 for the year ended December 31, 2012. In conjunction with these arrangements, the Company distributed cash payments of \$5,135 for the year ended December 31, 2012.

During 2011, the Company modified equity-based compensation awards for four employees, primarily relating to the vesting terms of IPO related equity grants. These modifications resulted in the Company recognizing \$4,261 in incremental compensation expense in 2011.

Note 18 – Commitments and Contingencies

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 Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of \$22,714, \$16,136 and \$12,977 for the years ended December 31, 2012, 2011 and 2010, respectively.

In conjunction with the lease of office space, the Company has entered into letters of credit in the amounts of approximately \$3,500, which are secured by cash and included in Other Assets on the Company's Consolidated Statements of Financial Condition.

The Company has entered into various operating leases for the use of certain office equipment. Rental expense for office equipment totaled \$627, \$510 and \$593 for the years ended December 31, 2012, 2011 and 2010, respectively. Rental expense for office equipment is included in Occupancy and Equipment Rental on the Consolidated Statements of Operations.

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As of December 31, 2012, the approximate aggregate minimum future payments required on the operating leases are as follows:

2013	\$ 20,694
2014	19,517
2015	18,214
2016	19,248
2017	18,113
Thereafter	89,298
Total	<u>\$ 185,084</u>

Other Commitments – As of December 31, 2012, the Company has unfunded commitments for capital contributions of \$7,071 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.

ECB maintains a line of credit with BBVA Bancomer to fund its trading activities on an intra-day and overnight basis. The intra-day facility is approximately \$7,699 and is secured with trading securities when used on an overnight basis. No interest is charged on the intra-day facility. The overnight facility is charged the Inter-Bank Balance Interest Rate plus 10 basis points and is secured with trading securities. There have been no significant draw downs on ECB’s line of credit since August 10, 2006. The line of credit is renewable annually.

As of December 31, 2012, the Company estimates the contractual obligations related to the Tax Receivable Agreements to be \$172,624. The Company expects to pay to the counterparties to the Tax Receivable Agreement \$7,274 within one year or less, \$26,582 in one to three years, \$29,874 in three to five years and \$108,894 after five years.

See Note 4 for information related to the Company’s commitments on its acquisitions.

On February 11, 2010, the Company announced the formation of a strategic alliance to pursue private equity investment opportunities with Trilantic and to collaborate on the future growth of Trilantic’s business. Under terms of the agreement, the Company issued 500 restricted share equivalents with a minimum redemption value of \$16,500 on December 31, 2014 in exchange for a minority economic interest in Trilantic and an interest in Trilantic’s current fund, Trilantic IV. The Company also will commit a minimum of \$5,000 of the total capital commitments of Trilantic’s next private equity fund when it is raised.

Pursuant to the agreement related to the Institutional Equities business, the Company is committed to maintain at least \$50,000 of Member’s equity in EGL, as measured in accordance with U.S. GAAP.

During 2008, the Company committed to purchase preferred equity of Pan. The equity may be drawn down anytime before the fifth anniversary of the close of the transaction, subject to the Company’s Board’s approval. As of December 31, 2012, the Company had \$5,654 of remaining commitment to Pan.

The Company also has commitments related to its redeemable noncontrolling interests. See Note 15 for further information.

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Contingencies

In the normal course of business, from time to time the Company and its affiliates are involved in judicial or regulatory proceedings, arbitration or mediation concerning matters arising in connection with the conduct of its businesses, including contractual and employment matters. In addition, Mexican, United Kingdom, Hong Kong, Canadian and United States government agencies and self-regulatory organizations, as well as state securities commissions in the United States, conduct periodic examinations and initiate administrative proceedings regarding the Company's business, including, among other matters, accounting and operational matters, that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, investment advisor, or its directors, officers or employees. In view of the inherent difficulty of 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 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 proceedings, individually or in the aggregate, the resolution of which would have a material effect on the Company. 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.

Note 19 – Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 as amended (the "Exchange Act"). 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 December 31, 2012 and 2011 was \$31,281 and \$67,893, respectively, which exceeded the minimum net capital requirement by \$27,871 and \$66,726, 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 OCC and is a member bank of the Federal Reserve System. The Company, Evercore LP and ETC are subject to written agreements with the OCC that, among other things, require the Company and Evercore LP to (1) maintain at least \$5,000 in Tier 1 capital in ETC (or such other amount as the OCC may require), (2) maintain liquid assets in ETC in an amount at least equal to the greater of \$3,500 or 90 days coverage of ETC's operating expenses and (3) provide at least \$10,000 of certain collateral held in a segregated account at a third-party depository institution. The collateral is included in Assets Segregated for Bank Regulatory Requirements on the Consolidated Statements of Financial Condition. The Company was in compliance with the aforementioned agreements for 2012.

Note 20 – Income Taxes

As a result of the Reorganization, the operating business entities of the Company were restructured and a portion of the Company's income is subject to U.S. federal, state, local and foreign income taxes and is taxed at the prevailing corporate tax rates. Taxes Payable as of December 31, 2012 and 2011 were \$20,304 and \$5,159, respectively.

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

The following table presents the U.S. and non-U.S. components of Income (Loss) before income tax expense:

	For the Years Ended December 31,		
	2012	2011	2010
U.S.	\$45,226	\$37,681	\$30,091
Non-U.S.	14,571	(7,039)	(4,443)
Income before Income Tax Expense(a)	<u>\$59,797</u>	<u>\$30,642</u>	<u>\$25,648</u>

(a) From continuing operations, net of Noncontrolling Interest from continuing operations.

The components of the provision for income taxes reflected on the Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010 consist of:

	For the Years Ended December 31,		
	2012	2011	2010
Current:			
Federal	\$ 24,956	\$ 2,367	\$ 10,054
Foreign	6,007	4,447	931
State and Local	7,912	4,942	2,256
Total Current	<u>38,875</u>	<u>11,756</u>	<u>13,241</u>
Deferred:			
Federal	(2,458)	11,368	3,115
Foreign	(4,756)	(1,129)	(340)
State and Local	(753)	729	161
Total Deferred	<u>(7,967)</u>	<u>10,968</u>	<u>2,936</u>
Total	<u>\$ 30,908</u>	<u>\$ 22,724</u>	<u>\$ 16,177</u>

A reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31, 2012, 2011 and 2010 is as follows:

	For the Years Ended December 31,		
	2012	2011	2010
Reconciliation of Federal Statutory Tax Rates			
U.S. Statutory Tax Rate	35.0%	35.0%	35.0%
Increase (Decrease) Due to State and Local Taxes	8.4%	13.1%	7.1%
Rate Benefits as a Limited Liability Company/Flow Through	(6.9%)	(5.7%)	(10.2%)
Foreign Taxes	2.2%	4.3%	0.1%
Non-Deductible Expenses(1)	9.4%	17.1%	12.2%
Valuation Allowances	(2.0%)	(0.9%)	0.7%
Other Adjustments	(2.2%)	(1.0%)	(0.3%)
Effective Income Tax Rate	<u>43.9%</u>	<u>61.9%</u>	<u>44.6%</u>

(1) Primarily related to non-deductible share-based compensation expense.

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Undistributed earnings of certain foreign subsidiaries totaled approximately \$2,660 as of December 31, 2012. Deferred taxes have not been provided on the undistributed earnings of certain foreign subsidiaries, as the Company considers these amounts to be indefinitely reinvested to finance international growth and expansion. As of December 31, 2012, unrecognized net deferred tax liability attributable to those reinvested earnings would have aggregated approximately \$703. In the event that such amounts were ever remitted, loaned to the Company, or if the stock in the foreign subsidiary was sold, these earnings could become subject to U.S. Federal tax and an income tax provision, if any, would be recognized at that time.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the Consolidated Statements of Financial Condition. These temporary differences result in taxable or deductible amounts in future years. Details of the Company's deferred tax assets and liabilities as of December 31, 2012 and 2011 were as follows:

	December 31,	
	2012	2011
Current Deferred Tax Assets:		
Step up in tax basis due to the exchange of LP Units for Class A Shares	\$ 9,214	\$ 8,621
Total Current Deferred Tax Asset	<u>\$ 9,214</u>	<u>\$ 8,621</u>
Long-term Deferred Tax Assets:		
Depreciation and Amortization	\$ 14,673	\$ 13,180
Compensation and Benefits	25,958	23,002
Step up in tax basis due to the exchange of LP Units for Class A Shares	181,783	154,574
Other	17,043	15,859
Total Long-term Deferred Tax Assets	<u>\$239,457</u>	<u>\$206,615</u>
Long-term Deferred Tax Liabilities:		
Goodwill and Investments	\$ 10,008	\$ 11,715
Total Long-term Deferred Tax Liabilities	<u>\$ 10,008</u>	<u>\$ 11,715</u>
Net Long-term Deferred Tax Assets Before Valuation Allowance	\$229,449	\$194,900
Valuation Allowance	—	(8,211)
Net Long-term Deferred Tax Assets	<u>\$229,449</u>	<u>\$186,689</u>

The increase in net deferred tax assets, before valuation allowance, from December 31, 2011 to December 31, 2012 was primarily attributable to an increase in the tax basis of the tangible and intangible assets of Evercore LP, which resulted from the various 2012 LP Unit exchanges and Members gifting LP Units to various charities. During 2012, the LP holders exchanged 3,091 shares of Class A Shares. This transaction resulted in an increase in the tax basis of the tangible and intangible assets of Evercore LP, which triggered an additional liability under the tax receivable agreement that was entered into in 2006 between the Company and the LP Unit holders. The agreement provides for a payment to the LP Unit holders of 85% of the cash tax savings (if any), resulting from the increased tax benefits from the exchange and for the Company to retain 15% of such benefits. Accordingly, Deferred Tax Assets – Non-Current, Amounts Due Pursuant to Tax Receivable Agreements and Additional Paid-In-Capital increased \$38,974, \$33,128 and \$5,846, respectively, on the Company's Consolidated Statement of Financial Condition as of December 31, 2012. See Note 14 for further discussion.

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Additionally, the increase in net deferred tax assets, before valuation allowance, from December 31, 2011 to December 31, 2012 was also attributable to a \$1,494 increase related to the depreciation of fixed assets and amortization of intangible assets.

The Company recorded a decrease in deferred tax assets of \$(1,981) and an increase of \$3,046 associated with changes in Accumulated Comprehensive Income (Loss) for the years ended December 31, 2012 and 2011, respectively.

In 2011, the Company concluded that the recoverability of its deferred tax assets in certain of its foreign subsidiaries was not more-likely-than-not to be recoverable, as required by ASC 740. As a result of the previous assessment, the Company concluded that the net deferred tax assets of these foreign subsidiaries required a full valuation allowance during those prior years.

In 2012, the Company has concluded that it is more likely than not to utilize its deferred tax asset and has reversed its valuation allowance. This determination was based on the impact of the strong positive evidence in the period related to the 2012 earnings and increases in projections of future income on management's weighing of the positive and negative evidence.

The Company's net operating loss and tax credit carryforwards primarily relate to carryforwards of \$10,301 and \$1,139 in the UK and Mexico, respectively, at December 31, 2012, which may be carried forward indefinitely in the UK and until 2017 in Mexico, subject to various limitations.

A reconciliation of the changes in tax positions for the years ended December 31, 2012, 2011 and 2010 is as follows:

	December 31,		
	2012	2011	2010
Beginning unrecognized tax benefit	\$ 1,109	\$ 2,012	\$ 2,728
Additions for tax positions of prior years	—	98	—
Reductions for tax positions of prior years	—	—	—
Lapse of Statute of Limitations	(1,011)	(1,001)	(716)
Ending unrecognized tax benefit	<u>\$ 98</u>	<u>\$ 1,109</u>	<u>\$ 2,012</u>

Included in the balance of unrecognized tax benefits at December 31, 2012, are \$98 of tax benefits that, if recognized, would affect the effective tax rate. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. The Company accrued interest and penalties of \$10 and \$6, respectively, during 2012 related to the unrecognized tax benefits noted above and, as of December 31, 2012, the Company had recognized a liability for penalties and interest of \$32 and \$17, respectively. In 2012, the Company recognized tax benefits of (\$228) and (\$375) for penalties and interest, respectively, associated with the lapse of the statute of limitations. The Company accrued interest of \$136 during 2011 related to the unrecognized tax benefits noted above and, as of December 31, 2011, the Company had recognized a liability for penalties and interest of \$255 and \$387, respectively. In 2011, the Company recognized tax benefits of (\$398) and (\$456) for penalties and interest, respectively, associated with the lapse of the statute of limitations.

The Company does not anticipate a significant change in unrecognized tax positions as a result of the settlement of income tax audits or lapses in the statute of limitations during the next year.

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The Company is subject to taxation in the U.S. and various state, local and foreign jurisdictions. The Company's tax years for 2009 to present are subject to examination by the taxing authorities. The Company is currently under examination by the IRS for tax years 2009 and 2010, as well as by New York City for tax years 2008 and 2009. With a few exceptions, the Company is no longer subject to U.S. federal, state, local or foreign examinations by taxing authorities for years before 2009.

Note 21 – Concentrations of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, foreign government obligations and receivables from clients. The Company has placed substantially all of its Cash and Cash Equivalents in interest-bearing deposits in U.S. commercial banks and U.S. investment banks that meet certain rating and capital requirements. The Company's foreign subsidiaries maintain substantially all of their Cash and Cash Equivalents in interest bearing accounts at large commercial banking institutions domiciled in their respective countries of operation. Concentrations of credit risk are limited due to the quality of the Company's clients.

Credit Risks

The Company maintains its cash and cash equivalents with financial institutions with high credit ratings. At times, the Company may maintain deposits in federally insured financial institutions in excess of federally insured ("FDIC") limits. However, the Company believes that it is not exposed to significant credit risk due to the financial position of the depository institution in which those deposits are held.

As of December 31, 2012, the Company has securities sold under agreements to repurchase of \$120,787, for which the Company has pledged collateral with a fair value of \$121,029. The Company has established risk management procedures to monitor the exposure to concentrations of credit from Securities Purchased Under Agreements to Resell. The collateral for the receivables is primarily secured by Mexican government bonds and the Company monitors the collateral pledged under these agreements against their contract value from inception to maturity date.

Accounts Receivable consists primarily of advisory fees and expense reimbursements billed to clients. Receivables are reported net of any allowance for doubtful accounts. The Company maintains an allowance for bad debts to provide coverage for probable losses from customer receivables and derives the estimate through specific identification for the allowance for doubtful accounts and an assessment of the client's creditworthiness. At December 31, 2012 and 2011 total receivables amounted to \$89,098 and \$52,060, net of an allowance. The Investment Banking and Investment Management receivables collection periods generally are within 90 days of invoice. The collection period for restructuring transactions and private equity fee receivables may exceed 90 days. The Company recorded bad debt expense of approximately \$1,803, \$1,558 and \$1,008 in the years ended December 31, 2012, 2011 and 2010, respectively.

With respect to the Company's Marketable Securities portfolio, which is comprised of highly-rated corporate and municipal bonds, mutual funds and Seed Capital Investments, the Company manages its credit risk exposure by limiting concentration risk and maintaining minimum credit quality. As of December 31, 2012, the Company had Marketable Securities of \$36,545, of which 37% were corporate and municipal securities, primarily with S&P ratings ranging from AAA to BB+, and 63% were Seed Capital Investments and mutual funds.

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Note 22 – Segment Operating Results

Business Segments – The Company’s business results are categorized into the following two segments: Investment Banking and Investment Management. Investment Banking includes providing advice to clients on significant mergers, acquisitions, divestitures and other strategic corporate transactions as well as services related to securities underwriting, private fund placement services and commissions for agency-based equity trading services and equity research. Investment Management includes advising third-party investors in the Institutional Asset Management, Wealth Management and Private Equity sectors. On December 28, 2012, the Company, through EWM, acquired Mt. Eden, which is included in the Investment Management segment.

The Company’s segment information for the years ended December 31, 2012, 2011 and 2010 is prepared using the following methodology:

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

Each segment’s Operating Expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segment and b) non-compensation expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Other Expenses include: a) amortization costs associated with the modification and vesting of LP Units and certain other awards, b) charges associated with the vesting of Event-based Awards, c) the amortization of intangible assets associated with certain acquisitions, d) compensation charges associated with deferred consideration, retention awards and related compensation for Lexicon employees and e) special charges related to the Lexicon acquisition, including the exiting of facilities for office space in the UK, an introducing fee as well as other professional fees incurred by Lexicon.

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

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The following information provides a reasonable representation of each segment's contribution.

	For the Years Ended December 31,		
	2012	2011	2010
Investment Banking			
Net Revenues(1)	\$ 565,219	\$ 428,124	\$ 301,847
Operating Expenses	444,510	337,886	240,312
Other Expenses(2)	50,774	55,591	19,408
Operating Income	69,935	34,647	42,127
Income from Equity Method Investments	2,258	1,101	16
Pre-Tax Income from Continuing Operations	\$ 72,193	\$ 35,748	\$ 42,143
Identifiable Segment Assets	\$ 624,977	\$ 530,008	\$ 370,329
Investment Management			
Net Revenues(1)	\$ 77,154	\$ 96,140	\$ 74,058
Operating Expenses	78,876	89,269	75,704
Other Expenses(2)	2,678	5,706	3,621
Operating Income (Loss)	(4,400)	1,165	(5,267)
Income (Loss) from Equity Method Investments	2,594	(182)	(573)
Pre-Tax Income (Loss) from Continuing Operations	\$ (1,806)	\$ 983	\$ (5,840)
Identifiable Segment Assets	\$ 520,241	\$ 513,584	\$ 527,756
Total			
Net Revenues(1)	\$ 642,373	\$ 524,264	\$ 375,905
Operating Expenses	523,386	427,155	316,016
Other Expenses(2)	53,452	61,297	23,029
Operating Income	65,535	35,812	36,860
Income (Loss) from Equity Method Investments	4,852	919	(557)
Pre-Tax Income from Continuing Operations	\$ 70,387	\$ 36,731	\$ 36,303
Identifiable Segment Assets	\$ 1,145,218	\$ 1,043,592	\$ 898,085

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

	For the Years Ended December 31,		
	2012	2011	2010
Investment Banking(A)	\$(3,019)	\$(2,473)	\$ (84)
Investment Management(B)	(2,636)	(3,021)	(552)
Total Other Revenue, net	\$(5,655)	\$(5,494)	\$ (636)

(A) Investment Banking Other Revenue, net, includes interest expense on the Senior Notes of \$4,312, \$4,238 and \$4,169 for the years ended December 31, 2012, 2011 and 2010, respectively.

(B) Investment Management Other Revenue, net, includes interest expense on the Senior Notes of \$3,643, \$3,579 and \$3,525 for the years ended December 31, 2012, 2011 and 2010, respectively.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

(2) Other Expenses are as follows:

	For the Years Ended December 31,		
	2012	2011	2010
Investment Banking			
Amortization of LP Units and Certain Other Awards	\$18,601	\$21,328	\$17,532
Vesting of Event-based Awards	—	8,906	—
Acquisition Related Compensation Charges	28,163	14,618	—
Special Charges	662	3,894	—
Intangible Asset Amortization	3,348	6,845	1,876
Total Investment Banking	50,774	55,591	19,408
Investment Management			
Amortization of LP Units and Certain Other Awards	2,350	2,892	3,289
Vesting of Event-based Awards	—	2,483	—
Intangible Asset Amortization	328	331	332
Total Investment Management	2,678	5,706	3,621
Total Other Expenses	\$53,452	\$61,297	\$23,029

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

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

	For the Years Ended December 31,		
	2012	2011	2010
Net Revenues:(1)			
United States	\$452,594	\$387,063	\$290,693
Europe and Other	151,261	112,049	60,605
Latin America	44,173	30,646	25,243
Total	\$648,028	\$529,758	\$376,541

(1) Excludes Other Revenue and Interest Expense.

The substantial majority of the Company's long-lived assets reside in the United States and the United Kingdom.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Note 23 – Evercore Partners Inc. (Parent Company Only) Financial Statements

EVERCORE PARTNERS INC.

(parent company only)

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2012	2011
ASSETS		
Equity Investment in Subsidiary	\$ 490,856	\$452,027
Deferred Tax Asset	225,741	188,256
Other Assets	—	14,310
TOTAL ASSETS	<u>\$ 716,597</u>	<u>\$654,593</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Payable to Related Party	\$ 7,282	\$ 6,217
Taxes Payable	11,872	—
Amounts Due Pursuant to Tax Receivable Agreement	165,350	137,448
Long-term Debt—Notes Payable	101,375	99,664
Other Liabilities	2,212	3,600
TOTAL LIABILITIES	<u>288,091</u>	<u>246,929</u>
Stockholders' Equity		
Common Stock		
Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 35,040,501 and 31,014,265 issued at December 31, 2012 and 2011, respectively, and 29,576,986 and 27,941,307 outstanding at December 31, 2012 and 2011, respectively)	350	310
Class B, par value \$0.01 per share (1,000,000 shares authorized, 43 and 47 issued and outstanding at December 31, 2012 and 2011, respectively)	—	—
Additional Paid-In-Capital	654,275	575,122
Accumulated Other Comprehensive Income (Loss)	(9,086)	(12,058)
Retained Earnings (Deficit)	(77,079)	(76,703)
Treasury Stock at Cost (5,463,515 and 3,072,958 shares at December 31, 2012 and 2011, respectively)	<u>(139,954)</u>	<u>(79,007)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>428,506</u>	<u>407,664</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 716,597</u>	<u>\$654,593</u>

See notes A to E to parent company only financial statements.

EVERCORE PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars and share amounts in thousands, except per share amounts, unless otherwise noted)

EVERCORE PARTNERS INC.
(parent company only)
CONDENSED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2012	2011	2010
REVENUES			
Interest Income	\$ 7,955	\$ 7,817	\$ 7,693
TOTAL REVENUES	<u>7,955</u>	<u>7,817</u>	<u>7,693</u>
Interest Expense	7,955	7,817	7,693
NET REVENUES	<u>—</u>	<u>—</u>	<u>—</u>
EXPENSES			
TOTAL EXPENSES	<u>—</u>	<u>—</u>	<u>—</u>
OPERATING INCOME	<u>—</u>	<u>—</u>	<u>—</u>
Equity in Income of Subsidiary	53,229	21,083	20,618
Provision for Income Taxes	24,340	14,131	11,664
NET INCOME (LOSS)	<u>\$ 28,889</u>	<u>\$ 6,952</u>	<u>\$ 8,954</u>

See notes A to E to parent company only financial statements.

EVERCORE PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars and share amounts in thousands, except per share amounts, unless otherwise noted)

EVERCORE PARTNERS INC.
(parent company only)
CONDENSED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss)	\$ 28,889	\$ 6,952	\$ 8,954
Undistributed Income of Subsidiary	(53,229)	(21,083)	(20,618)
Accretion on Long-term Debt	1,711	1,582	1,464
(Increase) Decrease in Operating Assets:			
Other Assets	14,310	12,105	(1,324)
Increase (Decrease) in Operating Liabilities:			
Payable to Uncombined Affiliates	—	957	—
Taxes Payable	11,872	—	—
Other Liabilities	(3,101)	(574)	—
Net Cash Provided by (Used in) Operating Activities	452	(61)	(11,524)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Paid for Acquisitions, net of cash acquired	—	(30,397)	—
Investment in Subsidiary	24,239	(22,994)	23,760
Net Cash Provided by (Used in) Investing Activities	24,239	(53,391)	23,760
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Equity Offering	—	168,140	77,185
Purchase of Evercore LP Units	(395)	(95,342)	(76,763)
Foreign Currency Translation	—	—	(300)
Dividends	(24,296)	(19,346)	(12,358)
Net Cash (Used in) Provided by Financing Activities	(24,691)	53,452	(12,236)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	—	—
CASH AND CASH EQUIVALENTS—Beginning of Year	—	—	—
CASH AND CASH EQUIVALENTS—End of Year	\$ —	\$ —	\$ —

See notes A to E to parent company only financial statements.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

EVERCORE PARTNERS INC.

(parent company only)

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note A – Organization

Evercore Partners Inc. (the “Company”) was incorporated as a Delaware corporation on July 21, 2005. The Company did not begin meaningful operations until the reorganization discussed below. Pursuant to a reorganization into a holding company structure, the Company became a holding company and its sole asset is a controlling equity interest in Evercore LP. As the sole general partner of Evercore LP, the Company operates and controls all of the business and affairs of Evercore LP and, through Evercore LP and its subsidiaries, continues to conduct the business now conducted by these subsidiaries.

Note B – Significant Accounting Policies

Basis of Presentation. The Statements of Financial Condition, Operations and Cash Flows have been prepared in accordance with U.S. GAAP.

Equity in Income of Subsidiary. The Equity in Income of Subsidiary represents the Company’s share of income from Evercore LP.

Note C – Stockholders’ Equity

The Company is authorized to issue 1,000,000 Class A Shares, par value \$0.01 per share, and 1,000 shares of Class B common stock, par value \$0.01 per share. All Class A Shares and shares of Class B common stock vote together as a single class. At December 31, 2012, the Company has issued 35,041 Class A Shares. The Company cancelled four shares of Class B common stock in exchange for \$1.00, which were held by certain limited partners of Evercore LP during the twelve months ended December 31, 2012. During 2012, the Company purchased 726 Class A Shares primarily from employees at market values ranging from \$21.71 to \$29.62 per share primarily for the net settlement of stock-based compensation awards and 1,884 Class A Shares at market values ranging from \$22.58 to \$26.62 per share pursuant to the Company’s share repurchase program. The result of these purchases was an increase in Treasury Stock of \$66,588 on the Company’s Statement of Financial Condition as of December 31, 2012. During 2012, the Company issued 39 Class A Shares from treasury stock as payment of contingent consideration in connection with the Morse Williams Agreement, 65 Class A Shares from treasury stock as payment of contingent consideration in connection with the MJC Associates Agreement and 116 Class A Shares in conjunction with the acquisition of Lexicon. The result of these issuances was a decrease in Treasury stock of \$5,641 on the Company’s Statement of Financial Condition as of December 31, 2012. During the year ended December 31, 2012, the Company declared and paid dividends of \$0.82 per share, totaling \$24,296 which were wholly funded by the Company’s sole subsidiary, Evercore LP.

As discussed in Note 17 to the consolidated financial statements, both the LP Units and RSUs are exchangeable into Class A Shares on a one-for-one basis once vested.

Note D – Issuance of Notes Payable and Warrants

On August 21, 2008, the Company entered into a Purchase Agreement with Mizuho pursuant to which Mizuho purchased from the Company Senior Notes and Warrants expiring 2020. See Note 12 to the consolidated financial statements.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Note E – Commitments and Contingencies

As of December 31, 2012, as discussed in Note 12 to the consolidated financial statements, the Company estimates the contractual obligations related to the Senior Notes to be \$169,920. Pursuant to the Senior Notes, we expect to make payments to the notes' holder of \$6,240 within one year or less, \$12,480 in one to three years, \$12,480 in three to five years and \$138,720 after five years.

As of December 31, 2012, as discussed in Note 18 to the consolidated financial statements, the Company estimates the contractual obligations related to the Tax Receivable Agreements to be \$172,624. The company expects to pay to the counterparties to the Tax Receivable Agreement \$7,274 within one year or less, \$26,582 in one to three years, \$29,874 in three to five years and \$108,894 after five years.

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

SUPPLEMENTAL FINANCIAL INFORMATION

(dollars in thousands, except per share data)

Consolidated Quarterly Results of Operations (unaudited)

The following represents the Company's unaudited quarterly results for the years ended December 31, 2012 and 2011. These quarterly results were prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results. The amounts below include a correction reflecting the reclassification of Net Income (Loss) Attributable to Noncontrolling Interest related to Evercore Asset Management L.L.C. ("EAM") from Discontinued Operations to Net Income Attributable to Noncontrolling Interest, below Net Income on the Consolidated Statements of Operations. Refer to Note 2 to our consolidated financial statements for additional information.

	For the Three Months Ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Net Revenues	\$ 214,049	\$ 153,029	\$ 172,497	\$ 102,798
Total Expenses	171,811	138,784	151,302	114,941
Income (Loss) Before Income from Equity Method Investments and Income Taxes	42,238	14,245	21,195	(12,143)
Income from Equity Method Investments	1,333	415	719	2,385
Income (Loss) Before Income Taxes	43,571	14,660	21,914	(9,758)
Provision (Benefit) for Income Taxes	18,586	7,187	9,773	(4,638)
Net Income (Loss) from Continuing Operations	24,985	7,473	12,141	(5,120)
Net Income (Loss) from Discontinued Operations	—	—	—	—
Net Income (Loss)	24,985	7,473	12,141	(5,120)
Net Income (Loss) Attributable to Noncontrolling Interest	5,963	2,172	4,207	(1,752)
Net Income (Loss) Attributable to Evercore Partners Inc.	<u>\$ 19,022</u>	<u>\$ 5,301</u>	<u>\$ 7,934</u>	<u>\$ (3,368)</u>
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	\$ 0.64	\$ 0.18	\$ 0.27	\$ (0.12)
From Discontinued Operations	—	—	—	—
Net Income (Loss) Attributable to Evercore Partners Inc.	<u>\$ 0.64</u>	<u>\$ 0.18</u>	<u>\$ 0.27</u>	<u>\$ (0.12)</u>
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	\$ 0.56	\$ 0.17	\$ 0.25	\$ (0.12)
From Discontinued Operations	—	—	—	—
Net Income (Loss) Attributable to Evercore Partners Inc.	<u>\$ 0.56</u>	<u>\$ 0.17</u>	<u>\$ 0.25</u>	<u>\$ (0.12)</u>
Dividends Declared Per Share of Class A Common Stock	<u>\$ 0.22</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>

EVERCORE PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	For the Three Months Ended			
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Net Revenues	\$ 112,781	\$ 163,181	\$ 141,204	\$ 107,098
Total Expenses	113,790	149,739	129,589	95,334
Income (Loss) Before Income from Equity Method Investments and Income Taxes	(1,009)	13,442	11,615	11,764
Income from Equity Method Investments	255	195	69	400
Income (Loss) Before Income Taxes	(754)	13,637	11,684	12,164
Provision for Income Taxes	1,080	11,144	6,064	4,436
Net Income (Loss) from Continuing Operations	(1,834)	2,493	5,620	7,728
Net Income (Loss) from Discontinued Operations	(1,504)	(1,200)	(361)	(411)
Net Income (Loss)	(3,338)	1,293	5,259	7,317
Net Income (Loss) Attributable to Noncontrolling Interest	(2,682)	(466)	2,998	3,729
Net Income (Loss) Attributable to Evercore Partners Inc.	<u>\$ (656)</u>	<u>\$ 1,759</u>	<u>\$ 2,261</u>	<u>\$ 3,588</u>
Basic Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	\$ —	\$ 0.06	\$ 0.09	\$ 0.16
From Discontinued Operations	(0.02)	—	—	—
Net Income (Loss) Attributable to Evercore Partners Inc.	<u>\$ (0.02)</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>	<u>\$ 0.16</u>
Diluted Net Income (Loss) Per Share Attributable to Evercore Partners Inc. Common Shareholders:				
From Continuing Operations	\$ —	\$ 0.06	\$ 0.08	\$ 0.14
From Discontinued Operations	(0.02)	—	—	—
Net Income (Loss) Attributable to Evercore Partners Inc.	<u>\$ (0.02)</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.14</u>
Dividends Declared Per Share of Class A Common Stock	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.18</u>

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective to accomplish their objectives at the reasonable assurance level.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is identified in Exchange Act Rules 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In making the assessment, management used the framework in “Internal Control – Integrated Framework” promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the “COSO” criteria. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our internal controls over financial reporting were effective as of December 31, 2012.

The Company’s independent registered public accounting firm has issued its written attestation report on the Company’s internal control over financial reporting, as included below.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Evercore Partners Inc.:

We have audited the internal control over financial reporting of Evercore Partners Inc. and subsidiaries (the “Company”) as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of the Company and our report dated February 27, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 27, 2013

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Changes in Internal Controls over Financial Reporting

We have not made any changes during the three months ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act).

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information regarding directors and executive officers set forth under the caption “Election of Directors” and “Executive Officers” in the Proxy Statement is incorporated herein by reference.

The information regarding compliance with Section 16(a) of the Exchange Act set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement is incorporated herein by reference.

The information regarding our Code of Business Conduct and Ethics, our audit committee and our audit committee financial expert under the caption “Corporate Governance” in the Proxy Statement is incorporated herein by reference.

The Company posts its Code of Business Conduct and Ethics on the Corporate Governance webpage within the Investor Relations section of its website at <http://ir.evercore.com> under the link “Governance Documents”. The Company’s Code of Business Conduct and Ethics applies to all directors, officers and employees, including our chairmans, president and chief executive officer, our chief financial officer and our principal accounting officer. We will post any amendments to the Code of Business Conduct and Ethics, and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE, on our website within the required periods.

Item 11. Executive Compensation

The information contained in the sections captioned “Compensation of Our Named Executive Officers”, “Directors’ Compensation” and “Compensation Committee Report” of the Proxy Statement is incorporated herein by reference.

Information regarding our compensation committee under “Committees of the Board – Compensation Committee” and compensation committee interlocks under the caption “Corporate Governance – Committees of the Board – Compensation Committee” is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance under Equity Compensation Plans at December 31, 2012

	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(1)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by shareholders	7,099,170	—	4,667,270
Equity compensation plans not approved by shareholders	—	—	—
Total	7,099,170	—	4,667,270

(1) To date, we have issued RSUs which by their nature have no exercise price.

The information contained in the section captioned “Security Ownership of Certain Beneficial Owners and Management” of the Proxy Statement is incorporated herein by reference.

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Item 13. Certain Relationships and Related Transactions and Director Independence

The information contained in the sections captioned “Related Party Transactions and Other Information” and “Corporate Governance-Director Independence” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information regarding our independent registered public accounting firm fees and services in the section captioned “Independent Registered Public Accounting Firm” of the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

The consolidated financial statements required to be filed in the Form 10-K are listed in Part II, Item 8 hereof.

2. Financial Data Schedules

All schedules have been omitted because they are not applicable, not required, or the information required is included in the financial statements or notes thereto.

3. Exhibits

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
2.1	Deed, dated as of June 7, 2011, by and between Evercore Partners Inc. and the Sellers named therein, regarding the sale and purchase of The Lexicon Partnership LLP(22)
3.1	Amended and Restated Certificate of Incorporation of the Registrant(1)
3.2	Amended and Restated Bylaws of the Registrant(13)
4.1	Equity Holders Agreement by and between Evercore Partners Inc. and Mizuho Corporate Bank, dated as of August 21, 2008(10)
4.2	Indenture between Evercore Partners Inc. and The Bank of New York Mellon, as trustee, dated as of August 28, 2008(11)
4.3	Warrant, dated as of August 28, 2008(11)
10.1	Second Amended and Restated Limited Partnership Agreement of Evercore LP, dated as of July 27, 2009(14)
10.1.1	Supplement to Amended and Restated Limited Partnership Agreement of Evercore LP, dated as of August 7, 2006(2)
10.1.2	Amendment No. 1 to the Second Amended and Restated Limited Partnership Agreement dated as of February 11, 2010 (18)
10.2	Tax Receivable Agreement, dated as of August 10, 2006(2)
10.3	Registration Rights Agreement, dated as of August 10, 2006(2)
10.6	*Employment Agreement between the Registrant and Roger C. Altman(2)
10.8	*Employment Agreement between the Registrant and Pedro Aspe(2)

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<u>Exhibit Number</u>	<u>Description</u>
10.9	*Employment Agreement between the Registrant and Robert B. Walsh(6)
10.10	*Evercore Partners Inc. 2006 Stock Incentive Plan(1)
10.11	*Evercore Partners Inc. 2006 Stock Incentive Plan(3)
10.12	*Evercore Partners Inc. 2006 Annual Incentive Plan(1)
10.13	*Employment Agreement between the Registrant and Adam B. Frankel(1)
10.14	Form of Indemnification Agreement between the Registrant and each of its director nominees(1)
10.15	Evercore Partners II L.L.C. Limited Liability Company Agreement(1)
10.22	*Service Agreement between Bernard J. Taylor and Braveheart Financial Services Limited, dated as of July 31, 2006(9)
10.23	*2007 Form Restricted Stock Unit Award Agreement(9)
10.24	*2008 Form Restricted Stock Unit Award Agreement(15)
10.25	Amended and Restated Limited Partnership Agreement with Evercore Mexico Partners II, L.P.(15)
10.26	*Amendment to Employment Agreement dated November 7, 2008 with Dr. Pedro Carlos Aspe Armella(12)
10.27	*Amendment to Employment Agreement dated February 12, 2008 with Roger C. Altman(8)
10.28	*Amendment to Employment Agreement dated February 12, 2008 with Austin M. Beutner(8)
10.29	* Amendment to Restricted Stock Unit Award Agreement with Adam B. Frankel(15)
10.31	Purchase Agreement by and between Evercore Partners Inc. and Mizuho Corporate Bank, dated as of August 21, 2008(10)
10.32	*Amendment to Employment Agreement dated March 26, 2009 with Roger C. Altman and Pedro Aspe(16)
10.33	Subscription Agreement between the Registrant and Ralph L. Schlosstein(17)
10.33.1	*Employment Agreement between the Registrant and Ralph L. Schlosstein(17)
10.34	Contribution and Exchange Agreement, dated February 11, 2010(18)
10.35	Purchase and Sale Agreement, dated as of March 4, 2010, by and among Evercore Partners Inc., Atalanta Sosnoff Capital LLC (“Atalanta Sosnoff”), Representative, LLC, in its capacity as the representative, the sellers and Martin T. Sosnoff(19)
10.36	Registration Rights Agreement, dated May 28, 2010(20)
10.37	*2011 Form Cash Unit Award Agreement(21)
10.38	Amended and Restated Limited Liability Partnership Deed In Relation to Evercore Partners International LLP and Lexicon Partnership LLP, dated August 19, 2011(23)
10.39	Purchase and Sale Agreement, dated as of November 11, 2011, by and among Evercore, the Company, the Representative, in its capacity as the representative and the Sellers, regarding the purchase of a non-controlling interest in ABS Investment Management, LLC(24)
10.40	*2012 Form Restricted Stock Unit Award Agreement for U.S. Employees(25)
10.41	*2012 Form Restricted Stock Unit Award Agreement for the members of Evercore Partners International LLP(25)

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<u>Exhibit Number</u>	<u>Description</u>
10.42	*2012 Form Restricted Stock Unit Award Agreement for non-U.S. Employees and non-members of Evercore Partners International LLP(25)
10.43	*2012 Confidentiality, Non-Solicitation and Proprietary Information Agreement for Senior Managing Directors(25)
10.44	*2012 Form Cash Unit Award Agreement(25)
10.45	*Employment Agreement between the Registrant and Andrew Sibbald (filed herewith)
10.46	Amended and Restated Limited Partnership Agreement with Evercore Mexico Partners III, L.P. (filed herewith)
10.47	*Restricted Stock Unit Award Agreement effective as of January 29, 2013 between Evercore Partners Inc. and Ralph L. Schlosstein(26)
11	Not included as a separate exhibit - earnings per share can be determined from Note 16 to the consolidated financial statements included in Item 8 – Financial Statements and Supplemental Data.
21.1	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of Deloitte & Touche LLP (filed herewith)
24.1	Power of Attorney (included on signature page hereto)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) (filed herewith)
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) (filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following materials from the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2012, are formatted in XBRL (eXtensible Business Reporting Language); (i) Consolidated Statements of Financial Condition as of December 31, 2012 and 2011, (ii) Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010, (iv) Consolidated Statements of Changes In Equity for the years ended December 31, 2012, 2011 and 2010, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010, and (vi) Notes to Consolidated Financial Statements (furnished herewith)
(1)	Incorporated by Reference to the Registrant’s Registration Statement on Form S-1 (Registration No. 333-134087), as amended, originally filed with the SEC on May 12, 2006.
(2)	Incorporated by Reference to the Registrant’s Quarterly Report on Form 10-Q (Commission File No. 001-32975), for the period ended June 30, 2006.
(3)	Incorporated by Reference to the Registrant’s Quarterly Report on Form 10-Q (Commission File No. 001-32975), for the period ended September 30, 2006.
(4)	Incorporated by Reference to the Registrant’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 21, 2006.
(5)	Incorporated by Reference to the Registrant’s Quarterly Report on Form 10-Q (Commission File No. 001-32975), for the period ended March 31, 2007.
(6)	Incorporated by Reference to the Registrant’s Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on June 8, 2007.
(7)	Incorporated by Reference to the Registrant’s Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on July 6, 2007.

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- (8) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on February 12, 2008.
 - (9) Incorporated by Reference to the Registrant's Annual Report on Form 10-K (Commission File No. 001-32975), filed with the SEC on March 14, 2008.
 - (10) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on August 21, 2008.
 - (11) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on August 28, 2008.
 - (12) Incorporated by Reference to the Registrant's Quarterly Report on Form 10-Q (Commission File No. 001-32975), for the period ended September 30, 2008.
 - (13) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on February 6, 2009.
 - (14) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on July 27, 2009.
 - (15) Incorporated by Reference to the Registrant's Annual Report on Form 10-K (Commission File No. 001-32975), filed with the SEC on March 13, 2009.
 - (16) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on March 27, 2009.
 - (17) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on May 22, 2009.
 - (18) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on February 16, 2010.
 - (19) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on March 5, 2010.
 - (20) Incorporated by Reference to the Registrant's Registration Statement on Form S-3 (Registration No. 833-171487), as amended, originally filed with the SEC on December 30, 2010.
 - (21) Incorporated by Reference to the Registrant's Annual Report on Form 10-K (Commission File No. 001-32975), filed with the SEC on March 9, 2011.
 - (22) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on June 9, 2011.
 - (23) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on August 25, 2011.
 - (24) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on November 14, 2011.
 - (25) Incorporated by Reference to the Registrant's Annual Report on Form 10-K (Commission File No. 001-32975), filed with the SEC on February 29, 2012.
 - (26) Incorporated by Reference to the Registrant's Current Report on Form 8-K (Commission File No. 001-32975), filed with the SEC on January 29, 2013.
- * Management contract or compensatory plan.

DATED 19 AUGUST 2011

ANDREW SIBBALD (1)

and

EVERCORE PARTNERS INTERNATIONAL LLP (2)

Schedule of Terms

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This AGREEMENT is dated 19 August 2011 and is made BETWEEN:

- (1) EVERCORE PARTNERS INTERNATIONAL LLP whose registered office is at 10 Hill Street, London, W1J 5NQ (the “Evercore LLP”); and
- (2) ANDREW SIBBALD of 57 Ridgway Place, London SW19 4SP (“you”).

1 Definitions

1.1 In this Agreement, unless the context requires otherwise:

“Confidential Information” means:

- (a) in relation to the Evercore LLP or any member of the Evercore Group, details of clients, the prices charged to and terms of business with clients, marketing plans, financial information, results and forecasts (save to the extent that these are in the public domain), details of employees and officers and of the remuneration and other benefits paid to them and any recruitment plans, together with any other information which may come within your knowledge while you are a Member (or, if appropriate, during any previous employment with a member of the Evercore Group) which you are told is confidential; and
- (b) in relation to clients or suppliers of the Evercore LLP or any member of the Evercore Group, details of their business, financial condition and requirements, any proposals relating to the acquisition or disposal of a company or business or any part thereof or of any proposed expansion or contraction of activities, together with any information which has been given to the Evercore LLP or any member of the Evercore Group in confidence by clients, suppliers or other persons which may come within your knowledge while you are a Member (or, if appropriate, during any previous employment with a member of the Evercore Group);

“Date of Joining” means the date as set out in Schedule 1 to the Members’ Agreement;

“Date of Outgoing” means the date on which you cease to be a Member;

“Majority” means any amount greater than 50 per cent;

“Member” means a member of the Evercore LLP from time to time;

“Members’ Agreement” means the deed made between the Members of the Evercore LLP to set out the terms governing the relationship between the Members of the Evercore LLP, as such agreement may be amended from time to time;

“Prohibited Area” means the United Kingdom, the United States of America and Hong Kong, together with any other jurisdiction in which the Evercore LLP and/or any member of the Evercore Group is authorised to conduct business;

“Restricted Period” means the period starting on the Date of Outgoing and ending six months thereafter, reduced by the number of days (if any) that you are suspended in accordance with clause 13.5; and

“Restricted Service(s)” means any or all of the services and facilities which are supplied by the Evercore LLP and/or any member of the Evercore Group at the Date of Outgoing and with which the Member’s duties were concerned or for which the Member was responsible in the 6 months prior to the Date of Outgoing.

1.2 In this Deed, words and expressions defined in the Members' Agreement shall have the same meaning and be interpreted in the same way in this Agreement unless expressly otherwise defined herein.

2 The Members' Agreement

2.1 You agree that you have been given and have read a copy of the current Members' Agreement and covenant with each of the Members to perform and be bound by the terms of the Members' Agreement as if you were a party to the Members' Agreement.

3 Title and Responsibilities

- 3.1 As a Member you will be required, together with the other Members, to carry out the Business, reporting to the CEO of the wider Evercore Group and to the Executive Committee and/or any committee or person whom the Executive Committee may from time to time determine.
- 3.2 You will, in the context of the Business, be involved in the origination and execution of the corporate finance business of the Evercore LLP and the wider Evercore Group. In this context you shall use the title of Senior Managing Director and CEO of the Evercore LLP Group.
- 3.3 The Executive Committee may require you (without further remuneration than is mentioned in this Agreement) to carry out your duties on behalf of any member of the Evercore LLP Group and to act as a director or officer or Designated Member of any member of the Evercore LLP Group (including acting as an Executive Committee Representative).
- 3.4 The Executive Committee reserves the right to require you to carry out responsibilities of another position in addition to or instead of your responsibilities as set out herein and to change your duties and responsibilities according to the operational needs of the Business.

4 Duties

4.1 You shall:

- (a) devote the whole of your business time attention and skill to the business and affairs of the Evercore LLP and the Evercore Group;
- (b) faithfully and diligently perform such duties and exercise such powers consistent with your position as may from time to time be assigned or vested in you by the Executive Committee;
- (c) obey all reasonable and lawful directions of the Executive Committee;
- (d) comply with all the Evercore LLP's rules, regulations, policies and procedures from time to time in force; and
- (e) keep the Executive Committee promptly and fully informed of your conduct of the Business and provide such explanations in connection therewith as the Executive Committee may reasonably require.

5 Drawings

5.1 You shall be entitled to take such monthly drawings (**Drawings**) as you are advised by the Executive Committee from time to time, subject to a minimum monthly drawing of £20,833.33. Your permitted monthly Drawings shall be payable by bank transfer on or about the 15th day of each month.

5.2 All such Drawings from the Evercore LLP are made by way of payment on account of your share of the Distributable Cash.

5.3 Your entitlement to Drawings will be reviewed by the Executive Committee annually and shall take effect from 1 January in each calendar year.

6 Profit Sharing

6.1 The Executive Committee shall be solely responsible in its absolute discretion for determining your share of the Distributable Cash from time to time in accordance with the terms of the Members' Agreement and the Profit Sharing Principles. For the avoidance of doubt, any share of the Distributable Cash which you receive (other than your Drawings and Other Benefits) (a **Discretionary Amount**) will be entirely discretionary (both as to the payment and, if paid, the amount paid) and may evolve over time. You will have no rights to receive a Discretionary Amount on the basis that during your membership of the Evercore LLP you have historically received a particular Discretionary Amount from time to time. In the event that your membership of the Evercore LLP has terminated for any reason, or you are under notice to terminate your membership of the Evercore LLP when the date for payment of any Discretionary Amount falls due, you will have no entitlement to receive any such Discretionary Amount.

7 Taxation

7.1 Your attention is drawn, and you hereby consent, to the provisions relating to taxation contained within the Members' Agreement.

8 Other Benefits

8.1 The Evercore LLP shall, to the extent requested by you and with effect from your Date of Joining, provide:

- (a) you with contributions paid into a personal pension plan selected by you. This pension contribution shall amount initially to 17.5% of Drawings (subject to the earnings cap as may apply from time to time pursuant to HMRC rules) payable on a monthly basis. The Executive Committee reserves the right to change this pension policy in the event of a material change in any relevant law or HMRC practice;
- (b) you and your immediate family with medical expenses insurance pursuant to the scheme that the Evercore LLP shall from time to time maintain for the benefit of its Members subject to its terms and conditions from time to time in force;
- (c) you with death in service benefits equivalent to four times your annual Drawings, subject to the terms and conditions of the policy which the Evercore LLP shall from time to time maintain with an external insurer;
- (d) you with permanent health insurance benefits pursuant to the scheme that the Evercore LLP shall from time to time maintain. The provision of this benefit to you is expressly subject to the terms of the scheme in place from time to time. Reference is made in particular to its provisions regarding termination of benefits. A copy of the scheme is available from the Evercore LLP. The Evercore LLP reserves its right to terminate your membership of the Evercore LLP notwithstanding that this may deprive you of benefits under the scheme; and
- (e) you with the same maternity, paternity, adoption and parental leave and pay (as applicable) pursuant to the maternity and paternity policies of the Evercore LLP Group as if you were an employee (rather than a Member) of the Evercore LLP, subject to the terms and conditions of the applicable policy from time to time in force.

9 Hours and Place of Work

- 9.1 You shall be required to work such hours as are necessary for the proper performance of your duties. Your minimum hours of work shall be from 9.00 a.m. to 6.00 p.m., Monday to Friday.
- 9.2 Your normal place of work will be at the principal offices of the Evercore LLP but the Evercore LLP reserves the right to change this to any other location in central London either on a temporary or permanent basis.
- 9.3 You will be entitled to spend a reasonable amount of your business time working from home provided that the Executive Committee is satisfied that this is not affecting your ability to perform your duties or the overall effective performance of the Business.

10 Holidays

- 10.1 You will be entitled to take, in addition to normal English bank and public holidays, up to 25 days holiday in each holiday year. The Evercore LLP's holiday year commences on 1 January each year.
- 10.2 Holiday entitlement should, where possible, be taken during the appropriate holiday year. Up to a maximum of 5 days accrued holiday entitlement may be carried forward to the next holiday year, provided it is taken within the first 4 months of the next holiday year. Any accrued holiday entitlement not carried forward and taken in accordance with these terms will be forfeited, without any right to payment in lieu thereof.
- 10.3 Your holiday should be taken at such times as may be agreed by the Executive Committee.
- 10.4 The Executive Committee may require that you alter the time which you had intended to take your holiday, in order to ensure the effective operation of the Business. In such circumstances the Evercore LLP will reimburse you for all reasonable expenses which you had incurred and which are otherwise irrecoverable by you.
- 10.5 The Executive Committee may in its absolute discretion grant additional holiday to you in recognition of you being required to work extensively during weekends and/or public holidays.

11 Sickness and other absence

- 11.1 The Evercore LLP shall continue to pay your Drawings and Other Benefits during a period of absence on medical grounds up to a maximum of 26 weeks in any period of 12 months, provided that you provide the Evercore LLP with medical certificates covering any period of sickness or incapacity exceeding seven days (including weekends) and you undergo at the Evercore LLP's expense a medical examination by a doctor supported by the Evercore LLP.
- 11.2 In the event of your long-term illness or disability, you may be eligible for an insurance benefit under the permanent health insurance scheme that the Evercore LLP shall from time to time maintain as referred to above, subject to the terms of the scheme in place from time to time and subject to underwriting. If the insurer fails or refuses to provide you with any benefits under the scheme provided by the Evercore LLP, your right of action shall be against the insurers of the scheme and not the Evercore LLP.
- 11.3 If your absence is occasioned by the actionable negligence of a third party in respect of which damages are recoverable, all sums paid to you by the Evercore LLP during such absence will be paid by way of a loan. You agree to notify the Evercore LLP of all the relevant circumstances and of any claim, compromise, settlement or judgement made or awarded in connection therewith and if the Evercore LLP requires, refund the Evercore LLP any amounts recovered in respect of loss of earnings for the period for which contractual sick pay has been paid.

12 Expenses

- 12.1 You shall be entitled to be reimbursed by the Evercore LLP for all costs and expenses determined by the Executive Committee to be reasonably incurred by you in the due performance of your obligations as a Member of the Evercore LLP or in respect of anything necessarily done by you for the preservation of the Business or the property of the Evercore LLP. Reimbursement shall be in accordance with and subject to procedures approved by the Executive Committee.

13 Termination

- 13.1 You may elect to terminate your membership of the Evercore LLP on giving not less than 6 months' prior notice in writing to the Executive Committee and on the expiry of such notice you shall cease to be a Member of the Evercore LLP.
- 13.2 In the event that you elect to terminate your membership of the Evercore LLP in circumstances in which you would, had you been an employee of the Evercore LLP, have had a valid claim for constructive dismissal as set out below, you will be entitled to be treated as a Good Leaver under the terms of the Members' Agreement and you shall no longer be subject to the notice requirements and restrictive covenants in clauses 13.1 and 14 provided that at the Date of Outgoing there are no circumstances which would give the Evercore LLP grounds for your instant dismissal pursuant to clause 13.6. For these purposes, it is agreed that circumstances in which you would have had a valid claim for constructive dismissal had you been an employee of the Evercore Group shall be:
- (a) a reduction in your Drawings or Other Benefits or a diminution in your title or status (such that you are no longer a Senior Managing Director);
 - (b) your dismissal pursuant to clause 13.5 of the Members' Agreement;
 - (c) your removal from office as CEO, or Chairman, or Executive Committee Representative without such removal having first been ratified by the Executive Committee;
 - (d) a material, unremedied breach by the Evercore LLP or the Corporate Members of the terms of the Members' Agreement or the Schedule of Terms;
 - (e) any other circumstances which, were you an employee of the Evercore LLP, would amount to a fundamental breach of your contract of employment; or
 - (f) any other circumstance which a Queen's Counsel of at least 25 years call who specialises in employment law confirms would have had a real prospect of success as a claim for constructive dismissal had you been an employee of the Evercore Group, in each case, without your prior written agreement (hereinafter referred to as **Constructive Dismissal** and **Constructively Dismissed** shall be construed accordingly).

For the avoidance of doubt neither:

- (i) removal from any directorship of an Evercore LLP Group company or from any regulatory office which you perform pursuant to the FSA Rules or the Act or Regulations; nor
- (ii) the making of any amendments to the terms and conditions of your Other Benefits as set out in clause 8 to the extent required to comply with changes in all applicable law and regulation,

shall be deemed to amount to Constructive Dismissal.

- 13.3 Your membership of the Evercore LLP shall be subject to termination by the Evercore LLP giving you not less than 6 months' notice in writing and on expiry of such notice you shall cease to be a Member of the Evercore LLP.
- 13.4 In the event of you giving notice to terminate your membership for any reason, or the Evercore LLP giving you notice pursuant to clause 13.3, the Executive Committee may elect to pay you in lieu of part or all of any notice period. Pay in lieu shall consist of your permitted Drawings pursuant to clause 5 and any Other Benefits pursuant to clause 8 only.
- 13.5 During any period of notice of termination, the Evercore LLP shall be under no obligation to assign any duties to you and the Executive Committee shall be entitled to suspend you from attending to the Business (including by excluding you from the Evercore Group's premises and/or directing you not to have any communication with any clients of the Evercore LLP or any member of the Evercore Group in such notice period), provided that this shall not affect your entitlement to receive your Drawings and Other Benefits. Other than in the event that you elect to terminate your membership of the Evercore LLP pursuant to clause 13.2, during such period of notice you shall remain a Member of the Evercore LLP and so remain bound by your duties, including without limitation your duties of good faith, confidentiality and exclusivity of service.
- 13.6 If the CEO or the Executive Committee concludes (acting fairly, reasonably and on an informed basis and in good faith) that you:
- (a) by act or default have committed or are guilty of any material breach of this Deed or the Members' Agreement or any other material breach of your duties as a Member;
 - (b) have failed to pay over or refund to the Evercore LLP any money for which you are accountable to the Evercore LLP in excess of £5,000 within 14 days after being required in writing to do so by the Executive Committee;
 - (c) have become subject to the bankruptcy laws or enter into any composition or arrangement with or for the benefit of your creditors;
 - (d) have acted in any respect contrary to the good faith or goodwill which ought to be observed between Members or in a manner tending to bring the Evercore LLP or any Member of the Evercore LLP or any employee of any member of the Evercore Group into disrepute which, in any such case, has a material adverse effect on the Business;
 - (e) have absented yourself from the Business for a material period of time on a material number of occasions (absence permitted in accordance with clause 10 or clause 11 above or due to temporary illness or as otherwise agreed by the Executive Committee not being reckoned);
 - (f) have misused any Confidential Information in a manner which has a material adverse effect on the Business;
 - (g) have been convicted of an offence under any statutory enactment or regulation relating to insider dealing or, through any act or omission on your part, have breached or caused the Evercore LLP or any member of the Evercore LLP Group to breach any securities laws, or any rules or regulations to which the Evercore LLP or any member of the Evercore LLP Group is or may be bound, including for the avoidance of doubt the rules and regulations of the FSA, in a manner which has a material adverse effect on the Business;

- (h) have been in breach of the provisions of the Evercore LLP Compliance Manual, as amended from time to time in a manner which has a material adverse effect on the Business;
- (i) have been convicted of a criminal offence (other than a road traffic or littering offence) or are reasonably suspected by the CEO after having made all reasonable enquiries, of being guilty of fraud, theft, criminal damage or wilful dishonesty;
- (j) have abused alcohol in the course of conducting the Business or while on the premises of the Evercore LLP or any member of the Evercore Group or client of the Evercore LLP or any member of the Evercore Group after receiving a written warning from the Executive Committee in relation to such abuse, or have abused any illegal drug or substance;
- (k) have committed an assault on or fought with any person during the conduct of your duties or while on the premises of the Evercore LLP or any member of the Evercore Group or any client of the Evercore LLP or any member of the Evercore Group;
- (l) have committed arson of property or sabotage of machinery and/or materials which are on the premises or belong to the Evercore LLP or any member of the Evercore Group or any client of the Evercore LLP or any member of the Evercore Group;
- (m) have committed any act or omission constituting unlawful discrimination (directly, indirectly or by association) on grounds of sex, race, disability, age, sexual orientation or religion or belief, or harassment on any of these grounds;
- (n) have given false information on employment, health and previous experience relevant to your appointment as a Member of the Evercore LLP; or
- (o) have been dismissed for cause under limb (e) of the dismissed for cause definition in the Sale and Purchase Agreement to the extent such clause is still applicable at the time of such conclusion, or, if thereafter, following receipt of a written warning from the CEO, have failed to remedy within 10 Business Days (or such longer period as the CEO may consider reasonable) what the CEO and a Super Majority of the Senior Managing Directors acting fairly, reasonably, on a fully informed basis and in good faith concludes was a deliberate and unreasonably continuous disregard of your fundamental obligation to commit time and effort to the performance of your duties pursuant to the Evercore LLP Agreement of such magnitude as to justify your summary dismissal,

then in any such circumstance set out in clause 13.6 above, the CEO or the Executive Committee may by notice in writing to you terminate forthwith your membership of the Evercore LLP (a **"Notice of Termination"**), and publish a notice stating that you have ceased to be a Member of the Evercore LLP, provided that any Notice of Termination shall be given within 3 calendar months from the date on which the act or default giving rise thereto came to the knowledge of all of the members of the Executive Committee.

- 13.7 If a Majority of the Executive Committee (acting reasonably) conclude that an inquiry is necessary to establish whether one of the circumstances listed in clause 13.6 applies, then the Executive Committee may suspend you from attending to the Business (including by excluding you from the Evercore Group's premises and/or directing you not to have any communication with any clients of the Evercore LLP or any member of the Evercore Group for the period of such suspension) for a period of up to 3 calendar months provided that your drawings and other benefits shall continue to be paid during the period of such suspension.
- 13.8 If a Notice of Termination is served on you pursuant to clause 13.6 above, you shall immediately cease to be a Member of the Evercore LLP, but without prejudice to the remedies of the other Members for any prior breach of this Deed or the Members' Agreement.

13.9 Any delay by the Evercore LLP in exercising such right of termination set out in clause 13.6 above shall not constitute a waiver thereof and the rights of termination set out therein do not imply that the Evercore LLP will not take action in accordance with its rights and duties under criminal or civil law.

13.10 On the termination of your membership of the Evercore LLP (howsoever arising) or on either the Evercore LLP or you having served notice of such termination, you shall:

- (a) at the request of the Executive Committee resign from office as Director of any member of the Evercore LLP Group and all offices held by you in the Evercore LLP or any member of the Evercore LLP Group although such resignation shall be without prejudice to any claims which you may have against the Evercore LLP or any member of the Evercore LLP Group arising out of the termination of your membership of the Evercore LLP; and
- (b) forthwith deliver to the Evercore LLP all credit cards, access cards, portable computers and other property of or relating to the business of the Evercore Group which are in your possession or under your power or control,

and if you should fail to do so the Evercore LLP is hereby irrevocably authorised to appoint some person in your name and on your behalf to sign any documents and do any things necessary or requisite to give effect thereto.

14 Restrictive covenants

14.1 You hereby undertake with the Evercore LLP and the other Members that you will not (without the prior written consent of the Executive Committee) whether by yourself, through your employees or agents or otherwise howsoever and whether on your own behalf or on behalf of any other person, firm, company, or other organisation, directly or indirectly:

- (a) from the date of this Deed until the Date of Outgoing and during the Restricted Period, in competition with the Evercore LLP or any member of the Evercore Group in the Prohibited Area be employed or engaged or otherwise interested in the provision of any Restricted Service.

Nothing contained in this clause 14.1 (a) prohibits you from (i) investing, as a passive investor, in any publicly held company provided that your beneficial ownership of any class of such publicly held company's securities does not exceed three percent (3%) of the outstanding securities of such class, (ii) entering the employ of any academic institution or governmental or regulatory instrumentality of any country or any domestic or foreign state, county, city or political subdivision, or (iii) providing services to a subsidiary or affiliate of an entity that controls a separate subsidiary or affiliate that provides any Restricted Services, so long as the subsidiary or affiliate for which you may be providing services is not itself providing Restricted Services and you are not, as an employee of such subsidiary or affiliate, engaging in activities that would otherwise cause such subsidiary or affiliate to be deemed to be providing Restricted Services;

- (b) for so long as you are a Member, in competition with the Evercore LLP or any member of the Evercore Group in respect of any Restricted Service solicit business from or canvass or otherwise have dealings with any person, firm, company or organisation who or which at any time during the continuance of Evercore LLP:
 - (i) was a client of the Evercore LLP or any member of the Evercore Group; or
 - (ii) was negotiating with or contemplating doing business with the Evercore LLP or any member of the Evercore Group;

and with whom or which, during such period, you have had any contact or involvement whether as a Member or as an employee of a member of the Evercore Group;

- (c) after the Date of Outgoing and during your Restricted Period, in competition with the Evercore LLP or any member of the Evercore Group in respect of any Restricted Service solicit business from or canvass or otherwise have dealings with any person, firm, company or organisation who or which:
- (i) at any time during the period of 2 years immediately preceding the Date of Outgoing was a client of the Evercore LLP or any member of the Evercore Group; or
 - (ii) at the Date of Outgoing was negotiating with or contemplating doing business with the Evercore LLP or any member of the Evercore Group,

and with whom or which, during such 2 year period, you have had any contact or involvement whether as a Member or as an employee of a member of the Evercore Group;

- (d) from the date of this Deed until the Date of Outgoing and during the Restricted Period, solicit or entice away from or endeavour to solicit or entice away from the Evercore LLP or any member of the Evercore Group any Member or any employee of any member of the Evercore Group whether or not such person would commit any breach of contract by reason of leaving the service of the relevant company.

14.2 While the restrictions contained in this clause 14 (on which you have had the opportunity to take independent advice, as you hereby acknowledge) are considered by you to be reasonable in all the circumstances, it is agreed that if any such restrictions, by themselves, or taken together, are adjudged to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Evercore LLP but would be adjudged reasonable if part or parts of the wording thereof were deleted or amended or qualified or the periods of the wording were reduced or the range of products or area dealt with thereby were reduced in scope, it is agreed that the relevant restriction or restrictions shall apply with such modification or modifications as may be necessary to make it or them valid and effective.

15 Company Property

15.1 Upon termination of your membership of the Evercore LLP for whatever reason you shall forthwith return all correspondence, client lists, documents, notes, memoranda and other papers, magnetic discs, tapes or other software storage media and all other property belonging to the Evercore LLP or any member of the Evercore Group which may be in your possession or under your control. You shall not without the written consent of the Executive Committee retain any copies. If so requested by the Executive Committee you will sign a statement confirming that you have complied with this requirement.

16 Confidentiality

16.1 You are not, either while you are or after you cease to be a Member of the Evercore LLP, to use or to disclose to anyone (other than in the proper course of the performance of your duties) or through a failure to exercise due care and diligence cause the unauthorised disclosure of any trade secrets (including without limitation any formulae, process, methods, knowledge and/or know-how which for the time being is confidential) or Confidential Information relating to the Evercore LLP, any member of the Evercore Group or any client of any member of the Evercore Group which may come within your knowledge while you are a Member of the Evercore LLP (or during any previous employment by a member of the Evercore Group).

17 Disciplinary Procedure

17.1 You are required to observe high standards of discipline and conduct, and to comply with any disciplinary procedure which the Executive Committee may set down from time to time. A copy of the Evercore LLP's disciplinary procedure, which does not form part of the terms of this Agreement, is available upon request.

18 Grievance Procedure

- 18.1 The Evercore LLP believes that the most satisfactory way to solve problems and resolve difficulties is by direct communications between Members and the Executive Committee, and the exercise of goodwill on both sides. However, in the event that your grievance cannot be resolved informally please refer to the Evercore LLP 's Grievance Procedure. A copy of the Evercore LLP's Grievance Procedure, which does not form part of the terms of this Agreement, is available upon request.

19 Outside Interests

- 19.1 You are required to devote all your working time and energies to the Business and are not entitled to undertake any outside paid work of whatever type or to be directly or indirectly employed, engaged, concerned or interested in any other business concern without the written agreement of the Executive Committee. Without prejudice to the generality of the foregoing, all significant external commitments such as non-executive directorships or charity commitments will be subject to Executive Committee approval. Executive Committee approval shall be deemed to have been granted in respect of any such outside interests or external commitments which have been disclosed to the Evercore Group prior to the date of this Deed.
- 19.2 You will be required to inform the Evercore LLP's Compliance Officer of any external investments including any prospective dealings in public or private company shares. You acknowledge that certain dealings may be prohibited for compliance reasons and you agree to abide by the compliance policies and procedures which the Evercore LLP Group may implement from time to time.

20 Regulatory and Miscellaneous Compliance

- 20.1 It is a condition of you being a Member of the Evercore LLP that you are registered as an approved person with the FSA (and/or any body which may succeed to the relevant functions of the FSA) and/or any other regulatory body in any other relevant jurisdiction whose rules and regulations the Evercore LLP or any member of the Evercore LLP Group is bound by, in each case, in a manner suitable for the performance of your duties and satisfactory to the Evercore LLP and any relevant member of the Evercore LLP Group, such registration to be finalised no later than six months after the Date of this Deed.
- 20.2 It is a condition of your being a Member of the Evercore LLP that you abide by and conform with the rules, regulations and practices of any regulatory body, including but not limited to the FSA and any other regulatory bodies whose rules and regulations the Evercore LLP or any member of the Evercore LLP Group is bound by. You will ensure that you do not, through any act or omission, cause any breach by you, the Evercore LLP or any member of the Evercore LLP Group of any of the rules or regulations, which are available for inspection on request.
- 20.3 You confirm that you have received and read the Evercore LLP's Compliance Manual and will conform with its provisions, including any amendment of its provisions from time to time.

21 Data Protection

- 21.1 You consent to the holding, processing and disclosure of your personal information (including sensitive data within the meaning of the Data Protection Act 1998, as amended from time to time) solely for the purposes of efficiently administering the Business, including for example disclosure to members of the Evercore Group, third parties, consultants, sub-contractors and outsources and transfer of such information outside the European Economic Area.
- 21.2 You acknowledge that as a Member you may have access to and process, or authorise the processing of, personal data and sensitive personal data relating to other Members, employees, customers and other

individuals held or controlled by the Evercore LLP or by a member of the Evercore Group. You agree to comply with the terms of the Data Protection Act 1998, as amended from time to time, in relation to such data and to abide by the Evercore LLP Group's data protection policy as set out in any applicable Evercore LLP Group guidelines.

22 Former agreements

22.1 To the extent that any previous agreement whether verbal or written given to you at any time conflicts with this Agreement, the contents of this Agreement shall take precedence.

23 Variation

23.1 The terms and conditions set out herein may be varied in accordance with clause 38 of the Members' Agreement.

24 Choice of Law

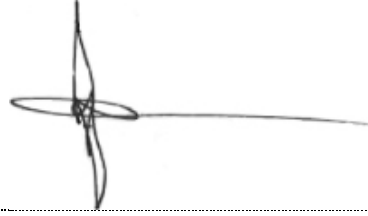
24.1 This Agreement shall be governed by and interpreted in accordance with English law.

24.2 The parties submit to the jurisdiction of the High Court of Justice in England.

IN WITNESS whereof this Agreement has been executed the day and year first above written.

EXECUTED AS A DEED
by Evercore Partners International LLP

)
)



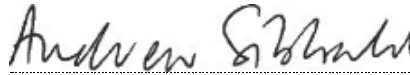
Member

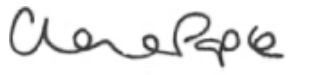


Member

EXECUTED AS A DEED by
Andrew Sibbald
in the presence of:

)
)
)




CLAIRE POPUE

EVERCORE MEXICO PARTNERS III, L.P.

An Ontario Limited Partnership

Amended and Restated
Limited Partnership Agreement

Dated as of June 4, 2012

NOTICE

NEITHER EVERCORE MEXICO PARTNERS III, L.P. NOR THE LIMITED PARTNER INTERESTS THEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, THE U.S. INVESTMENT PARTNERSHIP ACT OF 1940, AS AMENDED, THE SECURITIES LAWS OF ANY OF THE STATES OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY FOREIGN JURISDICTION.

THE DELIVERY OF THIS LIMITED PARTNERSHIP AGREEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF LIMITED PARTNER INTERESTS IN EVERCORE MEXICO PARTNERS III, L.P. IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE LIMITED PARTNER INTERESTS IN EVERCORE MEXICO PARTNERS III, L.P. ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER APPLICABLE FEDERAL, STATE OR FOREIGN SECURITIES LAWS AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS AND CONDITIONS SET FORTH IN THIS LIMITED PARTNERSHIP AGREEMENT.

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This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT of EVERCORE MEXICO PARTNERS III, L.P., a limited partnership organized under the laws of the Province of Ontario, Canada (the "Partnership"), dated as of June 4, 2012 (the "Effective Date"), is entered into by and among Evercore Mexico GP Holdings LLC, a Delaware limited liability company (the "General Partner"), Jason Klurfeld, as the organizational limited partner (the "Organizational Limited Partner"), Evercore Mexico Management Limited, a Cayman Islands exempted limited company acting as the investment manager (the "Investment Manager"), the limited partners named in Annex A hereto and such other parties which may from time to time be admitted as limited partners in accordance with this agreement (the "Limited Partners").

WHEREAS, the Partnership was formed pursuant to a Declaration of Limited Partnership, which was executed by the General Partner and filed for recordation in the office of the Registrar under the *Limited Partnerships Act* (Ontario) on March 29, 2012 and the entering into a Limited Partnership Agreement dated as of March 29, 2012 between the General Partner and the Organizational Limited Partner; and

WHEREAS, the parties hereto desire to enter into this Amended and Restated Limited Partnership Agreement of the Partnership to permit the withdrawal of the Organizational Limited Partner and the admission of the Limited Partners and further to make the modifications hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.1 Definitions.

Unless the context otherwise requires, the following terms shall have the following meanings for purposes of this Agreement:

"Act" means the *Limited Partnerships Act* (Ontario) as amended from time to time.

"Adjusted Capital Account Balance" means, with respect to any Partner, the balance in such Partner's Capital Account adjusted (a) by taking into account the adjustments, allocations and distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6); and (b) by adding to such balance such Partner's share of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain, determined pursuant to Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5) and any amounts such Partner is obligated to restore pursuant to any provision of this Agreement. The foregoing definition of Adjusted Capital Account Balance is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Affiliate" has the meaning set forth in the Fund Partnership Agreement.

"After-Tax Capital Proceeds" attributable to any distribution of Capital Proceeds means the difference between (a) the amount of such distribution of Capital Proceeds minus (b) the product of (i) the taxable income related to such Capital Proceeds and (ii) the Assumed Income Tax Rate.

"After-Tax Carried Interest Amount" with respect to any Partner means an amount equal to:

(a) the amount of any Carried Interest Proceeds distributed or deemed distributed to such Partner (including any amounts placed on behalf of such Partner into the Holdback Account pursuant to Section 4.5(a)), minus

(b) the Income Tax Amount with respect to such Carried Interest Proceeds.

“Agreement” means this Amended and Restated Limited Partnership Agreement of the Partnership, including annexes hereto, as it may be amended, supplemented, modified or restated from time to time.

“Alternative Investment Vehicle” has the meaning set forth in the Fund Partnership Agreement.

“Assignee” has the meaning set forth in Section 8.1(b).

“Assumed Income Tax Rate” means the highest effective marginal combined U.S. Federal, state and local income tax rate for a Fiscal Year prescribed for an individual residing in New York, New York (taking into account (a) the deductibility of state and local income taxes for Federal income tax purposes assuming the limitation described in Section 68(a)(2) of the Code applies and (b) the character of the applicable income (e.g., long-term or short-term capital gain or ordinary or exempt)).

“Business Day” means a day which is not a Saturday, Sunday or a day on which banks in New York City are closed.

“Canadian-Resident Person” means an individual or entity that is resident in Canada for the purposes of the *Income Tax Act* (Canada) or the *Corporations Act* (Ontario) and any successor legislation thereto.

“Capital Account” has the meaning set forth in Section 5.2.

“Capital Commitment” means, as of any date, with respect to GP Holdings, \$2 million as of the Effective Date, and with respect to Pedro Aspe, \$1 million as of the Effective Date, which amounts shall be set forth in the books and records of the Partnership, including in the Record of Limited Partners.

“Capital Proceeds” has the meaning set forth in Section 4.1(c)(ii).

“Carried Interest” has the meaning set forth in the Fund Partnership Agreement.

“Carried Interest Give Back Percentage” means, for any Partner, the percentage determined by dividing (a) the After-Tax Carried Interest Amount with respect to such Partner by (b) the aggregate After-Tax Carried Interest Amounts with respect to all Partners.

“Carried Interest Proceeds” has the meaning set forth in Section 4.1(c)(iii).

“Carrying Value” means, with respect to any asset of the Partnership or any entity treated as a partnership for U.S. Federal income tax purposes in which it invests, the asset’s adjusted basis for U.S. Federal income tax purposes, except that the Carrying Values of all such assets shall be adjusted to equal their respective fair market values (as reasonably determined by the General Partner in a manner consistent with determinations thereof for the Fund) in accordance with the rules set forth in Treasury Regulations Section 1.704 1(b)(2)(iv)(f), except as otherwise provided herein, immediately prior to: (a) the date of the acquisition of any additional Interest by any new or existing Partner in exchange for more than a *de minimis* capital contribution to the Partnership, (b) the date of the distribution of more than a *de minimis* amount of Partnership property (other than a *pro rata* distribution) to a Partner or (c) the date of a grant of any additional Interest to any new or existing Partner as consideration for the provision of services to or for the benefit of the Partnership; *provided* that adjustments pursuant to clauses (a), (b) and (c) above shall be made only if the General Partner in good faith determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners. The Carrying Value of any asset distributed to any Partner shall be adjusted immediately prior to such distribution to equal its fair market value. The Carrying Value of any asset contributed by a Partner to the Partnership will be the fair market value of the asset as of the date of its contribution thereto. In the case of any asset that has a Carrying Value that differs from its adjusted tax basis, Carrying Value shall be adjusted by the amount of depreciation calculated for purposes of the definition of “Profits and Losses” rather than the amount of depreciation determined for U.S. Federal income tax purposes.

“Cause” means the occurrence or existence of any of the following with respect to an EPI Limited Partner:

(a) breach of (after giving effect to any applicable grace periods) any of such Partner’s or any of his or her Family Related Limited Partners’ material obligations under (i) this Agreement (including such Partner’s or any of his or her Family Related Limited Partners’ obligations pursuant to Sections 5.1(a), 10.3 and 10.11 (without giving effect to any modification thereof pursuant to Section 10.12)), (ii) any Fund Partnership Agreement (including such Partner’s or any of his or her Family Related Limited Partners’ obligations to make capital contributions pursuant to the terms of such Fund Partnership Agreement) or (iii) the stockholders agreement, certificate of incorporation, by-laws, limited liability company agreement, limited partnership agreement or equivalent documents of EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates;

(b) the conviction of, or plea of guilty or *nolo contendere* by, such Partner in respect of any felony;

(c) the perpetration by such Partner of fraud against the Partnership, the Investment Advisor, the Investment Manager, the Fund, EPI, any Portfolio Company or any of their respective Affiliates;

(d) the willful and continued failure by such Partner to substantially perform such Partner’s duties with EPI, the Investment Advisor, the Investment Manager, the Partnership or any of their respective Affiliates in such Partner’s position on a full-time basis (other than any such failure resulting from such Partner’s death or Permanent Disability), *provided* that an act, or a failure to act, on such Partner’s part shall be deemed “willful” only if done, or omitted to be done, by him not in good faith or without a reasonable belief that such Partner’s action or omission was in or not opposed to the best interests of EPI, the Investment Advisor, the Investment Manager, the Partnership and the Fund;

(e) any willful misconduct which could have, or could reasonably be expected to have, an adverse effect in any material respect on (i) such Partner’s ability to function as an employee or consultant of EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates, taking into account the services required of such Partner or (ii) the business and/or reputation of the Partnership, the Fund, EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates; or

(f) any conduct by such Partner constituting “Disabling Conduct” as defined in any Fund Partnership Agreement.

All determinations of Cause shall be made by the General Partner.

“Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

“Covered Person” has the meaning set forth in Section 3.2(a).

“Creditable Foreign Tax” means a foreign tax paid or accrued for United States federal income tax purposes by the Partnership, in either case to the extent that such tax is eligible for credit under Section 901(a) of the Code. A foreign tax is a creditable foreign tax for these purposes without regard to whether a partner receiving an allocation of such foreign tax elects to claim a credit for such amount. This definition is intended to be consistent with the definition of “creditable foreign tax” in temporary Treasury Regulations Section 1.704-1T(b)(4)(xi)(b), and shall be interpreted consistently therewith.

“Declaration of Limited Partnership” means the Declaration of Limited Partnership of the Partnership which was executed by the General Partner and filed in the office of the Registrar under the Act on March 29, 2012, and all subsequent amendments thereto and restatements thereof.

“Default Interest Rate” means the lower of (a) the sum of (i) the rate of interest per annum publicly announced from time to time by J.P. Morgan Chase as its prime rate and (ii) 5%, and (b) the highest rate of interest permitted under applicable law.

“Defaulted Amount” has the meaning set forth in Section 4.5(c)(ii).

“Defaulting Partner” has the meaning set forth in Section 5.1(b).

“Effective Date” has the meaning set forth in the preamble to this Agreement.

“EPI” means Evercore Partners Inc.

“EPI Limited Partner” means Pedro Aspe and any other individual admitted to the Partnership by the General Partner as an EPI Limited Partner in accordance with the provisions of this Agreement, in each case for so long as such person remains an EPI Limited Partner hereunder. Once an EPI Limited Partner ceases to be employed by or, in the case of an Operating Executive, a consultant to, any of EPI, the Investment Adviser, the Investment Manager or any of their respective Affiliates, such EPI Limited Partner shall automatically cease to be a EPI Limited Partner and shall become a Special Limited Partner.

“Estimated Income Tax Amount” has the meaning set forth in Section 4.5(e).

“Excess Income Tax Amount” has the meaning set forth in Section 4.5(e).

“Fair Market Value” means as to any asset, unless otherwise specified, the fair market value of such asset determined on a basis consistent with the Fund Partnership Agreement and otherwise as reasonably determined by the General Partner.

“Family Related Limited Partner” means, with respect to any EPI Limited Partner, any Partner who is a member of such EPI Limited Partner’s family or any Partner which is a trust, partnership or other entity formed by such EPI Limited Partner for investment by or for the benefit of members of such EPI Limited Partner’s family, such EPI Limited Partner’s other relatives or charitable organizations.

“Fiscal Year” has the meaning set forth in Section 6.3.

“Fund” means Evercore Mexico Capital Partners III, L.P., an Ontario limited partnership, any Parallel Investment Vehicle (as defined in the Fund Partnership Agreements) and, where the context so requires, any Alternative Investment Vehicle formed pursuant to the Fund Partnership Agreement.

“Fund Investment” means an investment by the Fund.

“Fund Partnership Agreement” means the amended and restated agreement of limited partnership of the Fund, dated as of June 4, 2012, as may be further amended or modified from time to time.

“Funded Private Equity Investments” as of any date of determination means Private Equity Investments the capital contributions for which were made prior to such date.

“General Partner” means Evercore Mexico GP Holdings LLC, the general partner of the partnership, and any successors in such capacity.

“General Partner Capital Commitment” means the aggregate capital commitment of the Partnership to the Fund, as such amount may increase from time to time.

“Give-Back Amount” has the meaning set forth in Section 4.5(c)(i)(A).

“Give-Back Obligation” means any amount the Partnership is required to return to the Fund pursuant to Section 7.3 of the Fund Partnership Agreement.

“GP Holdings” means Evercore GP Holdings LLC.

“Holdback Account” has the meaning set forth in Section 4.5(a).

“Holdback Partner” has the meaning set forth in Section 4.5(e).

“Holdback Percentage” of a Partner means the designated percentage of the Carried Interest Proceeds allocated to such Partner, which shall initially be as set forth in such Partner’s Terms Letter.

“Income Tax Amount” means, with respect to Carried Interest Proceeds distributed or deemed distributed to a Partner (including amounts credited to such Partner’s sub-accounts in the Holdback Account pursuant to Section 4.5(a)), the amount of income tax assumed to be imposed on allocations of taxable income related to such Carried Interest Proceeds (including taxes that would be borne by a Partner assuming an immediate sale of securities initially received in kind pursuant to Section 7.4(b) of the Fund Partnership Agreement), with such income tax calculated by assuming that (i) the tax rate imposed is the Assumed Income Tax Rate in effect in the Fiscal Year of any such allocation and (ii) capital losses from the disposition of a Private Equity Investment allocated to such Partner relating to Carried Interest Proceeds (“Capital Losses”) shall reduce capital gains from the Disposition of a Private Equity Investment allocated to such Partner relating to Carried Interest Proceeds (“Capital Gains”) only to the extent of the amount of Capital Gains recognized in the Fiscal Year of the recognition of a Capital Loss or a subsequent Fiscal Year (only to the extent that Capital Gain may properly offset such Capital Loss), reduced by the amount of any tax benefit actually realized by such Partner (or, if such Partner is treated as a partnership for federal income tax purposes, its direct or indirect owners) in the year in which the Partnership is required to make a payment of a Give-Back Amount, which tax benefit is attributable solely to the making of such payment (or adjustment) and which benefit shall be determined assuming the only items of income, gain, loss, deduction or credit of such Partner (or, if such Partner is treated as a partnership for federal income tax purposes, its direct or indirect owners) are attributable to such Partner’s investment in the Partnership.

“Initial Closing Date” means the date established by the General Partner for the admission to the Partnership of the initial Limited Partners other than the Organizational Limited Partner.

“Interest” means the entire partnership interest owned by a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which a Partner may be entitled as provided in this Agreement, together with the obligations of such Partner to comply with all the terms and provisions of this Agreement.

“Investment Advisor” means Administradora Evercore, S.C., a Mexican *sociedad civil* or any other Person that succeeds to the rights and obligations of the Investment Advisor.

“Investment Advisory Agreement” means the Investment Advisory Agreement, dated as of June 4, 2012, between the Partnership, the Investment Advisor and the Investment Manager as amended or modified from time to time.

“Investment Management Agreement” means the Investment Management Agreement dated as of the date hereof between the Partnership, as general partner on behalf of the Fund, and the Investment Manager.

“Investment Manager” means Evercore Mexico Management Limited, an exempted limited company organized under the laws of the Cayman Islands or any other Person that succeeds to the rights and obligations of the Investment Manager.

“Issuance Items” has the meaning set forth in Section 5.4(g).

“Limited Partner” means, at any time, any Person who is at such time a limited partner of the Partnership and shown as such on the books and records of the Partnership (other than the Organizational Limited Partner), in its capacity as a limited partner of the Partnership, including EPI Limited Partners, Family Related Limited Partners and Special Limited Partners and shall not include any Person who is a Canadian-Resident Person.

“Nonrecourse Deductions” has the meaning set forth in Treasury Regulations Section 1.704-2(b). The amount of Nonrecourse Deductions of the Partnership for a fiscal year equals the net increase, if any, in the amount of Partnership Minimum Gain of the Partnership during that fiscal year, determined according to the provisions of Treasury Regulations Section 1.704-2(c).

“Operating Executives” means any person admitted to the Partnership as such in accordance with the provisions of this Agreement.

“Operating Reserve” means such amount as is determined by the General Partner in good faith to be necessary or prudent for the Partnership to maintain in cash or Temporary Investments in order to satisfy the Partnership’s accrued expenses and otherwise to meet the operational needs of the Partnership’s business.

“Organizational Limited Partner” means Jason Klurfeld.

“Parallel Investment Vehicle” means any investment vehicle organized to make all or any category of investments in Portfolio Companies in parallel with the Partnership, as described in Section 5.4 of the Fund Partnership Agreement.

“Participation Agreement” means the Participation Agreement among the EPI Limited Partners and their Family Related Limited Partners relating to the allocation of certain distributions from the Partnership and certain of its Affiliates into common pools, as amended from time to time.

“Partner” means each of the persons listed as a Partner in Annex A hereto and any person admitted to the Partnership as an additional or substituted partner of the Partnership in accordance with the provisions of this Agreement and the Act.

“Partner Nonrecourse Debt Minimum Gain” means an amount with respect to each partner nonrecourse debt (as defined in Treasury Regulations Section 1.704-2(b)(4)) equal to the Partnership Minimum Gain that would result if such partner nonrecourse debt were treated as a nonrecourse liability (as defined in Treasury Regulations Section 1.752-1(a)(2)) determined in accordance with Treasury Regulations Section 1.704-2(i)(3).

“Partner Nonrecourse Deductions” has the meaning ascribed to the term “partner nonrecourse deductions” set forth in Treasury Regulations Section 1.704-2(i)(2).

“Partnership” means Evercore Mexico Partners III, L.P., an Ontario limited partnership, as such partnership may from time to time be reconstituted.

“Partnership Minimum Gain” has the meaning ascribed to the term as set forth in Treasury Regulations Section 1.704-2(b)(2) and 1.704-2(d).

“Permanent Disability” with respect to any person means a reasonable determination by the General Partner that such person has been unable to perform the important duties of his or her employment or, in the case of an Operating Executive, consultancy with EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates on a full-time basis for a period of 180 consecutive days and is reasonably

likely to continue to be unable to do so, because of (a) an accidental bodily loss or harm or (b) an illness or disease. For this purpose, “full-time” shall mean at least 30 hours per week. All determinations of Permanent Disability shall be made by the General Partner.

“Person” means any individual, partnership, corporation, trust or other entity.

“Portfolio Company” has the meaning set forth in the Fund Partnership Agreement.

“Private Equity Investment” has the meaning set forth in the Fund Partnership Agreement.

“Proceeding” has the meaning set forth in the Fund Partnership Agreement.

“Process Agent” has the meaning set forth in Section 2.1(b).

“Profits” and “Losses” means, for each Fiscal Year or other period, the taxable income or loss of the Partnership, or particular items thereof, determined in accordance with the accounting method used by the Partnership for federal income tax purposes with the following adjustments: (a) all items of income, gain, loss or deduction allocated pursuant to Section 5.4 shall not be taken into account in computing such taxable income or loss; (b) any income of the Partnership that is exempt from federal income taxation and not otherwise taken into account in computing Profits and Losses shall be added to such taxable income or loss; (c) if the Carrying Value of any asset differs from its adjusted tax basis for federal income tax purposes, any gain or loss resulting from a disposition of such asset shall be calculated with reference to such Carrying Value; (d) upon an adjustment to the Carrying Value (other than an adjustment in respect of depreciation) of any asset, pursuant to the definition of Carrying Value, the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; (e) if the Carrying Value of any asset differs from its adjusted tax basis for federal income tax purposes, the amount of depreciation, amortization or cost recovery deductions with respect to such asset for purposes of determining Profits and Losses, if any, shall be an amount which bears the same ratio to such Carrying Value as the federal income tax depreciation, amortization or other cost recovery deductions bears to such adjusted tax basis (*provided* that if the federal income tax depreciation, amortization or other cost recovery deduction is zero, the General Partner may use any reasonable method for purposes of determining depreciation, amortization or other cost recovery deductions in calculating Profits and Losses); and (f) except for items in (a) above, any expenditures of the Partnership not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Profits and Losses pursuant to this definition shall be treated as deductible items.

“Profit Sharing Percentage” of a Partner means the percentage interest of such Partner in Carried Interest Proceeds to be distributed to the Partners from the Carried Interest earned by the Partnership from the Fund. The Profit Sharing Percentage of a Partner initially shall be as set forth in Section 2.2.

“Recalculated Income Tax Amount” has the meaning set forth in Section 4.5(e).

“Record of Limited Partners” means the current record of the Limited Partners maintained by the General Partner and kept at the Partnership’s office in Ontario, stating for each Limited Partner, its name, address, amount of Capital Commitment and any other information required by the Act.

“Registrar” means a public servant of the Ontario Ministry of Public Services.

“Repurchased Capital Contributions” means, with respect to any Partner, (a) an amount equal to the portion of the aggregate capital contributions made by such Partner to the Partnership, on or prior to the Termination Date, in respect of a particular Private Equity Investment that relates to the Repurchase Percentage of such Partner’s Profit Sharing Percentage, net of (b) any Capital Proceeds received by such Partner in respect of such capital contributions referred to in the foregoing clause (a) on or prior to the Termination Date.

“Repurchase Notice” has the meaning set forth in Section 4.4(c).

“Repurchase Percentage” means, with respect to any Partner, the relevant percentage set forth in this Agreement and such Partner’s Terms Letter.

“Repurchase Price” means, with respect to any Partner, the aggregate amount of all portions of the Repurchase Price payable with respect to all Unfunded Private Equity Investments and Funded Private Equity Investments; the portion of the Repurchase Price payable with respect to a particular Private Equity Investment shall mean:

(a) if the aggregate amount of the Capital Proceeds received by the Partnership in respect of such Repurchased Capital Contributions after the Termination Date (if any) exceeds the Repurchased Capital Contributions, then

(i) the Repurchased Capital Contributions, plus

(ii) the amount by which the aggregate amount of the Capital Proceeds received by the Partnership in respect of such Repurchased Capital Contributions after the Termination Date (if any) exceeds the Repurchased Capital Contributions, minus

(iii) the aggregate amount of any portion of the Repurchase Price previously paid to such Partner after the Termination Date with respect to such Private Equity Investment.

(b) if the aggregate amount of the Capital Proceeds received by the Partnership in respect of such Repurchased Capital Contributions after the Termination Date (if any) is less than or equal to the Repurchased Capital Contributions, then

(i) the Repurchased Capital Contributions, minus

(ii) the amount by which the Repurchased Capital Contributions exceeds the aggregate amount of the Capital Proceeds received by the Partnership in respect of such Repurchased Capital Contributions after the Termination Date (if any), minus

(iii) the aggregate amount of any portion of the Repurchase Price previously paid to such Partner after the Termination Date with respect to such Private Equity Investment.

“Securities” means shares of capital stock, partnership interests, limited liability company interests, net profits, royalties, warrants, options, bonds, notes, debentures, loans, liens, loan participations and other equity or debt (or equity-like) instruments or contractual arrangements of whatever kind of any Person, whether readily marketable or not.

“Securities Act” has the meaning set forth in Section 10.9(c)(vii).

“Special Limited Partner” means any EPI Limited Partner who has ceased to be employed or, in the case of an Operating Executive, retained as a consultant by any of EPI, the Investment Advisor, the Investment Manager or any of their Respective Affiliates.

“Tax Advances” has the meaning set forth in Section 5.6.

“Tax Matters Partner” has the meaning set forth in Section 6.4.

“Temporary Investments” means (a) United States government and agency obligations maturing within three years, (b) commercial paper rated not lower than A 1 by Standard & Poor’s Corporation or P 1 by Moody’s Investor Services, Inc. with maturities of not more than nine (9) months, (c) interest bearing deposits in banks having one of the ratings referred to above, maturing within one year, (d) municipal bonds

and other tax-exempt securities rated not lower than AA by Standard & Poor's Corporation or Aa by Moody's Investor Services, Inc. with maturities of not more than one year and (e) money market mutual funds the assets of which are reasonably believed by the General Partner to consist primarily of items described in one or more of the foregoing clauses (a), (b), (c) or (d), or (f) any other investments as the General Partner may determine.

"Temporary Investment Proceeds" has the meaning set forth in Section 4.1(c)(i).

"Termination Date" has the meaning set forth in Section 4.4(a).

"Terms Letter" means, with respect to any Partner, the letter agreement between the Partnership and such Partner setting forth, among other matters, (a) such Partner's Profit Sharing Percentage applicable to Private Equity Investments, (b) such Partner's Holdback Percentage, (c) the Repurchase Percentage of such Partner's Profit Sharing Percentage following the termination of employment or, in the case of an Operative Executive, consultancy of such Partner (or in the case of a Family Related Limited Partner, its associated EPI Limited Partner) with EPI, the Investment Advisor, the Investment Manager and their respective Affiliates, or otherwise and (d) the conditions to such Partner's post-employment Profit Sharing Percentage, if any.

"Transfer" means any assignment, sale, exchange, transfer, pledge, encumbrance, hypothecation or other disposition of all or any part of an Interest.

"Treasury Regulations" means the regulations of the U.S. Treasury Department issued pursuant to the Code.

"Unfunded Private Equity Investments" means, as of any date of determination, any Private Equity Investments which the Fund will make in the future but for which capital contributions have not been made to the Fund as of such date.

"Unpaid Capital Commitment" means, with respect to any Partner as of any date, an amount equal to (a) the Capital Commitment of such Partner as of such date, minus (b) the aggregate amount of capital contributions made by such Partner to the Partnership on or prior to such date pursuant to Section 5.1(a)(i) or (ii), plus (c) any amounts of Capital Proceeds distributed to the Partner, other than a Partner whose Capital Commitment has been reduced to zero, to the extent that when such amounts were received by the Partnership, it increased the Partnership's "Unfunded Capital Commitment" (as defined in the Fund Partnership Agreement) and plus or minus, as the case may be, (d) any adjustments to such Partner's Unpaid Capital Commitment on or prior to such date pursuant to Section 5.1 (to the extent applicable).

SECTION 1.2 Terms Generally.

The definitions in Section 1.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, partnerships, limited liability companies, joint ventures, corporations, trusts, governments (or agencies or political subdivisions thereof) and other associations and entities. Unless the context requires otherwise, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". When a reference is made in this Agreement to the preamble or a Section, Article or Annex such reference shall be to the preamble or to a Section, Article or Annex of this Agreement unless otherwise indicated. All Annexes hereto are hereby incorporated in and made a part of this Agreement as if set forth herein. If any questions should arise with respect to the operation of the Partnership that are not specifically provided for in this Agreement, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in good faith, and its determination and interpretation so made shall be final and binding on all parties.

ARTICLE II

General Provisions

SECTION 2.1 Formation.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, and the federal laws of Canada applicable therein. In particular, the Partnership is formed pursuant to the Act, and the rights and liabilities of the Partners and the restrictions, limitations and prohibitions applicable to the Partners, shall be as provided therein, except as herein otherwise expressly provided. If, nevertheless, it shall be determined by a court of competent jurisdiction that any provision or wording of this Agreement shall be invalid or unenforceable under such Act or other applicable law, such invalidity or unenforceability shall not invalidate the entire Agreement. In that case, this Agreement shall be construed so as to limit any term or provision so as to make it enforceable or valid within the requirements of the Act or other applicable law, and, in the event such term or provision cannot be so limited, this Agreement shall be construed to omit such invalid or unenforceable provisions.

(b) Each party hereto irrevocably submits to the exclusive jurisdiction of the courts of competent jurisdiction in the Province of Ontario in respect of any action or proceeding relating in any way to this Agreement. The parties shall not raise any objection to the venue of any proceedings in any such court, including the objection that the proceedings have been brought in an inconvenient forum. The General Partner irrevocably appoints Osler, Hoskin & Harcourt LLP (the "Process Agent"), with an office on the date of this Agreement at Box 50, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1B8, as its agent to receive on behalf of it service of copies of the statement of claim and any other process which may be served in any such action or proceeding. Such service may be made by delivering a copy of such process to the General Partner in care of the Process Agent at the Process Agent's most recent address in Toronto as set out herein, and the General Partner irrevocably authorizes and directs the Process Agent to accept such service on its behalf. A final judgment in any such action or proceeding may be enforced in other jurisdictions by suit on the judgment or in any other manner specified by law and shall not be re-litigated on the merits.

SECTION 2.2 Partners.

Annex A attached hereto contains the name and address of each Partner as of the Effective Date. The General Partner is authorized to revise Annex A from time to time to reflect the admission or withdrawal of a Partner in accordance with the terms of this Agreement and the Act and other modifications to or changes in the information set forth therein. As of the Effective Date, GP Holdings has been admitted as a Limited Partner with a Profit Sharing Percentage equal to 100% of the aggregate Profit Sharing Percentage, and each other Partner's Profit Sharing Percentage equals zero percent.

SECTION 2.3 Name.

The Partnership shall conduct its activities under the name of "Evercore Mexico Partners III, L.P." The Partnership's business may be conducted under any other name or names as the General Partner may determine, in accordance with the Act. The General Partner shall give prompt notice of any such name change to each Limited Partner.

SECTION 2.4 Liability of the Partners Generally.

(a) Except as provided in this Agreement and to the extent permitted by the Act, the General Partner shall have the liabilities of a general partner as provided in the Act.

(b) Except as expressly provided in this Agreement and the Act, no Limited Partner (or former Limited Partner) shall be obligated to make any contribution of capital to the Partnership or have any liability for the debts and obligations of the Partnership.

SECTION 2.5 Term.

The term of the Partnership commenced upon the filing of the Declaration of Limited Partnership in the office of the Registrar. The existence of the Partnership shall continue unless and until the Partnership is dissolved, wound up and terminated in accordance with Article VII. No Partner shall have the right, and each Partner hereby agrees not to, withdraw from the Partnership, nor to dissolve, terminate or liquidate, or to petition a court for the dissolution, termination or liquidation of the Partnership, in each case except as expressly provided in this Agreement or the Act; and, except with the consent of the General Partner in its sole and absolute discretion, no Partner at any time shall have the right to petition or to take any action to subject Partnership assets or any part thereof to the authority of any court or other governmental body in connection with any bankruptcy, insolvency, receivership or similar proceeding, except as permitted in the Act.

SECTION 2.6 Purpose; Powers.

(a) The purpose of the Partnership shall be, directly or indirectly through subsidiaries or Affiliates, (i) to serve as a general partner of the Fund and as a general partner or in a similar capacity for other investment partnerships formed pursuant to the Fund Partnership Agreement, perform the functions required of a general partner of the Fund and as a general partner or in a similar capacity for such other investment partnerships and make capital contributions thereto, (ii) to provide investment management services to other investment vehicles and accounts formed pursuant to the Fund Partnership Agreement, (iii) to engage in any other lawful business under the Act and applicable law that the General Partner determines the Partnership shall engage in and (iv) to do all things necessary or incidental thereto.

(b) In furtherance of its purposes, the Partnership shall have all powers necessary, suitable or convenient for the accomplishment of its purposes, alone or with others, including the following:

(i) to render investment and asset management services to the Fund and other persons;

(ii) to hold, receive, mortgage, pledge, transfer, exchange, otherwise dispose of, grant options with respect to and otherwise deal in and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to all Securities and other property;

(iii) to invest and reinvest cash assets of the Partnership in any investments, including the Fund and Temporary Investments;

(iv) to have and maintain one or more offices outside Canada, or to the extent necessary to comply with the requirements of the Act, within the Province of Ontario and, in connection therewith, to rent or acquire office space, engage personnel and do such other acts and things as may be advisable or necessary in connection with the maintenance of such office or offices;

(v) to open, maintain and close bank accounts and draw checks and other orders for the payment of moneys and to open, maintain and close accounts with brokers, custodians and others;

(vi) to engage accountants, auditors, custodians, consultants, attorneys and any and all other agents and assistants, both professional and nonprofessional, including Partners and their Affiliates, and to compensate them as may be necessary or advisable; *provided* that the Partnership shall not have any paid employees;

(vii) to form or cause to be formed and to own the stock of one or more corporations, whether foreign or domestic, and to form or cause to be formed and to participate in partnerships and joint ventures, whether foreign or domestic;

(viii) to enter into, make and perform all contracts, agreements and other undertakings as may be deemed necessary or advisable or incident to carrying out its purposes;

(ix) to sue, prosecute, settle or compromise all claims against third parties, to compromise, settle or accept judgment of claims against the Partnership, and to execute all documents and make all representations, admissions and waivers in connection therewith;

(x) to borrow money from any person or to guarantee loans or other extensions of credit for any purpose;

(xi) to make loans and extend other forms of credit;

(xii) to distribute, subject to the terms of this Agreement and the Act, at any time and from time to time to Partners cash or investments or other property of the Partnership, or any combination thereof;

(xiii) to take such other actions necessary or incidental thereto as may be permitted under applicable law; and

(xiv) to enter into and perform any agency cross transaction in which EPI or any other Affiliate of the General Partner acts as broker for both the Partnership and a party on the other side of the transaction and any agency transaction in which the Partnership is a principal and in which any Affiliate of the General Partner acts as broker for the party on the other side of the transaction.

To the extent possible, the activities contemplated by this Section 2.6 shall be conducted outside of Canada.

SECTION 2.7 Principal Place of Business.

The Partnership shall maintain its principal place of business at, and its business shall be conducted from, c/o Evercore Partners Inc., 55 East 52nd Street, 43rd Floor, New York, NY 10055, USA, or such other place as the General Partner shall determine. The activities of the Partnership will generally be carried out from the principal business office of the General Partner and any other places as determined by the General Partner, subject to Section 3.1(e). The activities of the Partnership shall generally be carried out from the principal business office of the General Partner. The General Partner will promptly give written notice of any change of such address to the Limited Partners.

SECTION 2.8 Office.

The Partnership shall maintain an office in the Province of Ontario, Canada, and the name and address of such office in the Province of Ontario, Canada is, Osler, Hoskin & Harcourt LLP, 100 King Street West, Suite 6100, Toronto, Ontario, Canada M5X 1B8, or such other office location in Ontario as the General Partner shall determine.

SECTION 2.9 Admission of Limited Partners

(a) On the Initial Closing Date, upon the admission of Persons subscribing for Interests as Limited Partners to the Partnership, the Organizational Limited Partner shall withdraw from the Partnership and shall be entitled to receive the return of its capital contribution without interest or deduction.

(b) On the Initial Closing Date, each Person whose subscription for an Interest has been accepted by the General Partner shall, upon execution and delivery of the Terms Letters and this Agreement, become a Limited Partner and shall be shown as such on the books and records of the Partnership.

(c) The General Partner may in its discretion allow other Persons to be admitted as additional Limited Partners or allow any Partner to increase its Capital Commitment.

ARTICLE III

Management and Operation of the Partnership

SECTION 3.1 General Partner.

(a) The management, control and operation of the Partnership shall be vested exclusively in the General Partner. The General Partner shall have the sole power and authority on behalf of and in the name of the Partnership to carry out any and all of the objects and purposes and exercise any and all of the powers of the Partnership contemplated by Section 2.6 and to perform all acts which it may deem necessary or advisable in connection therewith. The General Partner shall not take any action that would subject any Limited Partner to liability for the debts and obligations of the Partnership. The Limited Partners shall have no part in the management, control or operation of the Partnership and shall have no authority or right to act on behalf of the Partnership in connection with any matter. No Limited Partner shall (i) execute any document that binds, or purports to bind, the Partnership or a Partner other than itself; or (ii) hold itself out as having the power or authority to bind the Partnership or a Partner other than itself. Except as otherwise provided herein or as required under the Act, the Limited Partners shall not have voting rights with respect to any Partnership matters.

(b) The Partners agree that all actions made or taken by the General Partner on behalf of the Partnership shall bind the Partnership, the Limited Partners and their respective successors, assigns and personal representatives. Persons dealing with the Partnership are entitled to rely conclusively upon the power and authority of the General Partner as herein set forth.

(c)(i) The General Partner may delegate to any Person or Persons all or any of the powers, rights, privileges, duties and discretion vested in it in this Article III and such delegation may be made upon such terms and conditions as the General Partner shall determine; *provided* that no such delegation shall modify the obligations or liabilities of the General Partner as general partner of the Partnership under the Act and under this Agreement, or shall cause the Partnership to be deemed to be engaged in a trade or business in any jurisdiction for local income tax purposes; and *provided further* that no such delegation shall cause the Partnership to be deemed to be engaged in a trade or business in Canada for Canadian income tax purposes nor shall any delegation be made to a Canadian-Resident Person.

(ii) Without limiting the generality of the foregoing, the Investment Manager is hereby appointed as manager of the Partnership, with the responsibility of performing or arranging for the performance of financial, portfolio management, accounting and administrative services as required. In providing, or arranging for the provision of, such services, the Investment Manager shall take whatever actions it determines to be necessary or advisable, and shall conduct relations with accountants, attorneys, insurers and other Persons providing services to the Partnership. The Investment Manager shall have the right to carry out all of the functions of the General Partner hereunder, including without limitation the authority to enter into, execute and deliver any and all documents on behalf of the Partnership in lieu of the General Partner and to open, maintain and close bank, brokerage and custodian accounts and draw checks or other orders for the payment of moneys. The Investment Manager is expressly authorized to enter into and to execute the following documents on behalf of the General Partner (including in its capacity as general partner of the Partnership): the Fund Partnership Agreement; the Investment Management Agreement; the Investment Advisory Agreement; the Subscription Agreements relating to the purchase of interests in the Fund; any side letters or other agreements to induce any Person to purchase interests in the Fund; and the indemnity letter (if any) entered into for the purposes of indemnifying Maples Secretaries (Cayman) Limited; any amendments to such agreements and all agreements contemplated thereby and related thereto; and any documents necessary in connection with the formation of a direct or indirect subsidiary of the Fund, all without any further act, approval or vote of any Partner or other Person, but such authorization shall not be deemed a restriction on the power of the General Partner to enter into other agreements on behalf of the Fund (subject to any other restrictions expressly set forth in this Agreement). By its execution and delivery of a counterpart of this agreement or other instrument, the Investment Manager accepts its

appointment as investment manager on the terms of this Agreement and agrees to render, or arrange for the rendering of, the services contemplated hereby. For the avoidance of doubt, the Investment Manager shall not be required to make any capital contribution to the Partnership and shall not be treated as a partner of the Partnership.

(d) To the fullest extent permitted by applicable law, the General Partner (or any other Affiliate of the General Partner) is hereby authorized to (i) purchase property from, sell property to, lend money or otherwise deal with any Affiliates, any Limited Partner, the Partnership, any of its portfolio companies or any Affiliates of any of the foregoing Persons, (ii) obtain services from any Partner or any Affiliate of any Partner and (iii) otherwise cause or permit the Partnership, its portfolio companies and Affiliates to enter into any such transaction.

(e) The General Partner agrees to use commercially reasonable best efforts to ensure that the Partnership is not engaged, or deemed engaged, in a trade or business in Canada for Canadian income tax purposes and is not otherwise subject to taxation on a net income basis in Canada.

SECTION 3.2 Exculpation and Indemnification.

(a) Notwithstanding any other terms of this Agreement, whether express or implied, or any obligation or duty at law or in equity, no Partner nor any of its officers, directors, shareholders, members, partners, employees, representatives or agents nor any officer, employee, representative, investment manager or agent of the Partnership or its Affiliates (individually, a “Covered Person” and collectively, the “Covered Persons”) shall be liable to the Partnership or any other Partner for (i) any act or omission taken or suffered by such Covered Person in connection with the Partnership or otherwise in connection with this Agreement, any related document or the matters contemplated hereby or thereby, unless such act or omission resulted from fraud, bad faith, willful misconduct, gross negligence, a violation of applicable securities laws or a willful material uncured breach of this Agreement, the Investment Advisory Agreement, the Investment Management Agreement, the Fund Partnership Agreement or any related document by such Covered Person, or (ii) any mistake, negligence, dishonesty or bad faith of any broker or other agent of the Partnership unless such Covered Person was responsible for the selection or monitoring of such broker or agent and acted in such capacity with gross negligence, and except that nothing herein shall constitute a waiver or limitation of any rights which a Partner or the General Partner, on behalf of the Partnership, may have under applicable securities laws or of any rights under other laws which as a matter of law may not be waived.

(b) To the fullest extent permitted by law, the Partnership shall indemnify and save harmless (but only to the extent of its assets) each Covered Person from and against any and all claims, liabilities, damages, losses, costs and expenses (including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and reasonable expenses of investigating or defending against any claim or alleged claim) of any nature whatsoever, known or unknown, liquidated or unliquidated, arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, which relates to or arises out of or in connection with the Partnership, its property, its business or affairs, including acting as a director or the equivalent of a company any securities of which are or were a Private Equity Investment; *provided* that a Covered Person shall be entitled to indemnification hereunder only to the extent that such Covered Person’s conduct did not constitute fraud, bad faith, willful misconduct, gross negligence or a willful material uncured breach of this Agreement, the Investment Advisory Agreement, the Investment Management Agreement, the Fund Partnership Agreement or any related document by such Covered Person, and nothing herein shall constitute a waiver or limitation of any rights which a Partner or the General Partner, on behalf of the Partnership, may have under applicable securities laws or of rights under other laws which as a matter of law may not be waived. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person in defense or settlement of any claim, demand, action, suit or proceeding may, with the approval of the General Partner, from time to time, be advanced by the Partnership prior to the final disposition of such claim,

demand, action, suit or proceeding upon receipt by the Partnership of a written undertaking by or on behalf of the Covered Person to repay such amount to the extent that it shall be determined that the Covered Person is not entitled to be indemnified as authorized hereunder. Prior to any claim for indemnification hereunder, the Partnership or the Covered Person shall first seek recovery under any other indemnity or insurance policy by which such Person is indemnified or covered (other than under the terms of the constitutive documents of the Investment Manager, the Investment Advisor and their Affiliates) to the extent such other indemnity or insurance policy would cover the relevant liability on a timely basis.

(c) The right of any Covered Person to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Covered Person's successors, assigns and legal representatives.

(d) To the extent that, at law or in equity, a Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to another Partner, such Partner acting under this Agreement shall not be liable to the Partnership or to any such other Partner for his or her good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Partner otherwise existing at law or in equity, are agreed by the Partners to modify to that extent such other duties and liabilities of such Partner.

(e) Whenever in this Agreement a person is permitted or required to make a decision (i) in his or her "sole discretion," "sole and absolute discretion" or "discretion" or under a grant of similar authority or latitude, the person shall be entitled to consider any interests and factors as it desires, including its own interests, or (ii) in its "good faith" or under another express standard, the person shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise.

SECTION 3.3 Officers.

Subject to the direction of the General Partner, the day-to-day administration of the business of the Partnership may be carried out by employees and agents of the General Partner who may be designated as officers, with titles including but not limited to "founder," "chairman," "vice-chairman," "principal," "president," "vice president," "treasurer," "assistant treasurer," "secretary," "assistant secretary," "general manager," "senior managing director," "managing director," "director," "chief operating officer," "and "chief financial officer," as and to the extent authorized by the General Partner. The officers of the Partnership shall have such titles and powers and perform such duties as shall be determined from time to time by the General Partner and otherwise as shall customarily pertain to such offices. Any number of offices may be held by the same person. Where such employees or agents administer the business of the Partnership, such administration shall be conducted outside of Canada to the extent possible.

ARTICLE IV

Distributions

SECTION 4.1 Distributions — General Principles and Definitions.

(a) Except as otherwise expressly provided in this Article IV or in Article VII of this Agreement or as permitted under the Act, no Partner shall have the right to withdraw capital from the Partnership or to receive any distribution or return of any capital contribution. Notwithstanding any provision to the contrary contained in this Agreement, the Partnership shall not be required to make a distribution to a Partner on account of such Partner's interest in the Partnership if such distribution would violate the Act or any other applicable law.

(b) Distributions pursuant to this Article IV may be made in cash or in Securities, *provided* that distributions of Carried Interest Proceeds and Capital Proceeds shall be made to the extent practicable in the same form and proportions as such Carried Interest Proceeds and Capital Proceeds are received by the Partnership from the Fund. Distributions of Securities shall be made in the same manner as if cash in an amount equal to the Fair Market Value of such Securities were to be distributed. Distributions consisting of both cash and Securities shall be made, to the extent practicable, in the same proportions of cash and Securities to each Partner receiving such distributions. To the extent practicable, distributions consisting of or including Securities shall be made in a manner such that each Partner entitled to receive such a distribution shall receive Securities with the same rights attendant thereto (including registration, voting and anti-dilution rights) as the other Partners receiving such Securities in any concurrent distribution.

(c) *Certain Definitions.*

(i) "Temporary Investment Proceeds" means income from sources other than the Fund or Private Equity Investments, net of Partnership expenses and reserves for Partnership expenses allocable thereto.

(ii) "Capital Proceeds" with respect to the Partnership or any other person means the distributions and proceeds to the Partnership or such other person from the Fund or Private Equity Investments other than Carried Interest Proceeds, including distributions and proceeds representing the return (whether of current income or disposition proceeds) in respect of having made capital contributions for such Private Equity Investments, net of Partnership expenses and reserves for Partnership expenses allocable thereto.

(iii) "Carried Interest Proceeds" with respect to the Partnership or any other person means the distributions and proceeds to the Partnership or such other person of Carried Interest (including any amounts placed on behalf of such other person into the Holdback Account pursuant to Section 4.5(a) hereof).

(d) Subject to Section 4.5 and to the maintenance of the Operating Reserve, distributions to the Partners of Capital Proceeds and Carried Interest Proceeds shall be made as soon as practicable after the date such Capital Proceeds and Carried Interest Proceeds are received by the Partnership. Subject to the maintenance of the Operating Reserve, Temporary Investment Proceeds shall be distributed on an annual basis, or at such times as determined in the sole and absolute discretion of the General Partner.

SECTION 4.2 Amounts and Priority of Distributions.

(a) *Treatment of Capital Proceeds.* Each distribution of Capital Proceeds from a Private Equity Investment shall be made to the Partners in proportion to their respective capital contributions through the Partnership for such Private Equity Investment; provided that in order to avoid duplicative distributions, with respect to Special Limited Partners, for purposes of calculating any distribution of Capital Proceeds from a Private Equity Investment pursuant to this Section 4.2(a), the amount of the capital contributions made by such Special Limited Partner through the Partnership for such Private Equity Investment shall be reduced by the amount of the Repurchased Capital Contributions with respect to such Private Equity Investment.

(b) *Treatment of Carried Interest Proceeds.* Subject to Section 4.5, any Carried Interest Proceeds shall be paid to the Partners in proportion to their respective Profit Sharing Percentages as of the date of such Partners' distribution (taking into account adjustments as provided herein, including the repurchase rights provided in Section 4.4).

(c) *Treatment of Temporary Investment Proceeds.* Each distribution of Temporary Investment Proceeds shall be distributed among the Partners in proportion to their respective proportionate interests in the Partnership property or funds that produced such Temporary Investment Proceeds, as reasonably determined by the General Partner.

SECTION 4.3 Certain Adjustments in Profit Sharing Percentages.

(a) *Increases in Profit Sharing Percentages of Partners Following Various Events Specified in Section 4.4.* The amount, if any, by which the Profit Sharing Percentage of a Partner is reduced pursuant to Section 4.4 shall be reallocated among the other Partners (other than GP Holdings) in proportion to their existing Profit Sharing Percentages or in such other manner and in such other amounts (which need not be proportionate) as the General Partner shall determine.

(b) *Restriction on Reduction in Profit Sharing Percentages.* Except as provided in a Partner's Terms Letter or in Sections 4.3(c) and 4.4 herein, the Profit Sharing Percentage of any Partner and his or her Family Related Limited Partners shall not be reduced without his or her consent. Except as provided in a Special Limited Partner's Terms Letter or other agreement with the Partnership regarding the termination of such Special Limited Partner's employment or consultancy, or pursuant to Section 4.3(c) or 4.4 hereof, the Profit Sharing Percentage of a Special Limited Partner shall not be subject to reduction. The Profit Sharing Percentage of GP Holdings shall not be subject to reduction or increase. For the avoidance of doubt, any adjustments in Profit Sharing Percentages pursuant to Section 4.3(c) shall not be considered "reductions" in Profit Sharing Percentages for purposes of this Section 4.3(b).

(c) *Adjustments to Profit Sharing Percentages Due to Issuance of Interests.* In the event of the admission of any person as an additional Partner pursuant to Section 9.1 or the issuance of any Interest to any existing Partner and any Family Related Limited Partner, the Profit Sharing Percentage allocated to such Partner in connection therewith shall reduce the Profit Sharing Percentages of all other Partners (other than GP Holdings) *pro rata* based upon their Profit Sharing Percentages immediately prior to such admission or issuance; *provided* that the General Partner may, in its sole and absolute discretion determine that this provision shall not apply to one or more Partners in any given instance. The allocation of the Profit Sharing Percentage to GP Holdings has reduced the Profit Sharing Percentages as of the Effective Date of all EPI Limited Partners *pro rata* based upon their Profit Sharing Percentages immediately prior to the admission of GP Holdings as a Limited Partner.

(d) The General Partner shall cause the books and records of the Partnership to reflect the Profit Sharing Percentage of each Partner as adjusted pursuant to this Agreement from time to time.

SECTION 4.4 Repurchase Rights Following Termination of Employment and Default with Respect to Capital Contributions.

(a) *Repurchase Right Following Termination of Employment.* Following the termination of employment or, in the case of an Operating Executive, consultancy of a Partner with EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates (the "Termination Date"), the General Partner, on behalf of the Partnership, shall have the right, but not the obligation, to repurchase all or a portion of the Repurchase Percentage of such Partner's Profit Sharing Percentage as of the Termination Date (subject to *pro rata* dilution pursuant to Section 4.3(c)) for the Repurchase Price, in accordance with the provisions of, and solely to the extent set forth in, this Agreement and such Partner's Terms Letter; *provided* that (i) such Partner's right to any Profit Sharing Percentage following such Partner's Termination Date, and the Partnership's obligation to make any payments to such Partner following such Partner's Termination Date, is expressly subject to the conditions set forth in such Partner's Terms Letter (including the Partnership's right to repurchase all or a portion of such Partner's Profit Sharing Percentage not previously repurchased in the event that such Partner fails to satisfy any of the conditions to such Partner's post-employment Profit Sharing Percentage) and (ii) such Partner may be obligated to repay to the Partnership any payments received by such Partner from the Partnership following termination of such Partner's employment or consultancy in respect of any Profit Sharing Percentage not repurchased by the Partnership upon violation of any of the conditions set forth in such Partner's Terms Letter. A Partner shall remain obligated for further capital contributions with respect to such Partner's Profit Sharing Percentage and shall be responsible for such Partner's (A) Give-Back Amount and (B) share of other returns of

distributions with respect to any Funded Private Equity Investments realized prior to the date of determination and any portion of such Partner's Profit Sharing Percentage not repurchased. For the avoidance of doubt, this Section 4.4(a) shall not apply with respect to GP Holdings.

(b) Repurchase Right Following Default in Capital Contributions. If a Partner defaults with respect to such Partner's obligation to make capital contributions pursuant to Section 5.1(a) below, the General Partner, on behalf of the Partnership, shall have the right, but not the obligation, to repurchase such defaulting Partner's entire Profit Sharing Percentage as of the date of default (i.e., the Repurchase Percentage shall be deemed to equal 100%) for the Repurchase Price; *provided* that a default shall not be deemed to have occurred until a ten day period immediately following the initial failure by such Partner to make such capital contribution shall have expired; and *provided further*, that any such Partner shall reimburse each other Partner for any funds advanced by such other Partner to cover any capital contributions owed by the defaulting Partner to the Partnership, together with interest thereon at a per annum rate equal to the Default Interest Rate on the principal amount of the funds advanced, until such other Partner shall have been reimbursed for all such funds advanced on behalf of the defaulting Partner, together with all such interest due thereon.

(c) The repurchase rights set forth in this Section 4.4 may be exercised by notice provided by the Partnership to the applicable Partner (a "Repurchase Notice"), specifying the percentage of the Profit Sharing Percentage which is to be repurchased. A Repurchase Notice shall be given by the Partnership to the applicable Partner within 90 days after such Partner's default or termination of employment, as the case may be. Upon receipt of a Repurchase Notice, the Partner who receives such Repurchase Notice shall be obligated to sell to the Partnership or its designee the Repurchase Percentage specified by the Partnership in the Repurchase Notice. With respect to any repurchase of a Partner's Profit Sharing Percentage pursuant to this Section 4.4, the Partnership shall record in its books and records the Repurchase Price owed by the Partnership to such Partner. The Repurchase Price shall be payable in installments. Each such installment shall be payable upon the distribution of Capital Proceeds to Partners pursuant to Section 4.1 in respect of a particular Private Equity Investment, and the amount of each such installment shall equal the portion of the Repurchase Price payable at such time with respect to such Private Equity Investment. In lieu of the foregoing, the General Partner, on behalf of the Partnership, may, with the consent of the applicable Partner, pay the Repurchase Price to such Partner on such Partner's Termination Date, to the extent that such Repurchase Price is then determinable; to the extent that all or a portion of such Repurchase Price is not then determinable, the General Partner, on behalf of the Partnership, may pay the remainder of such Repurchase Price to such Partner at such times that the Repurchase Price would otherwise be paid in accordance with this Section 4.4.

(d) Notwithstanding anything to the contrary in this Section 4.4 and the Terms Letters, the General Partner in its sole and absolute discretion may agree to vary in any manner more favorable to a Partner the amount by which such Partner's Profit Sharing Percentage would be reduced by the operation of the provisions of this Section 4.4 and the Terms Letters.

(e) The provisions and remedies in this Section 4.4 are not exclusive, and each such provision or remedy shall be cumulative and in addition to every other right, power or remedy whether conferred herein or now or hereafter available at law or in equity or by statute or otherwise. Each Partner acknowledges by his or her execution hereof that such Partner has been admitted to the Partnership in reliance upon such Partner's agreements hereunder, that the Partnership and the other Partners may have no adequate remedy at law for a breach hereof and that damages resulting from a breach hereof may be impossible to ascertain at the time hereof or of such breach.

SECTION 4.5 Holdback Account; Payment of Give-Back Obligation to the Fund.

(a) *Establishment of the Holdback Account.* The Partnership shall establish a separate account (the "Holdback Account") with a sub-account for each Partner. Except as provided in this Section 4.5, in lieu of distributing to the Partners the Carried Interest Proceeds to which they are otherwise entitled hereunder, the

Partnership shall retain such Carried Interest Proceeds and shall credit the sub-account of each such Partner in the Holdback Account with the amount of Carried Interest Proceeds otherwise distributable to such Partner, in an amount equal to the product of such Partner's Carried Interest Proceeds multiplied by such Partner's Holdback Percentage. Subject to Section 4.5(b), in the event that an EPI Limited Partner ceases to be employed or retained as a consultant by any of EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates and, thereby, becomes a Special Limited Partner, his or her Holdback Percentage, and the Holdback Percentage of his or her Family Related Limited Partners, shall be adjusted to equal 100%.

(b) *Distributions out of the Holdback Account.* (i) The General Partner in its sole and absolute discretion may determine to distribute to any Partner all or any portion of the amounts in such Partner's sub-account in the Holdback Account and/or terminate the requirement that such Partner's distributions of Carried Interest Proceeds be placed in the Holdback Account, subject to such conditions, undertakings, guarantees, security, credit support and/or other provisions, as the General Partner in its sole and absolute discretion at that time may deem necessary or advisable, without regard as to whether similar or different requirements have been established with respect to other Partners.

(ii) An amount equal to the interest or other amounts earned on the funds in the Holdback Account may be released and paid to the Partners in proportion to their respective interests in the Holdback Account as determined from time to time by the General Partner.

(c) *Payment of Give-Back Obligation to the Fund.* (i) If at any time the General Partner, on behalf of the Partnership, is still required to contribute any portion of the Give-Back Obligation to the Fund, then:

(A) there shall be deducted against each Partner's sub-account in the Holdback Account an amount (such Partner's "Give-Back Amount") which equals (1) the product of (x) such Partner's Carried Interest Give Back Percentage and (y) the portion of the Give-Back Obligation that the General Partner, on behalf of the Partnership, is still required to contribute to the Fund,

(B) each Partner shall promptly contribute to the Partnership an amount equal to the excess, if any, of (1) such Partner's Give-Back Amount over (2) the amount of such Partner's sub-account, if any, in the Holdback Account, and

(C) the portion of the Give-Back Obligation shall be paid out of the funds deducted or contributed pursuant to clauses (A) and (B) above.

(ii) The General Partner, on behalf of the Partnership, shall be entitled to collect interest on the amount which any Partner has failed to timely pay pursuant to this Section 4.5(c) from the date such amount was to have been paid to the date of payment in full at a rate equal to the Default Interest Rate. Any Partner defaulting on his or her obligation to contribute to the Partnership any amount pursuant to this Section 4.5(c) shall be obligated to reimburse the Partnership for all reasonable attorney's fees and expenses and all other costs and expenses incurred by the Partnership in enforcing against such Partner such obligation. The General Partner, on behalf of the Partnership, shall have the right to set-off as appropriate and apply against such Partner's obligation to make such contribution, any default interest accruing thereon and such Partner's reimbursement obligations hereunder, any amounts otherwise payable to such Partner by the General Partner, on behalf of the Partnership, or any other Affiliate thereof (including amounts unrelated to Carried Interest Proceeds, such as returns of capital, profit thereon and dividends, as well as employee salary or bonus). In addition, subject to Sections 10.17 and 10.19, in the event that any Partner defaults on his or her obligation to contribute to the Partnership any amount pursuant to this Section 4.5(c) (a "Defaulted Amount"), each Partner shall be required to contribute an amount which equals the product of (1) the percentage obtained by dividing (x) such Partner's Give-Back Amount by (y) the aggregate amount of Give-Back Amounts of all Partners and (2) the Defaulted Amount; *provided* that in no event shall any Partner be obligated to contribute an amount in excess of 125% of such Partner's Give-Back Amount.

The General Partner may determine in its sole discretion to reimburse to any Partner who has contributed a portion of a Defaulted Amount any amounts collected, pursuant to the Partnership's right of set-off or otherwise, from the defaulting Partner.

(iii) A Partner's obligation to make payments under this Section 4.5 shall survive the termination of the Partnership, termination of such Partner's employment or consultancy with EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates and such Partner's withdrawal from the Partnership, so that for purposes of this Section 4.5 a former Partner shall continue to be treated as a Partner.

(d) *Release of Funds in Holdback Account; Contingent Liabilities.* Any amounts remaining in a Partner's sub-account in the Holdback Account after deduction of any amounts required by Section 4.5(c) shall be distributed to such Partner as promptly as practicable following the date of determination of the Give-Back Obligation; *provided* that if there is any Proceeding then pending or any other liability or claim then outstanding against the Partnership or any Fund and the General Partner in its sole and absolute discretion determines that such amounts in the Holdback Account may be necessary to satisfy the Partners' share of any obligation arising out of such Proceeding, liability or claim, then the General Partner shall so notify the Partners and, in that event, such amounts, or the portion thereof specified by the General Partner in such notice, shall be retained in the Holdback Account until such time or times as the General Partner in its sole and absolute discretion determines that such amounts may be distributed to the Partners.

(e) *Tax Matters Relating to the Holdback Account.* To the extent determined by the General Partner from time to time in its sole discretion, on an estimated tax payment date for a Partner on behalf of whom amounts are placed in the Holdback Account (a "Holdback Partner") in any year, the General Partner, on behalf of the Partnership, may make a cash advance against distributions of Carried Interest Proceeds to such Holdback Partner to the extent distributions actually received by such Holdback Partner (net of amounts placed in the Holdback Account) are not sufficient for such Holdback Partner to pay when due estimated income tax imposed on it, calculated using the Assumed Income Tax Rate (the "Estimated Income Tax Amount"). Amounts of Carried Interest Proceeds otherwise distributable to a Holdback Partner pursuant to Section 4.2(b) shall be reduced by the amount of any Estimated Income Tax Amounts distributed to such Holdback Partner pursuant to this Section 4.5(e) until all such Estimated Income Tax Amounts are restored. As promptly as reasonably practicable following the end of the fiscal year of the Partnership to which such Carried Interest Proceeds are attributable, the General Partner, on behalf of the Partnership, shall calculate, with respect to each Holdback Partner who has received a distribution of an Estimated Income Tax Amount, the product of (i) the actual taxable income allocable in respect of the Carried Interest Proceeds attributable to such Holdback Partner in such year less the cumulative taxable loss that has been allocated to such Holdback Partner to the extent such loss has not previously reduced taxable income pursuant to this provision and (ii) the Assumed Income Tax Rate (the "Recalculated Income Tax Amount"). If any Holdback Partner has received distributions under this Section 4.5(e) or Section 4.5(b) for such year which are less than the Recalculated Income Tax Amount, as determined by the General Partner in its sole discretion, the General Partner, on behalf of the Partnership, may distribute to such Holdback Partner the amount of such deficiency, together with any penalties or interest assessed that are attributable to a differential between the Estimated Income Tax Amount and the Recalculated Income Tax Amount, out of the funds in the Holdback Account on the due date for the filing of such Holdback Partner's tax return for such year. If any Holdback Partner has received distributions of aggregate Estimated Income Tax Amounts in excess of the Recalculated Income Tax Amount (such excess, the "Excess Income Tax Amount"), such Holdback Partner shall as promptly as practicable (and, in any event, within 90 days of such notice) contribute to the Partnership the amount specified in such notice, without interest thereon, for credit to the Holdback Account; *provided* that, until such Excess Income Tax Amount is repaid in full, to the fullest extent provided at law or in equity, the Partnership shall have a security interest in all rights, title and interest in and to such Partner's interest in the Partnership, and, notwithstanding anything to the contrary contained in this Agreement, the Partnership shall not be obligated to make any further payment or distribution to such Partner until such Excess Income Tax Amount shall have been repaid. The General Partner, on behalf of the Partnership,

shall have the right to set-off as appropriate and apply against such Partner's obligation to make such contribution pursuant to this Section 4.5(e) the obligations of the Partnership to distribute funds pursuant to this Section 4.5(e) and any amounts otherwise payable to such Partner by the Partnership or any other Affiliate thereof (including amounts unrelated to Estimated Income Tax Amounts and Excess Income Tax Amounts, such as returns of capital, profit thereon and dividends, as well as employee salary or bonus).

ARTICLE V

Capital Contributions and Capital Commitments; Allocations; Expenses

SECTION 5.1 Capital Contributions.

(a) *Capital Calls.*

(i) *Capital Calls for Contributions to Fund.* At least five Business Days prior to each date on which the General Partner, on behalf of the Partnership, is required to make a capital contribution pursuant to the Fund Partnership Agreement, each Partner shall make a capital contribution to the Partnership in immediately available funds in an amount equal to the product of (A) the amount of such capital contribution to be made by the Partnership and (B) a fraction the numerator of which shall be the Unpaid Capital Commitment of such Partner and the denominator of which shall be the Unpaid Capital Commitments of all Partners; *provided* that no default shall be deemed to have occurred hereunder until the date on which the General Partner, on behalf of the Partnership, is required to make such capital contribution. The General Partner shall give each Partner at least five Business Days prior notice of the amount to be contributed by such Partner pursuant to this Section 5.1(a)(i). Any amount so contributed shall reduce such Partner's Unpaid Capital Commitment. The General Partner, on behalf of the Partnership, may invest, until such capital contributions are made to the Fund, any funds received by it from a Partner pursuant to this Section 5.1(a)(i) in the manner determined by the General Partner. Any interest earned thereon shall be for the account of such Partner and shall be distributed to such Partner promptly following the date on which such capital contributions are made to the extent that the General Partner determines in good faith that such interest is not required to pay expenses of the Partnership.

(ii) *Other Capital Calls.* The General Partner may determine in its sole and absolute discretion at any time or from time to time that the Partnership requires additional capital to meet its obligations for extraordinary expenses such as litigation expenses, or other expenses of the Partnership. In the event the General Partner issues such a capital call, each Partner shall make a capital contribution to the Partnership in immediately available funds in an amount equal to the product of (A) the amount of such required capital and (B) such Partner's Profit Sharing Percentage; *provided* that the General Partner may calculate the capital contributions to be made by the Partners with respect to such expenses on any other basis (including on the basis of Unpaid Capital Commitments and/or requiring certain, but not all, Partners to make capital contributions for extraordinary expenses) if the General Partner determines in good faith that such other basis is clearly more equitable; *provided, further*, that no Partner shall be required to make a capital contribution pursuant to this Section 5.1(a)(ii) in an amount greater than its Unpaid Capital Commitment. The General Partner shall give each Partner at least five Business Days prior notice of the amount to be contributed by such Partner pursuant to this Section 5.1(a)(ii). Any amount so contributed by a Partner shall reduce such Partner's Unpaid Capital Commitment. The General Partner, on behalf of the Partnership, may determine, in its sole discretion, to advance funds out of the Operating Reserve to any Partner to fund such Partner's capital contributions.

(iii) *Returns of Distributions.* If at any time the General Partner in its sole and absolute discretion determines that the Partnership cannot meet its obligations for extraordinary expenses such as litigation expenses, including as a result of a Section 9.2 Liability (as defined in the Fund Partnership Agreement) the General Partner may require each Partner and former Partner to return distributions made to such Partner hereunder for the purpose of meeting such Partner's pro rata share (based on the Partners' After-Tax Carried Interest Amounts)

of such obligations in an amount up to, but in no event in excess of, the aggregate amount of distributions actually received by such Partner from the Partnership. The General Partner shall give each Partner and former Partner at least five Business Days prior notice of the amount to be contributed by such Partner pursuant to this Section 5.1(a)(iii). The General Partner may require returns of distributions pursuant to this Section 5.1(a)(iii) without regard to whether a call for capital contributions could be made pursuant to Section 5.1(a)(ii). Notwithstanding the foregoing, no Partner shall be required to return distributions under this Section 5.1(a)(iii) other than for obligations arising primarily from activities of the Partnership during the period of such Partner's (or in the case of a Family Related Limited Partner, its associated EPI Limited Partner's) employment with, or retention by, EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates.

(b) *Consequences of Capital Call Default.* In the event that a Partner defaults with respect to such Partner's obligation to make capital contributions or return distributions pursuant to Section 5.1(a) (such Partner being sometimes referred to herein as a "Defaulting Partner"), the General Partner at its option may (i) require other Partners to make such capital contribution in proportion to their respective Profit Sharing Percentages, or on any other basis (including on the basis of Unpaid Capital Commitments and/or requiring certain, but not all, Partners to make capital contributions) if the General Partner determines in good faith that such other basis is clearly more equitable, or (ii) arrange for the amount of such capital contribution to be advanced on behalf of such Defaulting Partner on such terms as the General Partner shall determine in its sole and absolute discretion to be fair and equitable, which may include provision for security as provided below. Each Partner hereby grants to the Partnership a right of set-off and a security interest, effective upon such Partner becoming a Defaulting Partner, in all accounts receivable and other rights to receive payment (other than in respect of employee salary or bonus) from the Partnership or any of its Affiliates and agrees that, upon the effectiveness of such security interest, the General Partner, on behalf of the Partnership, may sell, collect or otherwise realize upon such collateral.

(c) A Partner's Unpaid Capital Commitment will be adjusted proportionately with adjustments (including to zero) in Profit Sharing Percentages. Any adjustment of the Capital Commitment of a Partner shall be reflected on the books and records of the Partnership. If at any time the Profit Sharing Percentage and Unpaid Capital Commitment of a Partner are reduced to zero and such Partner has not made a capital contribution to the Partnership, the General Partner may remove such Partner as a Partner of the Partnership.

(d) Except as provided in this Section 5.1, no Partner shall be required to make capital contributions to the Partnership.

SECTION 5.2 Capital Accounts.

A separate capital account (a "Capital Account") shall be established and maintained for each Partner. The Capital Account of each Partner shall be credited with such Partner's capital contributions, if any, to the Partnership, all Profits allocated to such Partner pursuant to Section 5.3 and any items of income or gain which are specially allocated pursuant to Section 5.4; and shall be debited with all Losses allocated to such Partner pursuant to Section 5.3, any items of loss or deduction of the Partnership specially allocated to such Partner pursuant to Section 5.4, and all cash and the Carrying Value of any property (net of liabilities assumed by such Partner and the liabilities to which such property is subject) distributed by the Partnership to such Partner. To the extent not provided for in the preceding sentence, the Capital Accounts of the Partners shall be adjusted and maintained in accordance with the rules of Treasury Regulations Section 1.704-1(b)(2)(iv), as the same may be amended or revised. Any references in any section of this Agreement to the Capital Account of a Partner shall be deemed to refer to such Capital Account as the same may be credited or debited from time to time as set forth above. In the event of any transfer of any interest in the Partnership in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

SECTION 5.3 Allocations of Profits and Losses.

Except as otherwise provided in this Agreement, Profits and Losses and to the extent necessary, individual items of income, gain, loss or deduction of the Partnership shall be allocated among the Partners in a manner such that the Capital Account of each Partner, after giving effect to the special allocations set forth in Sections 5.4(b), (c), (d), (e), (f), (g), (h) and (i) and immediately after making such allocation, is, as nearly as possible, equal (proportionately) to (i) the distributions that would be made to such Partner pursuant to Section 7.3 if the Partnership were dissolved, its affairs wound up and its assets sold for cash equal to their respective Carrying Values, all Partnership liabilities were satisfied (limited with respect to each nonrecourse liability to the Carrying Value of the assets securing such liability), and the net assets of the Partnership were distributed in accordance with Section 7.3 to the Partners immediately after making such allocation, minus (ii) such Partner's share of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain, computed immediately prior to the hypothetical sale of assets, minus (iii) such Partner's obligations in respect of any Give-Back Obligation.

SECTION 5.4 Special Allocations.

Notwithstanding any other provision in this Article V:

(a) *Minimum Gain Chargeback.* If there is a net decrease in Partnership Minimum Gain or Partner Nonrecourse Debt Minimum Gain (determined in accordance with the principles of Treasury Regulations Sections 1.704-2(d) and 1.704-2(i)) during any Partnership taxable year, the Partners shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to their respective shares of such net decrease during such year, determined pursuant to Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Treasury Regulations Section 1.704-2(f). This Section 5.4(a) is intended to comply with the minimum gain chargeback requirements in such Treasury Regulations Sections and shall be interpreted consistently therewith; including that no chargeback shall be required to the extent of the exceptions provided in Treasury Regulations Sections 1.704-2(f) and 1.704-2(i)(4).

(b) *Qualified Income Offset.* If any Partner unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate the deficit balance in such Partner's Adjusted Capital Account Balance created by such adjustments, allocations or distributions as promptly as possible; *provided* that an allocation pursuant to this Section 5.4(b) shall be made only to the extent that a Partner would have a deficit Adjusted Capital Account Balance in excess of such sum after all other allocations provided for in this Article V have been tentatively made as if this Section 5.4(b) were not in this Agreement. This Section 5.4(b) is intended to comply with the "qualified income offset" requirement of the Code and shall be interpreted consistently therewith.

(c) *Gross Income Allocation.* If any Partner has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of (i) the amount such Partner is obligated to restore, if any, pursuant to any provision of this Agreement, and (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5), each such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; *provided* that an allocation pursuant to this Section 5.4(c) shall be made only if and to the extent that a Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article V have been tentatively made as if Section 5.4(b) and this Section 5.4(c) were not in this Agreement.

(d) *Payee Allocation.* In the event any payment to any person that is treated by the Partnership as the payment of an expense is recharacterized by a taxing authority as a Partnership distribution to the payee as a Partner, such payee shall be specially allocated an amount of Partnership gross income and gain as quickly as possible equal to the amount of the distribution.

(e) *Nonrecourse Deductions.* Nonrecourse Deductions shall be allocated to the Partners in accordance with their respective Capital Account balances.

(f) *Partner Nonrecourse Deductions.* Partner Nonrecourse Deductions for any taxable period shall be allocated to the Partner who bears the economic risk of loss with respect to the liability to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(j).

(g) *Allocations Relating to Taxable Issuance of Partnership Interests.* Any income, gain, loss, or deduction realized as a direct or indirect result of the issuance (or deemed issuance) of an Interest to a Partner (the “Issuance Items”) shall be allocated among the Partners so that, to the extent possible, the net amount of such Issuance Items, together with all other allocations under this Agreement to each Partner, shall be equal to the net amount that would have been allocated to each such Partner if the Issuance Items had not been realized.

(h) *Creditable Foreign Taxes.* Creditable Foreign Taxes for any taxable period attributable to the Partnership, or an entity owned directly or indirectly by the Partnership, shall be allocated to the Partners in proportion to the Partners’ distributive shares of income (including income allocated pursuant to Section 704(c) of the Code) to which the Creditable Foreign Tax relates (under principles of Treasury Regulations Section 1.904-6). The provisions of this Section 5.4(h) are intended to comply with the provisions of temporary Treasury Regulations Section 1.704-1T(b)(4)(xi), and shall be interpreted consistently therewith.

SECTION 5.5 Tax Allocations.

For income tax purposes, each item of income, gain, loss and deduction of the Partnership shall be allocated among the Partners in the same manner as the corresponding items of Profits and Losses and specially allocated items are allocated for Capital Account purposes; *provided* that in the case of any asset the Carrying Value of which differs from its adjusted tax basis for United States federal income tax purposes, income, gain, loss and deduction with respect to such asset shall be allocated solely for income tax purposes in accordance with the principles of Sections 704(b) and (c) of the Code (in any manner determined by the General Partner) so as to take account of the difference between Carrying Value and adjusted basis of such asset; *provided, further*, that the Partnership shall use the traditional method (as such term is defined in Treasury Regulations Section 1.704-3(b)(1)) for all Section 704(c) allocations and “reverse Section 704(c)” allocations. Notwithstanding the foregoing, the Tax Matters Partner shall make such allocations for tax purposes as may be needed to ensure that allocations are in accordance with the interests of the Partners, within the meaning of the Code and Treasury Regulations.

SECTION 5.6 Tax Advances.

To the extent the Partnership is required by law to withhold or to make tax payments on behalf of or with respect to any Partner or the Partnership is subjected to tax itself by reason of the status of any Partner (“Tax Advances”), the General Partner may withhold such amounts and make such tax payments as so required. All Tax Advances made on behalf of a Partner shall, at the option of the General Partner, (i) be promptly paid to the Partnership by the Partner on whose behalf such Tax Advances were made or (ii) be repaid by reducing the amount of the current or next succeeding distribution or distributions which would otherwise have been made to such Partner or, if such distributions are not sufficient for that purpose, by so reducing the proceeds of liquidation otherwise payable to such Partner. Whenever the General Partner selects option (ii) pursuant to the preceding sentence for repayment of a Tax Advance by a Partner, for all other purposes of this Agreement such Partner shall be treated as having received all distributions (whether before or upon liquidation) unreduced by the amount of such Tax Advance. The Partnership shall also have the right to set-off as appropriate and apply against such Partner’s obligation to repay Tax Advances any amounts otherwise payable to such Partner by any Affiliate of the Partnership (including amounts such as returns of capital, profit thereon and dividends, but not employee salary or bonus). Each Partner hereby agrees to indemnify and hold harmless the Partnership and the other Partners from and against any liability (including, without limitation, any liability for taxes, penalties, additions to tax or interest) with respect to income attributable to or distributions or other payments to such Partner.

SECTION 5.7 Expenses.

Except as otherwise agreed to by the Partners, the Partnership shall bear and be responsible for all expenses incurred in connection with the operation of the Partnership. The General Partner may cause the Partnership to borrow from any Affiliate on such terms as the General Partner may reasonably determine for the payment of expenses, and may cause the Partnership to pay expenses and repay borrowings from any source of funds of the Partnership as the General Partner may determine.

ARTICLE VI

Books and Reports; Tax Matters

SECTION 6.1 General Accounting Matters.

(a) The General Partner shall keep or cause to be kept books and records pertaining to the Partnership's business showing all of its assets and liabilities, receipts and disbursements, Profits and Losses, Partners' Capital Accounts and all transactions entered into by the Partnership, including the Record of Limited Partners. Such books and records of the Partnership shall be kept by the General Partner at its principal place of business and at the Partnership's office in Ontario and shall be available for inspection by any Partner or the estate or other legal representative thereof during normal business hours; *provided* that to the fullest extent permitted by law, other than as provided in Section 6.1(b) below, the General Partner may withhold access of any Partner (or the estate or other legal representative thereof) to information regarding the affairs of the Partnership to the extent that the General Partner reasonably determines that it is in the interests of the Partnership to withhold such access for reasons of confidentiality, but may not withhold access to any such information from the professional advisors of any such Partner (or the estate or other legal representative thereof) who need access to such information for purposes of monitoring compliance with the provisions hereof if such professional advisors agree to comply with such measures as the General Partner may reasonably impose to preserve the confidentiality of such information from such Partner (or the estate or other legal representative thereof). The Partnership's books of account shall be maintained in United States dollars and kept on the tax basis method of accounting in accordance with principles established by the General Partner and otherwise in accordance with United States generally accepted accounting principles and on a basis consistent with the books of account of the Fund.

(b) As soon as is practicable after the close of each Fiscal Year, a copy of the financial statements of the Partnership shall be furnished to each Partner and shall include, as of the end of such Fiscal Year:

- (i) a statement of net assets of the Partnership;
- (ii) a statement of income or loss and a statement of Partners' capital; and
- (iii) a statement of changes in cash flow of the Partnership.

In addition, each person that was a Partner at any time during a Fiscal Year shall be supplied with such information as may be reasonably required to enable such Partner to prepare its Federal, state, local and foreign income tax returns based upon such person's status as a Partner, such other information as such Person may reasonably request for the purpose of applying for withholding taxes and a statement as to such Partner's Capital Account as at the close of such Fiscal Year.

SECTION 6.2 Fiscal Year.

The Fiscal Year of the Partnership for financial statement and tax purposes shall begin January 1st and end on December 31st of each year, except for short taxable years in the years of the Partnership's formation and termination and as otherwise required by Code.

SECTION 6.3 Certain Tax Matters.

The General Partner shall prepare or cause to be prepared all federal, state and local, as well as foreign, if any, tax returns of the Partnership for each year for which such returns are required to be filed and shall file or cause such returns to be timely filed. The General Partner shall determine the appropriate treatment of each item of income, gain, loss, deduction and credit of the Partnership and the accounting methods and conventions under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of any such item or any other method or procedure related to the preparation of such tax returns. The General Partner may cause the Partnership to make or refrain from making any and all elections permitted by such tax laws. The Partnership and each Partner hereby designate the General Partner (or such other Partner as the General Partner may designate) as the “tax matters partner” for purposes of Section 6231(a)(7) of the Code (the “Tax Matters Partner”). The Tax Matters Partner will take no action which is reasonably expected to have a material adverse effect on one or more of the Partners unless such action is approved by the General Partner. The Tax Matters Partner will be responsible for notifying all Partners of ongoing proceedings, both administrative and judicial, and will represent the Partnership throughout any such proceeding. The Partners will furnish the Tax Matters Partner with such information as it may reasonably request to provide the Internal Revenue Service with sufficient information to allow proper notice to the Partners. The Tax Matters Partner will not bind any other Partner to any extension of the statute of limitations or to a settlement agreement without such Partner’s written consent which consent shall not be unreasonably withheld. The Tax Matters Partner shall take such action as may be necessary to cause each other Partner to become a “notice partner” within the meaning of Section 6223 of the Code.

ARTICLE VII

Dissolution

SECTION 7.1 Dissolution.

The Partnership shall be dissolved and subsequently terminated upon a determination by the General Partner to dissolve the Partnership at any time following the dissolution and termination of the Fund. Subject to the Act, the death, retirement, dissolution, resignation, expulsion or bankruptcy of any Partner shall not cause the dissolution of the Partnership, and following any such event the remaining Partners shall have the right to continue the business of the Partnership.

SECTION 7.2 Winding-up.

When the Partnership is dissolved, the business and property of the Partnership shall be wound up and liquidated by the General Partner. The General Partner shall use its best efforts to reduce to cash and cash equivalent items such assets of the Partnership as the General Partner shall deem it advisable to sell and to obtain fair value for such assets (taking into account applicable tax, legal and business considerations).

SECTION 7.3 Final Distribution.

- (a) Within 120 calendar days after the effective date of dissolution of the Partnership (or such later date as the General Partner shall determine), the assets of the Partnership shall be distributed to satisfy all creditors of the Partnership (including the payment of expenses of the winding-up, liquidation and dissolution of the Partnership), including Partners who are creditors of the Partnership, to the extent otherwise permitted by law, either by the payment thereof or the making of reasonable provision therefor (including the establishment of reserves, in amounts established by the General Partner).
- (b) The remaining assets, if any, of the Partnership shall be applied and distributed *pro rata* to the Partners until each such Partner receives an amount equal to the amount of its capital balance as reflected on the books and records of the Partnership.

SECTION 7.4 No Obligation to Restore Capital Accounts.

Except as provided in Section 4.5 and Section 5.1(a)(iii) and as may otherwise be required by law, no Partner whose Capital Account balance is a negative or deficit amount (either during the existence of the Partnership or upon liquidation) shall have any obligation to return any amounts previously distributed to such Partner or to contribute cash or other assets to the Partnership to restore or make up the deficit in such Partner's impaired Capital Account.

ARTICLE VIII

Transfer of Partners' Interests

SECTION 8.1 Transfer of Partnership Interests.

(a) No Partner may, directly or indirectly, Transfer such Partner's interest in the Partnership without advance notice to and the prior consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. Notwithstanding the foregoing, no consent shall be necessary in the case of a Transfer by an EPI Limited Partner upon her or his death, to her or his estate or heirs, and in which event such interest shall nevertheless be deemed to be held by the initial holder thereof for purposes of determining consequences under Sections 4.4 and 4.5, unless the General Partner reasonably determines upon advice of counsel that such Transfer would materially increase the likelihood that either the Partnership would be subject to the registration requirements of the Investment Company Act of 1940, as amended, or jeopardize the status of the Partnership as a partnership for federal income tax purposes.

(b) Upon a Limited Partner's Transfer of all or any part of such Limited Partner's Interest in the Partnership to any person under Section 8.1(a) (including an Affiliate of such Partner or a permitted transferee under Section 8.1(a)) (the "Assignee"), such Assignee shall be admitted as a substitute Limited Partner in lieu of such transferor Partner only with the written consent of the General Partner which consent may be given or withheld in its sole and absolute discretion.

(c) Unless an Assignee is admitted as a substitute Limited Partner in accordance with Section 8.1(b) and the Act, a Transfer by a Limited Partner of all or any part of such Limited Partner's interest in the Partnership shall not release such Limited Partner from any of such Limited Partner's obligations or liabilities (including, without limitation, such Partner's obligations to make capital contributions hereunder and such Limited Partner's liability therefor), or limit the General Partner's rights with respect to such Limited Partner, of any nature whatsoever arising under this Agreement, and such Assignee shall be entitled only to allocations and distributions with respect to its Interest and shall have no right to any accounting or information concerning the affairs of the Partnership and shall not have any of the other rights of a Limited Partner under this Agreement.

(d) Any purported Transfer by a Partner of all or any part of its interest in the Partnership in violation of this Article VIII shall be null and void and of no force or effect.

ARTICLE IX

Additional Partners

SECTION 9.1 Admission of Additional Partners.

(a) A person may be admitted subsequent to the date hereof as an additional Partner with the consent of the General Partner and upon amendment of the Record of Limited Partners by the General Partner. Upon the admission of any additional Partner, such Partner may be allocated a Profit Sharing Percentage as agreed to by the General Partner.

(b) Concurrently with the admission of any substitute or additional Partner, the General Partner shall forthwith cause any necessary papers to be filed and recorded and notice to be given wherever and to the extent required showing the substitution of such transferee as a substitute Partner in place of the transferor Partner, or as an admission of an additional Partner. The admission of any person as a substitute or additional Partner shall be conditioned upon such person's written acceptance and adoption of all the terms and provisions of this Agreement.

ARTICLE X

Miscellaneous

SECTION 10.1 Arbitration; Waiver of Partition/Action for Accounting.

Any dispute, controversy or claim arising out of or relating to this Agreement or to the Partnership's affairs or the rights or interests of the Partners including, but not limited to, the validity, interpretation, performance, breach or termination of this Agreement, whether arising during the Partnership term or at or after its termination or during or after the liquidation of the Partnership, shall be settled exclusively by arbitration in New York City by three neutral arbitrators in accordance with the International Arbitration Rules then obtaining of the American Arbitration Association. If the parties to any such controversy are unable to agree upon such arbitrators, then the arbitrators shall be appointed in accordance with such rules. The parties consent to the exclusive jurisdiction of the courts of competent jurisdiction in the Province of Ontario in respect of any action or proceeding relating in any way to this Agreement. The parties shall not raise any objection to the venue of any proceedings in any such court, including the objection that the proceedings have been brought in an inconvenient forum. The General Partner irrevocably appoints the Process Agent as its agent to receive on behalf of it service of copies of the statement of claim and any other process which may be served in any such action or proceeding. Such service may be made by delivering a copy of such process to the General Partner in care of the Process Agent at the Process Agent's most recent address in Toronto as set out herein, and the General Partner irrevocably authorizes and directs the Process Agent to accept such service on its behalf. A final judgment in any such action or proceeding may be enforced in other jurisdictions by suit on the judgment or in any other manner specified by law and shall not be re-litigated on the merits.

SECTION 10.2 Successors and Assigns.

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns and, in particular, the estate of a deceased Partner shall remain liable for all of such Partner's obligations hereunder to the extent that such obligations are not expressly affected by such Partner's death under the terms hereof. Any Partner who is entitled to a post-employment Profit Sharing Percentage following termination of such Partner's employment or, in the case of an Operating Executive, consultancy of a Partner with EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates may assign, at the time of such termination of employment, his or her right to receive all or a portion of such post-employment Profit Sharing Percentage to a trust, partnership or other entity for investment by or for the benefit of partners of such Partner's family or for charitable purposes; *provided* that no such assignment shall be permitted in the event that such assignment would, or would be reasonably expected to, result in an adverse impact on the Partnership or its Affiliates or on any other Partner of the Partnership.

SECTION 10.3 Other Covenants of the Partners.

(a) By executing this Agreement, each Partner expressly agrees, at all times during the term of the Partnership and thereafter and whether or not at the time a Partner of the Partnership or an employee of EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates, without the consent of the General Partner, to maintain the confidentiality of, and not to disclose to any person, any material information relating to the business, financial results, clients or affairs of the Partnership that shall not be generally known to

the public, except (a) to such Partner's professional advisers who are bound by a confidentiality obligation to the same extent set forth herein, (b) as required for any arbitration proceeding pursuant to Section 10.1 or as required by law, by rule or regulation having the force of law, by any regulatory or self-regulatory organization having jurisdiction or by process of law, (c) as required by the Act or (d) as is reasonably necessary in the best interests of the business of the Partnership and the Fund. Each Partner that is an entity shall cause its owners to comply with the provisions of this Section 10.3. The provisions of this Section 10.3 shall survive the termination of the Partnership. Notwithstanding anything in this Agreement to the contrary, to comply with Treasury Regulations Section 1.6011-4(b)(3)(i), each Partner may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Partnership or any transactions undertaken by the Partnership.

(b) Each EPI Limited Partner acknowledges that a breach of his or her obligations under this Section 10.3 (for the avoidance of doubt, determined without giving effect to any modification pursuant to Section 10.12) shall constitute an event of Cause with the consequences specified pursuant to Section 4.4.

SECTION 10.4 Notices. Whenever notice is required or permitted by this Agreement to be given, such notice shall be in writing (including fax, e.mail or other electronic means) and shall be given to any Partner at its address, fax number or e.mail address shown in the Partnership's books and records. Each such notice shall be effective (a) if given by fax, upon electronic confirmation of receipt, (b) if given by e.mail, when sent and (c) if given by any other means, when delivered to and receipted for at the address of such Partner, as the case may be, specified as aforesaid.

SECTION 10.5 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument. Any signature on the signature page of this Agreement may be an original or a fax or electronically transmitted signature.

SECTION 10.6 Entire Agreement. This Agreement, together with the separate written agreements referenced herein, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. Except as expressly provided herein, this Agreement and such separate written agreements supersede all prior agreements and understandings between the parties with respect to such subject matter. This Agreement does not create any right of employment on the part of any Partner and no Partner shall have any right (implied or otherwise) to be paid any amount hereunder except as expressly provided for herein. The parties hereto acknowledge that the Partnership, without any further act or approval of any Partner, may enter into side letters or other writings with EPI Limited Partners or Special Limited Partners (including without limitation the Participation Agreement, any Terms Letter and any agreement regarding the termination of a Partner's employment or consultancy) which have the effect of establishing rights under, or altering or supplementing, the terms of, this Agreement. The parties hereto agree that any rights established, or any terms of the Agreement altered or supplemented, in such a side letter or other writing entered into by the Partnership with a Partner shall govern with respect to such Partner notwithstanding any other provision of this Agreement.

SECTION 10.7 Amendments; Power of Attorney.

(a) This Agreement may be amended or modified with the consent by the General Partner; *provided* that no such amendment shall (i) increase any Partner's relative share of capital contributions, reduce its share of the Partnership's distributions, income and gains, or increase its share of the Partnership's losses without the written consent of each Partner so affected (for the avoidance of doubt, adjustments in Profit Sharing Percentages and capital interests in the Partnership effected in accordance with the provisions of this Agreement shall not be deemed to be amendments or modifications of this Agreement for this purpose), or (ii) amend this Section 10.7 without the consent of each Partner.

(b) Each Limited Partner hereby grants to each General Partner an irrevocable power of attorney to consent to any amendment or modification of this Agreement duly adopted pursuant to Section 10.7(a) and to execute any instrument, certificate or writing evidencing the taking of any action which has been approved in accordance with the provisions of this Agreement.

(c) The General Partner may unilaterally amend this Agreement on or before the effective date of the final regulations, as determined by the General Partner in its sole discretion, to (i) authorize and direct the election of a safe harbor under Treasury Regulations Section 1.83-3(l) (or any similar provision) under which the fair market value of a partnership interest that is transferred in connection with the performance of services is treated as being equal to the liquidation value of that interest, (ii) provide for an agreement by the Partnership and each of its Partners to comply with all of the requirements set forth in such regulations and Notice 2005-43 (and any other guidance provided by the IRS with respect to such election) with respect to all partnership interests transferred in connection with the performance of services while the election remains effective, (iii) provide for the allocation of items of income, gains, deductions and losses required by the final regulations similar to Treasury Regulations Section 1.704-1(b)(4)(xii)(b) and (c), and (iv) provide for any other related amendments.

SECTION 10.8 Headings.

The table of contents and headings contained in this Agreement or in any annex are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.9 Representations and Warranties.

(a) Each Partner which is not a natural person represents, warrants and covenants to the other Partners that such Partner is duly formed and validly existing under the laws of the jurisdiction of its organization with full power and authority to perform its obligations hereunder and that the execution, delivery and performance of this Agreement has been duly authorized by such Partner.

(b) Each Partner who is a natural person represents, warrants and covenants to the other Partners that such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder.

(c) Each Partner represents, warrants and covenants to the other Partners that:

(i) this Agreement has been duly executed and delivered by such Partner and constitutes the valid and legally binding agreement of such Partner enforceable in accordance with its terms against such Partner subject to the effect of bankruptcy, insolvency, moratorium and other similar laws relating to creditors' rights generally, by general equitable principles and by an implied covenant of good faith and fair dealing;

(ii) the execution and delivery of this Agreement by such Partner and the performance of its duties and obligations hereunder do not result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness, or any lease or other agreement, or any license, permit, franchise or certificate, to which such Partner or any Affiliate is a party or by which it or any Affiliate is bound or to which its or any Affiliate's properties are subject, or require any authorization or approval under or pursuant to any of the foregoing which has not been obtained, or violate any statute, regulation, law, order, writ, injunction, judgment or decree to which such Partner or any Affiliate is subject;

(iii) such Partner is not in default (nor has any event occurred which with notice, lapse of time, or both, would constitute a default) in the performance of any obligation, agreement or condition contained in any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness or any lease or other agreement, or any license, permit, franchise or certificate, to which it is a party or by which it is bound or to which the properties of it are subject, nor is it in violation of any statute, regulation, law, order, writ, injunction, judgment or decree to which it is subject, which default or violation would materially adversely affect such Partner's ability to carry out its obligations under this Agreement;

(iv) there is no litigation, investigation or other proceeding pending or, to the knowledge of such Partner, threatened against such Partner or any of its Affiliates as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would materially adversely affect such Partner's ability to carry out its obligations under this Agreement;

(v) no consent, approval or authorization of, or filing, registration or qualification with, any court or governmental authority on the part of such Partner is required for the execution and delivery of this Agreement by such Partner, and, except as may be required under applicable securities and commodities laws in connection with the registration of the Partnership or such Partner, the performance of its obligations and duties hereunder;

(vi) such Partner is acquiring its interest in the Partnership for such Partner's own account for investment purposes only and not with a view to resale or distribution;

(vii) such Partner understands that such interests in the Partnership have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), the securities laws of any state thereof or the securities laws of any other jurisdiction, nor is such registration contemplated;

(viii) such Partner understands and agrees further that, subject to the limited rights set forth in this Agreement, its interest in the Partnership must be held indefinitely unless such interest is subsequently registered under the Securities Act, the securities laws of any state and the securities laws of any other jurisdiction or an exemption from registration under the Securities Act and these laws covering the sale of such interests is available; that even if such an exemption is available, the assignability and transferability of its interests in the Partnership will be governed by this Agreement, which imposes substantial restrictions on transfer; that legends stating that its interests in the Partnership have not been registered under the Securities Act and these laws and setting out or referring to the restrictions on the transferability and resale of the Interests will be placed on all documents evidencing such Interests, if any;

(ix) such Partner has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in interests in the Partnership, is able to bear the risk of loss of an investment in such interests and understands the risks of, and other considerations relating to, a purchase of interests in the Partnership;

(x) such Partner's overall commitment to the Partnership and other investments which are not readily marketable is not disproportionate to such Partner's net worth and such Partner has no need for immediate liquidity in such Partner's investment in its interests in the Partnership; and

(xi) such Partner has carefully read this Agreement and, to the full satisfaction of such Partner, such Partner has been furnished any materials such Partner has requested relating to the Partnership and the Fund and the offering of interests in the Partnership, has consulted to the extent deemed appropriate by such Partner with such Partner's own advisors as to the financial, tax, legal and related matters concerning an investment in the Partnership and such Partner has been afforded the opportunity to ask questions of representatives of the Partnership concerning the terms and conditions of the offering and to obtain any additional information necessary to verify the accuracy of any representations or information provided to such Partner and to make an informed investment decision with respect to an investment in the Partnership.

(d) All of the representations, warranties and covenants made under this Section 10.9 shall be deemed to be made on a continuing basis during the term of the Partnership and shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. Each Partner agrees to notify the Investment Committee promptly upon becoming aware of a breach in any of his or her representations, warranties and covenants hereunder.

SECTION 10.10 Division of Property.

In the event of a property settlement or separation agreement between a Partner and his or her spouse, such Partner agrees that he or she shall use his or her reasonable efforts to retain all of his or her Interest in the Partnership and shall reimburse his or her spouse for any Interest he or she may have in the Partnership out of

funds, assets or proceeds separate and distinct from his or her interest in the Partnership. To the extent that such Partner is unable, despite his or her exercise of reasonable efforts, to retain all of his or her Interest in the Partnership, such Partner shall use reasonable efforts to assign to his or her spouse only the right to share in profits and losses, to receive distribution or distributions, and to receive allocation of income, gain, loss, deduction or credit or similar item to which the assigning Partner was entitled, to the extent assigned, with the assigning Partner remaining entitled to exercise all rights and powers of a Partner hereunder. Notwithstanding the foregoing, if a spouse or former spouse of a Partner acquires an Interest in the Partnership as a Partner as a result of any such proposed settlement or separation agreement, such spouse or former spouse shall be entitled only to allocation and distributions with respect to his or her Interest and shall have no right to information concerning the affairs of the Partnership and shall not have any other rights of a Partner under this Agreement.

SECTION 10.11 Other Covenants of the Partners.

(a) In consideration for being admitted as a Partner hereunder, each EPI Limited Partner hereby acknowledges that (i) he or she is bound by the provisions set forth in such Partner's agreements with EPI, the Investment Advisor, the Investment Manager or any of their Affiliates regarding post-employment covenants and (ii) a breach of his or her obligations thereunder or under this Section 10.11 shall constitute an event of Cause.

(b) In the event that any EPI Limited Partner's employment or, in the case of an Operating Executive, consultancy with EPI, the Investment Advisor, the Investment Manager or any of their Affiliates is terminated for any reason, except as required by law or legal process, the Partnership and such Partner agree to refrain from making any comments or statements in the media or to the press or to any individual or entity with whom EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates has a business relationship or others, which could be likely to adversely affect (i) such Partner's future employment or such Partner's personal or professional reputation, in the case of comments or statements by the Partnership, or (ii) the conduct of the business of the Partnership or any of its Affiliates, or any of their plans or prospects, or the business reputation of the Partnership or any of its Affiliates, or any of their respective employees, in the case of comments or statements by such Partner. For purposes of this Section 10.11(b), no comment or statement shall be deemed to be a comment or statement of the Partnership unless it is an official comment or statement of the Partnership or a comment or statement by any then EPI Limited Partner. The General Partner shall use its reasonable best efforts to cause all personnel of the Partnership and its Affiliates to comply with the provisions of this Section 10.11(b).

(c) Each EPI Limited Partner acknowledges that a breach of his or her obligations under this Section 10.11 (for the avoidance of doubt, determined without giving effect to any modification pursuant to Section 10.12) shall constitute an event of Cause with the consequences specified pursuant to Section 4.4.

SECTION 10.12 Severability.

In the event that any provision of this Agreement, including the post-employment covenants set forth in Sections 10.3 and 10.11 hereof and in each of the Partner's respective Terms Letters, shall be held or deemed to be invalid, illegal or unenforceable in any jurisdiction, for any reason, the invalidity of that provision shall not have the effect of rendering the provision in question unenforceable in any other jurisdiction or in any other case or of rendering any other provisions herein unenforceable. Instead, in such an event, the remainder of this Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions, and the rights and obligations of the parties shall be enforced accordingly; and the invalid provision shall be substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision and which would be enforceable to the maximum extent permitted in such jurisdiction or in such case.

SECTION 10.13 Irreparable Harm.

Each of the Partners hereby agrees that a failure to comply with the provisions of Section 10.11 of this Agreement would cause irreparable harm to the Partnership, and, therefore, the Partnership shall be entitled to an

injunction and other equitable relief in the event of any such failure to comply with the provisions of Section 10.11.

SECTION 10.14 Partnership Tax Treatment.

The Partners intend for the Partnership to be treated as a partnership for U.S. federal income tax purposes and no election to the contrary shall be made.

SECTION 10.15 Joint and Several Liability of EPI Limited Partners and Family.

Each EPI Limited Partner and his or her respective Family Related Limited Partners hereby agree to be jointly and severally liable for any obligations of such EPI Limited Partner and his or her respective Family Related Limited Partners hereunder.

SECTION 10.16 Consistent Treatment for Family Related Limited Partners.

For purposes of this Agreement, in the case of any Family Related Limited Partner, (i) the termination of the employment or, in the case of an Operating Executive, consultancy with EPI, the Investment Advisor, the Investment Manager or any of their respective Affiliates of the EPI Limited Partner with which such Family Related Limited Partner is associated may, in the sole discretion of the General Partner, be deemed a termination of employment of such Family Related Limited Partner, with the same character as the character of such EPI Limited Partner's termination (*e.g.*, with or without Cause, etc.), and (ii) the rights of the Partnership to repurchase a Family Related Limited Partner's Profit Sharing Percentage pursuant to Section 4.4 shall be the same as the rights of the Partnership with respect to its associated EPI Limited Partner.

SECTION 10.17 No Third-Party Beneficiaries.

The provisions of this Agreement are intended solely to benefit the Partnership and the Partners (and their Affiliates and Covered Persons) and, except as otherwise specifically agreed with any third party, to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any creditor of the Partnership (and no such creditor shall be a third-party beneficiary of this Agreement), and no Partner shall have any duty or obligation to any creditor of the Partnership to make any contributions to the Partnership pursuant to Article V.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

General Partner:

Evercore Mexico GP Holdings LLC

By: /s/ Ciara Burnham
Name: Ciara Burnham
Title: President

Organizational Limited Partner:

/s/ Jason Klurfeld
Name: Jason Klurfeld

Investment Manager:

Solely with respect to Section 3.1(c)

Evercore Mexico Management Limited

By: /s/ Peter Huber
Name: Peter Huber
Title: Authorized Signatory

Limited Partners:

By: /s/ Pero Aspe
Name: Pedro Aspe

Evercore GP Holdings LLC

By: /s/ Robert B. Walsh
Name: Robert B. Walsh
Title: CFO

General Partner

Evercore Mexico GP Holdings LLC

ADDRESS

55 East 52nd Street
43rd Floor,
New York, NY 10055

Limited Partners

Evercore GP Holdings LLC

ADDRESS

55 East 52nd Street
43rd Floor,
New York, NY 10055

EPI Limited Partners

Pedro Aspe

55 East 52nd Street
43rd Floor,
New York, NY 10055

<u>Name</u>	<u>Jurisdiction of Incorporation or Organization</u>
BD Protego S. de R.L.	Mexico
Evercore Advisors L.L.C.	Delaware
Evercore GP Holdings L.L.C.	Delaware
Evercore Group Holdings L.P.	Delaware
Evercore Group Holdings L.L.C.	Delaware
Evercore Group L.L.C.	Delaware
Evercore LP	Delaware
Evercore Partners Limited	England and Wales
Evercore Partners International L.L.P.	England and Wales
Evercore Partners Services East L.L.C.	Delaware
Protego Administradores, S. de R.L.	Mexico
Evercore Partners Mexico, S. de R.L.	Mexico
Evercore Casa de Bolsa, S.A. de C.V.	Mexico
Protego CB Servicios S. de R.L.	Mexico
Protego PE, S. de R.L.	Mexico
Protego Servicios, S.C.	Mexico
Sedna S. de R.L.	Mexico
Evercore Mexico Capital Partners II, L.P.	Ontario
Evercore Mexico Partners II, L.P.	Ontario
Evercore Mexico Management Limited	Cayman Islands
Evercore Mexico Capital Partners III, L.P.	Ontario
Evercore Mexico Partners III, L.P.	Ontario
Evercore Mexico GP Holdings L.L.C.	Delaware
Evercore Wealth Management L.L.C.	Delaware
Evercore Holdings Limited	England and Wales
Evercore Trust Company, N.A.	New York
Atalanta Sosnoff Capital, L.L.C.	New York
Evercore Asia Limited	Hong Kong
Evercore Brasil Participacoes LTDA	Brazil
Evercore Partners Canada Ltd.	Canada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-136506 on Form S-8 and Registration Statement No. 333-174866 on Form S-3 ASR, and Registration Statements No. 333-145696, No. 333-159037, No. 333-167393, and No. 333-171487 on Form S-3 of our reports relating to the consolidated financial statements of Evercore Partners Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting dated February 27, 2013, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2012.

/s/ DELOITTE & TOUCHE LLP

New York, New York

February 27, 2013

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Ralph Schlosstein, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of Evercore Partners Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: February 27, 2013

/s/ RALPH SCHLOSSTEIN
Ralph Schlosstein
Chief Executive Officer and Director

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Robert B. Walsh, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of Evercore Partners Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: February 27, 2013

/s/ ROBERT B. WALSH

Robert B. Walsh
Chief Financial Officer

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Evercore Partners Inc. (the "Company") on Form 10-K as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ralph Schlosstein, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2013

/s/ RALPH SCHLOSSTEIN

Ralph Schlosstein
Chief Executive Officer and Director

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Evercore Partners Inc. (the "Company") on Form 10-K as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert B. Walsh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2013

/s/ ROBERT B. WALSH

Robert B. Walsh
Chief Financial Officer

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.