

Evercore Partners Inc.
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from to

001-32975

(Commission File Number)

EVERCORE PARTNERS INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

55 East 52nd Street

38th floor

New York, New York 10055

(Address of principal executive offices)

Registrant's telephone number: (212) 857-3100

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of the registrant's Class A common stock, par value \$0.01 per share, outstanding as of July 31, 2012 was 28,498,333. The number of shares of the registrant's Class B common stock, par value \$0.01 per share, outstanding as of July 31, 2012 was 45 (excluding 55 shares of Class B common stock held by a subsidiary of the registrant).

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In this report, references to Evercore, the Company, we, us, our refer to Evercore Partners Inc., a Delaware corporation, and its consolidated subsidiaries. Unless the context otherwise requires, references to (1) Evercore Partners Inc. refer solely to Evercore Partners Inc., and not to any of its consolidated subsidiaries and (2) Evercore LP refer solely to Evercore LP, a Delaware limited partnership, and not to any of its consolidated subsidiaries. References to the IPO refer to our initial public offering on August 10, 2006 of 4,542,500 shares of our Class A common stock, including shares issued to the underwriters of the IPO pursuant to their election to exercise in full their overallotment option.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)
Condensed Consolidated Financial Statements (Unaudited)

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Table of Contents**EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(UNAUDITED)**

(dollars in thousands, except share data)

| | June 30, 2012 | December 31, 2011 |
|--|--------------------------|------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 150,668 | \$ 182,905 |
| Marketable Securities | 47,076 | 81,288 |
| Financial Instruments Owned and Pledged as Collateral at Fair Value | 121,347 | 127,178 |
| Securities Purchased Under Agreements to Resell | | 2,146 |
| Accounts Receivable (net of allowances of \$1,987 and \$1,964 at June 30, 2012 and December 31, 2011, respectively) | 54,116 | 52,060 |
| Receivable from Employees and Related Parties | 6,546 | 7,793 |
| Deferred Tax Assets - Current | 8,802 | 8,621 |
| Other Current Assets | 25,528 | 23,869 |
| Total Current Assets | 414,083 | 485,860 |
| Investments | 109,033 | 108,930 |
| Deferred Tax Assets - Non-Current | 188,495 | 186,689 |
| Furniture, Equipment and Leasehold Improvements (net of accumulated depreciation and amortization of \$16,750 and \$13,490 at June 30, 2012 and December 31, 2011, respectively) | 28,235 | 21,437 |
| Goodwill | 180,415 | 177,849 |
| Intangible Assets (net of accumulated amortization of \$32,093 and \$25,701 at June 30, 2012 and December 31, 2011, respectively) | 34,568 | 40,909 |
| Assets Segregated for Bank Regulatory Requirements | 10,200 | 10,200 |
| Other Assets | 8,829 | 11,718 |
| Total Assets | \$ 973,858 | \$ 1,043,592 |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Accrued Compensation and Benefits | \$ 59,788 | \$ 125,869 |
| Accounts Payable and Accrued Expenses | 15,321 | 17,849 |
| Securities Sold Under Agreements to Repurchase | 121,548 | 129,577 |
| Payable to Employees and Related Parties | 12,295 | 12,647 |
| Taxes Payable | 4,222 | 5,159 |
| Other Current Liabilities | 12,121 | 11,796 |
| Total Current Liabilities | 225,295 | 302,897 |
| Notes Payable | 100,503 | 99,664 |
| Amounts Due Pursuant to Tax Receivable Agreements | 141,401 | 137,448 |
| Other Long-term Liabilities | 17,097 | 15,490 |
| Total Liabilities | 484,296 | 555,499 |
| Commitments and Contingencies (Note 16) | | |
| Redeemable Noncontrolling Interest | 22,164 | 22,267 |
| Equity | | |
| Evercore Partners Inc. Stockholders' Equity | | |
| Common Stock | | |
| Class A, par value \$0.01 per share (1,000,000,000 shares authorized, 32,816,901 and 31,014,265 issued at June 30, 2012 and December 31, 2011, respectively, and 28,361,670 and 27,941,307 outstanding at June 30, 2012 and December 31, 2011, respectively) | 328 | 310 |
| Class B, par value \$0.01 per share (1,000,000 shares authorized, 45 and 47 issued and outstanding at June 30, 2012 and December 31, 2011, respectively) | | |

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| | | |
|--|------------|--------------|
| Additional Paid-In-Capital | 618,882 | 575,122 |
| Accumulated Other Comprehensive Income (Loss) | (11,991) | (12,058) |
| Retained Earnings (Deficit) | (86,204) | (76,703) |
| Treasury Stock at Cost (4,455,231 and 3,072,958 shares at June 30, 2012 and December 31, 2011, respectively) | (115,389) | (79,007) |
| | | |
| Total Evercore Partners Inc. Stockholders' Equity | 405,626 | 407,664 |
| Noncontrolling Interest | 61,772 | 58,162 |
| | | |
| Total Equity | 467,398 | 465,826 |
| | | |
| Total Liabilities and Equity | \$ 973,858 | \$ 1,043,592 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

(dollars and share amounts in thousands, except per share data)

| | For the Three Months Ended June 30, 2012 | | For the Six Months Ended June 30, 2011 | |
|---|--|-----------------|--|-----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Investment Banking Revenue | \$ 154,426 | \$ 114,696 | \$ 238,921 | \$ 197,748 |
| Investment Management Revenue | 20,036 | 27,987 | 39,800 | 53,431 |
| Other Revenue, Including Interest | 1,593 | 4,270 | 3,889 | 7,966 |
| Total Revenues | 176,055 | 146,953 | 282,610 | 259,145 |
| Interest Expense | 3,558 | 5,749 | 7,315 | 10,843 |
| Net Revenues | 172,497 | 141,204 | 275,295 | 248,302 |
| Expenses | | | | |
| Employee Compensation and Benefits | 114,290 | 100,069 | 195,017 | 169,166 |
| Occupancy and Equipment Rental | 9,146 | 5,673 | 17,391 | 10,791 |
| Professional Fees | 8,272 | 8,028 | 15,328 | 16,009 |
| Travel and Related Expenses | 7,648 | 5,416 | 14,381 | 9,929 |
| Communications and Information Services | 3,028 | 1,930 | 5,816 | 3,974 |
| Depreciation and Amortization | 3,680 | 3,039 | 9,042 | 5,996 |
| Special Charges | 662 | | 662 | |
| Acquisition and Transition Costs | 75 | 601 | 148 | 1,134 |
| Other Operating Expenses | 4,501 | 4,833 | 8,458 | 7,924 |
| Total Expenses | 151,302 | 129,589 | 266,243 | 224,923 |
| Income Before Income from Equity Method Investments and Income Taxes | | | | |
| Income from Equity Method Investments | 21,195 | 11,615 | 9,052 | 23,379 |
| Income Before Income Taxes | 21,914 | 11,684 | 12,156 | 23,848 |
| Provision for Income Taxes | 9,773 | 6,064 | 5,135 | 10,500 |
| Net Income from Continuing Operations | 12,141 | 5,620 | 7,021 | 13,348 |
| Discontinued Operations | | | | |
| Income (Loss) from Discontinued Operations | | (448) | | (1,037) |
| Provision (Benefit) for Income Taxes | | (87) | | (265) |
| Net Income (Loss) Attributable to Noncontrolling Interest | | (276) | | (657) |
| Net Income (Loss) from Discontinued Operations | | (85) | | (115) |
| Net Income | 12,141 | 5,535 | 7,021 | 13,233 |
| Net Income Attributable to Noncontrolling Interest | 4,207 | 3,274 | 2,455 | 7,384 |
| Net Income Attributable to Evercore Partners Inc. | \$ 7,934 | \$ 2,261 | \$ 4,566 | \$ 5,849 |

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Net Income (Loss) Attributable to Evercore Partners Inc. Common Shareholders:

| | | | | | | | | |
|------------------------------|----|-------|----|-------|----|-------|----|-------|
| From Continuing Operations | \$ | 7,913 | \$ | 2,325 | \$ | 4,524 | \$ | 5,922 |
| From Discontinued Operations | | | | (85) | | | | (115) |

| | | | | | | | | |
|---|----|-------|----|-------|----|-------|----|-------|
| Net Income Attributable to Evercore Partners Inc. | \$ | 7,913 | \$ | 2,240 | \$ | 4,524 | \$ | 5,807 |
|---|----|-------|----|-------|----|-------|----|-------|

Weighted Average Shares of Class A Common Stock Outstanding

| | | | | | | | | |
|---------|--|--------|--|--------|--|--------|--|--------|
| Basic | | 29,213 | | 23,724 | | 29,169 | | 23,204 |
| Diluted | | 31,664 | | 27,364 | | 32,106 | | 26,956 |

Basic Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders:

| | | | | | | | | |
|------------------------------|----|------|----|------|----|------|----|------|
| From Continuing Operations | \$ | 0.27 | \$ | 0.09 | \$ | 0.16 | \$ | 0.25 |
| From Discontinued Operations | | | | | | | | |

| | | | | | | | | |
|---|----|------|----|------|----|------|----|------|
| Net Income Attributable to Evercore Partners Inc. | \$ | 0.27 | \$ | 0.09 | \$ | 0.16 | \$ | 0.25 |
|---|----|------|----|------|----|------|----|------|

Diluted Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders:

| | | | | | | | | |
|------------------------------|----|------|----|------|----|------|----|------|
| From Continuing Operations | \$ | 0.25 | \$ | 0.08 | \$ | 0.14 | \$ | 0.22 |
| From Discontinued Operations | | | | | | | | |

| | | | | | | | | |
|---|----|------|----|------|----|------|----|------|
| Net Income Attributable to Evercore Partners Inc. | \$ | 0.25 | \$ | 0.08 | \$ | 0.14 | \$ | 0.22 |
|---|----|------|----|------|----|------|----|------|

| | | | | | | | | |
|--|----|------|----|------|----|------|----|------|
| Dividends Declared per Share of Class A Common Stock | \$ | 0.20 | \$ | 0.18 | \$ | 0.40 | \$ | 0.36 |
|--|----|------|----|------|----|------|----|------|

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(dollars in thousands)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|-------------|--|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Income | \$ 12,141 | \$ 5,259 | \$ 7,021 | \$ 12,576 |
| Other Comprehensive Income (Loss), net of tax: | | | | |
| Unrealized Gain (Loss) on Marketable Securities, net | (1,041) | 555 | (2) | 663 |
| Foreign Currency Translation Adjustment Gain (Loss) | (4,314) | 761 | 8 | 2,392 |
| Other Comprehensive Income (Loss) | (5,355) | 1,316 | 6 | 3,055 |
| Comprehensive Income | 6,786 | 6,575 | 7,027 | 15,631 |
| Comprehensive Income Attributable to Noncontrolling Interest | 2,536 | 3,714 | 2,394 | 8,215 |
| Comprehensive Income Attributable to Evercore Partners Inc. | \$ 4,250 | \$ 2,861 | \$ 4,633 | \$ 7,416 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

(dollars in thousands, except share data)

| | For the Six Months Ended June 30, 2012 | | | | | | | | |
|--|--|---------|----------------------------------|--|-----------------------------------|-------------------|--------------|----------------------------|-----------------|
| | 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, 2011 | 31,014,265 | \$ 310 | \$ 575,122 | \$ (12,058) | \$ (76,703) | (3,072,958) | \$ (79,007) | \$ 58,162 | \$ 465,826 |
| Net Income | | | | | 4,566 | | | 2,455 | 7,021 |
| Other Comprehensive Income (Loss) | | | | 67 | | | | (61) | 6 |
| Treasury Stock Purchases | | | | | | (1,537,606) | (40,409) | | (40,409) |
| Evercore LP Units Purchased or Converted into Class A Common Stock | 314,877 | 3 | 1,883 | | | | | (1,185) | 701 |
| Stock-based Compensation Awards | 1,487,759 | 15 | 38,698 | | | | | 10,554 | 49,267 |
| Shares Issued as Consideration for Acquisitions and Investments | | | | | | 155,333 | 4,027 | | 4,027 |
| Dividends and Equivalents | | | 2,389 | | (14,067) | | | | (11,678) |
| Noncontrolling Interest (Note 13) | | | 790 | | | | | (8,153) | (7,363) |
| Balance at June 30, 2012 | 32,816,901 | \$ 328 | \$ 618,882 | \$ (11,991) | \$ (86,204) | (4,455,231) | \$ (115,389) | \$ 61,772 | \$ 467,398 |

| | For the Six Months Ended June 30, 2011 | | | | | | | | |
|--|--|---------|----------------------------------|--|-----------------------------------|-------------------|-------------|----------------------------|-----------------|
| | 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, 2010 | 21,497,691 | \$ 215 | \$ 400,719 | \$ (4,193) | \$ (61,504) | (1,514,045) | \$ (34,538) | \$ 66,542 | \$ 367,241 |
| Net Income | | | | | 5,849 | | | 6,727 | 12,576 |
| Other Comprehensive Income | | | | 1,567 | | | | 1,488 | 3,055 |
| Treasury Stock Purchases | | | | | | (488,579) | (16,750) | | (16,750) |
| Proceeds from Equity Offering, Net of Direct Expenses | 5,364,991 | 54 | 167,597 | | | | | | 167,651 |
| Evercore LP Units Purchased or Converted into Class A Common Stock | 298,892 | 3 | (75,379) | | | | | (11,774) | (87,150) |

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| | | | | | | | | | |
|-----------------------------------|------------|--------|------------|------------|-------------|-------------|-------------|-----------|------------|
| Stock-based Compensation Awards | 1,224,848 | 12 | 36,190 | | | | | 10,975 | 47,177 |
| Dividends and Equivalents | | | 1,021 | | (9,252) | | | | (8,231) |
| Noncontrolling Interest (Note 13) | | | (42) | | | | | (11,285) | (11,327) |
| Balance at June 30, 2011 | 28,386,422 | \$ 284 | \$ 530,106 | \$ (2,626) | \$ (64,907) | (2,002,624) | \$ (51,288) | \$ 62,673 | \$ 474,242 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**EVERCORE PARTNERS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

(dollars in thousands)

| | For the Six Months Ended June 30, | |
|---|--|-------------|
| | 2012 | 2011 |
| Cash Flows From Operating Activities | | |
| Net Income | \$ 7,021 | \$ 12,576 |
| 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 | (1,595) | (5,642) |
| Equity-Based and Other Deferred Compensation | 58,182 | 48,621 |
| Depreciation, Amortization and Accretion | 9,881 | 6,838 |
| Bad Debt Expense | 566 | 500 |
| Deferred Taxes | 3,002 | 2,905 |
| Decrease (Increase) in Operating Assets: | | |
| Marketable Securities | 406 | 404 |
| Financial Instruments Owned and Pledged as Collateral at Fair Value | 9,111 | (28,106) |
| Securities Purchased Under Agreements to Resell | 2,259 | 31,982 |
| Accounts Receivable | (2,496) | (31,780) |
| Receivable from Employees and Related Parties | 1,246 | (2,686) |
| Other Assets | 568 | (3,002) |
| (Decrease) Increase in Operating Liabilities: | | |
| Accrued Compensation and Benefits | (69,456) | (21,317) |
| Accounts Payable and Accrued Expenses | (2,313) | 2,353 |
| Securities Sold Under Agreements to Repurchase | (11,430) | (3,792) |
| Payables to Employees and Related Parties | (351) | (404) |
| Taxes Payable | (1,970) | (2,409) |
| Deferred Revenue | 1,582 | 213 |
| Other Liabilities | (1,540) | 480 |
| Net Cash Provided by Operating Activities | 2,673 | 7,734 |
| Cash Flows From Investing Activities | | |
| Investments Purchased | (870) | (336) |
| Distributions of Private Equity Investments | 906 | 1,430 |
| Marketable Securities: | | |
| Proceeds from Sales and Maturities | 50,360 | 56,460 |
| Purchases | (17,183) | (36,291) |
| Cash Paid for Acquisitions, net of cash acquired | | (50) |
| Change in Restricted Cash | 2,393 | |
| Purchase of Furniture, Equipment and Leasehold Improvements | (9,508) | (1,586) |
| Net Cash Provided by Investing Activities | 26,098 | 19,627 |
| Cash Flows From Financing Activities | | |
| Payments for Settlement of Debt and Capital Lease Obligations | | (19) |
| Issuance of Noncontrolling Interests | 333 | 729 |
| Distributions to Noncontrolling Interests - Evercore LP Limited Partners | (7,868) | (12,014) |
| Cash Paid for Deferred and Contingent Consideration | (1,000) | (2,884) |
| Proceeds from Equity Offering, Net of Direct Expenses | | 166,530 |
| Purchase of Evercore LP Units and Treasury Stock | (40,550) | (111,887) |
| Dividends Class A Stockholders | (11,678) | (8,231) |
| Other | 955 | 3,564 |
| Net Cash Provided by (Used in) Financing Activities | (59,808) | 35,788 |

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| | | |
|--|------------|------------|
| Effect of Exchange Rate Changes on Cash | (1,200) | (37) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (32,237) | 63,112 |
| Cash and Cash Equivalents-Beginning of Period | 182,905 | 141,337 |
| Cash and Cash Equivalents-End of Period | \$ 150,668 | \$ 204,449 |
| SUPPLEMENTAL CASH FLOW DISCLOSURE | | |
| Payments for Interest | \$ 6,527 | \$ 10,117 |
| Payments for Income Taxes | \$ 5,046 | \$ 8,266 |
| Furniture, Equipment and Leasehold Improvements Accrued | \$ 943 | \$ |
| Decrease in Fair Value of Redeemable Noncontrolling Interest | \$ 1,303 | \$ |
| Dividend Equivalents Issued | \$ 2,389 | \$ 1,021 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

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

Note 1 Organization

Evercore Partners Inc. and subsidiaries (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 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 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

For a complete discussion of the Company's accounting policies, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Basis of Presentation The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. As permitted by the rules and regulations of the United States Securities and Exchange Commission, the unaudited condensed consolidated financial statements contain certain condensed financial information and exclude certain footnote disclosures normally included in audited consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying condensed consolidated financial statements are unaudited and are prepared in accordance with U.S. GAAP. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, including normal recurring accruals, necessary to fairly present the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2011. The December 31, 2011 Unaudited Condensed Consolidated Statement of Financial Condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2012.

The unaudited condensed consolidated financial statements of the Company are comprised of the consolidation of Evercore LP and Evercore LP's wholly-owned and majority-owned direct and indirect subsidiaries, including Evercore Group L.L.C. (EGL), a registered broker-dealer in the U.S. The Company's policy is to consolidate all subsidiaries in which it has a controlling financial interest, as well as any variable interest entities (VIEs) where the Company is deemed to be the primary beneficiary, when it has the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE, except for certain VIEs that qualify for accounting purposes as investment companies. 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. All intercompany balances and transactions with the Company's subsidiaries have been eliminated upon consolidation.

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

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Discontinued Operations In October 2011, Evercore Asset Management L.L.C. (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. The wind down of EAM s business was completed by December 31, 2011. Accordingly, the historical results of EAM have been reclassified to Discontinued Operations on the Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

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

Note 3 Recent Accounting Pronouncements

ASU 2011-11 In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11). ASU 2011-11 provides amendments to Accounting Standards Codification (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 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 Special Charges, Acquisition and Transition Costs and Intangible Asset Amortization

Special Charges The Company has recognized costs of \$662 for the three and six months ended June 30, 2012, as Special Charges incurred in connection with exiting facilities in the UK.

Acquisition and Transition Costs The Company has recognized as an expense \$75 and \$148 for the three and six months ended June 30, 2012, respectively, and \$601 and \$1,134 for the three and six months ended June 30, 2011, respectively, as Acquisition and Transition Costs incurred in connection with acquisitions and other ongoing business development initiatives. These costs are primarily comprised of professional fees for legal and other services.

Intangible Asset Amortization Expense associated with the amortization of intangible assets for Investment Banking was \$594 and \$3,043 for the three and six months ended June 30, 2012, respectively, and \$675 and \$1,350 for the three and six months ended June 30, 2011, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations. Expense associated with the amortization of intangible assets for Investment Management was \$1,674 and \$3,349 for the three and six months ended June 30, 2012, respectively, and \$1,670 and \$3,340 for the three and six months ended June 30, 2011, respectively, included within Depreciation and Amortization expense on the Unaudited Condensed Consolidated Statements of Operations.

Note 5 Related Parties

Investment Management Revenue includes income from related parties earned from the Company 's private equity funds for portfolio company fees, management fees, expense reimbursements and realized and unrealized gains and losses of private equity fund investments. Total Investment Management revenues from related parties amounted to \$993 and \$1,987 for the three and six months ended June 30, 2012, respectively, and \$1,269 and \$2,376 for the three and six months ended June 30, 2011, respectively.

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

Note 6 Marketable Securities

The amortized cost and estimated fair value of the Company's Marketable Securities as of June 30, 2012 and December 31, 2011 were as follows:

| | June 30, 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 | 9,750 | 1,027 | 30 | 10,747 | 10,905 | 812 | 27 | 11,690 |
| Total Available-for-Sale | 9,750 | 1,027 | 30 | 10,747 | 23,457 | 821 | 29 | 24,249 |
| Debt Securities Carried by EGL | 25,501 | 280 | | 25,781 | 47,583 | 518 | | 48,101 |
| Mutual Funds | 10,611 | 222 | 285 | 10,548 | 9,350 | 191 | 603 | 8,938 |
| Total | \$ 45,862 | \$ 1,529 | \$ 315 | \$ 47,076 | \$ 80,390 | \$ 1,530 | \$ 632 | \$ 81,288 |

Scheduled maturities of the Company's available-for-sale debt securities as of June 30, 2012 and December 31, 2011 were as follows:

| | June 30, 2012 | | December 31, 2011 | |
|---------------------------------------|-------------------|-----------------|-------------------|------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due within one year | \$ 1,136 | \$ 1,138 | \$ 8,699 | \$ 8,703 |
| Due after one year through five years | 1,223 | 1,241 | 3,853 | 3,856 |
| Due after five years through 10 years | 284 | 290 | | |
| Total | \$ 2,643 | \$ 2,669 | \$ 12,552 | \$ 12,559 |

Debt Securities

The Company invests in corporate and municipal bonds and other debt securities, which are classified as available-for-sale securities within Marketable Securities on the Unaudited Condensed Consolidated Statements of Financial Condition. Unrealized gains and losses for these securities are included in Accumulated Other Comprehensive Income and realized gains and losses are included in earnings. The Company had realized gains of \$0 and \$2 for the three and six months ended June 30, 2012, respectively, and \$0 and \$75 for the three and six months ended June 30, 2011, 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 Unaudited Condensed Consolidated Statements of Financial Condition. These securities are stated at quoted market value with unrealized gains and losses included in Accumulated Other Comprehensive Income and realized gains and losses included in earnings. The Company had realized gains (losses) of (\$15) and (\$18) for the three and six months ended June 30, 2012, respectively, and \$35 and \$460 for the three and six months ended June 30, 2011, respectively.

Debt Securities Carried by EGL

EGL invests in a fixed income portfolio consisting primarily of municipal bonds. These securities are carried at fair value, with changes in fair value recorded in Other Revenues on the Unaudited Condensed Consolidated Statements of Operations, as required for broker-dealers in securities. The Company had net realized and unrealized losses of (\$150) and (\$406) for the three and six months ended June 30, 2012, respectively, and (\$242) and (\$404) for the three and six months ended June 30, 2011, 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 15 for further information. These securities are carried at fair value, with changes in fair value recorded in Other Revenues on the Unaudited Condensed Consolidated Statements of Operations. The Company had net realized and unrealized gains (losses) of (\$130) and \$454 for the three and six months ended June 30, 2012, respectively, and \$72 and \$150 for the three and six months ended June 30, 2011, respectively.

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

Note 7 Financial Instruments Owned and Pledged as Collateral at Fair Value, Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

The Company, through Evercore Casa de Bolsa, S.A. de C.V. (ECB , formerly Protego Casa de Bolsa, S.A. de C.V.), enters into repurchase agreements with clients seeking overnight money market returns whereby ECB transfers to the clients Mexican government securities in exchange for cash and concurrently agrees to repurchase the securities at a future date for an amount equal to the cash exchanged plus a stipulated premium or interest factor. ECB deploys the cash received from, and acquires the securities deliverable to, clients under these repurchase arrangements by purchasing securities in the open market, which the Company reflects as Financial Instruments Owned and Pledged as Collateral at Fair Value on the Unaudited Condensed Consolidated Statements of Financial Condition, or by entering into reverse repurchase agreements with unrelated third parties. The Company accounts for these repurchase and reverse repurchase agreements as collateralized financing transactions, which are carried at their contract amounts, which approximate fair value given that the contracts generally mature the following business day. The Company records a liability on its Unaudited Condensed Consolidated Statements of Financial Condition in relation to repurchase transactions executed with clients as Securities Sold Under Agreements to Repurchase. The Company records as assets on its Unaudited Condensed Consolidated Statements of Financial Condition, Financial Instruments Owned and Pledged as Collateral at Fair Value (where the Company has acquired the securities deliverable to clients under these repurchase arrangements by purchasing securities in the open market) and Securities Purchased Under Agreements to Resell (where the Company has acquired the securities deliverable to clients under these repurchase agreements by entering into reverse repurchase agreements with unrelated third parties). These Mexican government securities have an estimated average time to maturity of approximately 2.8 years, as of June 30, 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 June 30, 2012 and December 31, 2011, a summary of the Company's assets, liabilities and collateral received or pledged related to these transactions was as follows:

| | June 30, 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 | \$ 121,347 | | \$ 127,178 | |
| Securities Purchased Under Agreements to Resell | | \$ | 2,146 | \$ 2,143 |
| Total Assets | \$ 121,347 | | \$ 129,324 | |
| Liabilities | | | | |
| Securities Sold Under Agreements to Repurchase | \$(121,548) | \$ (121,723) | \$(129,577) | \$ (129,809) |

Note 8 Investments

The Company's investments reported on the Unaudited Condensed 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 our private equity investments are included within Investment Management Revenue. The Company's share of earnings (losses) on its investments in G5, ABS Investment Management, LLC (ABS) and Evercore Pan-Asset Capital Management (Pan) are included within Income from Equity Method Investments on the Unaudited Condensed 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.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

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

In June 2012, the Company held an initial closing on EMCP III, a private equity fund focused on middle market investments in Mexico. The initial closing subscribed capital commitments of \$59,200, which included a capital commitment of \$2,000 by the Company.

A summary of the Company's investments in private equity funds as of June 30, 2012 and December 31, 2011 was as follows:

| | June 30, 2012 | December 31, 2011 |
|-----------------------------------|------------------|-------------------|
| ECP II | \$ 4,493 | \$ 5,037 |
| Discovery Fund | 2,489 | 2,393 |
| EMCP II | 10,068 | 9,674 |
| EMCP III | 705 | |
| CSI Capital | 2,235 | 3,496 |
| Trilantic IV | 5,125 | 4,551 |
| Total Private Equity Funds | \$ 25,115 | \$ 25,151 |

Net realized and unrealized gains (losses) on private equity fund investments, including performance fees, were (\$301) and (\$608) for the three and six months ended June 30, 2012, respectively, and \$3,878 and \$4,820 for the three and six months ended June 30, 2011, respectively. In the event the funds perform poorly, the Company may be obligated to repay certain carried interest previously distributed. As of June 30, 2012, the Company had \$2,701 of previously received carried interest that may be subject to repayment.

Trilantic Capital Partners

During the first quarter of 2010, the Company made an investment in Trilantic Capital Partners (Trilantic). See Note 13 for further information. This investment had a balance of \$15,080 and \$15,549 as of June 30, 2012 and December 31, 2011, respectively.

Equity Method Investments

A summary of the Company's other equity method investments as of June 30, 2012 and December 31, 2011 was as follows:

| | June 30, 2012 | December 31, 2011 |
|--------------|------------------|-------------------|
| G5 | \$ 19,895 | \$ 20,595 |
| ABS | 46,184 | 45,104 |
| Pan | 2,759 | 2,531 |
| Total | \$ 68,838 | \$ 68,230 |

G5

During the fourth quarter of 2010, the Company made an equity method investment in G5. At June 30, 2012, our economic ownership interest in G5 was 50%. This investment resulted in earnings (losses) of (\$93) and \$1,270 for the three and six months ended June 30, 2012, respectively,

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and \$288 and \$754 for the three and six months ended June 30, 2011, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

ABS

During the fourth quarter of 2011, the Company made an equity method investment in ABS. At June 30, 2012, our economic ownership interest in ABS was 44%. This investment resulted in earnings of \$912 and \$1,622 for the three and six months ended June 30, 2012, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statement of Operations.

Pan

In 2008, the Company made an equity method investment in Pan and maintains a 50% interest at June 30, 2012. This investment resulted in earnings (losses) of (\$100) and \$212 for the three and six months ended June 30, 2012, respectively, and (\$219) and (\$285) for the three and six months ended June 30, 2011, respectively, included within Income from Equity Method Investments on the Unaudited Condensed Consolidated Statements of Operations.

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

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 \$649 and \$1,396 for the three and six months ended June 30, 2012, respectively, and \$236 and \$472 for the three and six months ended June 30, 2011, respectively.

Note 9 Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), 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 the Company holds a large position and a sale could reasonably impact the quoted price.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The estimated fair values of these securities are based on quoted market prices provided by external pricing services.

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

The following table presents the categorization of investments and certain other assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011:

| | June 30, 2012 | | | Total |
|---|-------------------|------------------|-----------|-------------------|
| | Level I | Level II | Level III | |
| Corporate Bonds, Municipal Bonds and Other Debt Securities (1) | \$ | \$ 38,434 | \$ | \$ 38,434 |
| Seed Capital Investments | 8,079 | 2,668 | | 10,747 |
| Mutual Funds | 10,548 | | | 10,548 |
| Financial Instruments Owned and Pledged as Collateral at Fair Value | 121,347 | | | 121,347 |
| Total Assets Measured At Fair Value | \$ 139,974 | \$ 41,102 | \$ | \$ 181,076 |

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| | 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 | \$ 145,266 | \$ 109,491 | \$ | \$ 254,757 |

(1) Includes \$12,653 and \$46,291 of municipal bonds and commercial paper classified within Cash and Cash Equivalents on the Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2012 and December 31, 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.

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

The Company had no transfers between fair value levels during the three and six months ended June 30, 2012 or the year ended December 31, 2011.

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

| | Carrying Amount | Level I | June 30, 2012 Estimated Fair Value | | Total |
|--|--------------------|------------|---|-----------|------------|
| | | | Level II | Level III | |
| Financial Assets: | | | | | |
| Cash and Cash Equivalents | \$ 138,015 | \$ 138,015 | \$ | \$ | \$ 138,015 |
| Accounts Receivable | 54,116 | | 54,116 | | 54,116 |
| Receivable from Employees and Related Parties | 6,546 | | 6,546 | | 6,546 |
| Assets Segregated for Bank Regulatory Requirements | 10,200 | 10,200 | | | 10,200 |
| Financial Liabilities: | | | | | |
| Accounts Payable and Accrued Expenses | \$ 15,321 | \$ | \$ 15,321 | \$ | \$ 15,321 |
| Securities Sold Under Agreements to Repurchase | 121,548 | | 121,548 | | 121,548 |
| Payable to Employees and Related Parties | 12,295 | | 12,295 | | 12,295 |
| Notes Payable | 100,503 | | 127,265 | | 127,265 |
| | Carrying Amount | Level I | December 31, 2011 Estimated Fair Value | | Total |
| | | | 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 for similar financial instruments.

The carrying amounts reported on the Unaudited Condensed Consolidated Statements of Financial Condition for Cash, 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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(dollars and share amounts in thousands, except per share amounts, unless otherwise noted)

Note 10 Furniture, Equipment and Leasehold Improvements

Furniture, Equipment and Leasehold Improvements consisted of the following:

| | June 30, 2012 | December 31, 2011 |
|--|---------------|-------------------|
| Furniture and Office Equipment | \$ 7,875 | \$ 7,137 |
| Leasehold Improvements | 27,850 | 19,890 |
| Computer and Computer-related Equipment | 9,260 | 7,900 |
| Total | 44,985 | 34,927 |
| Less: Accumulated Depreciation and Amortization | (16,750) | (13,490) |
| Furniture, Equipment and Leasehold Improvements, Net | \$ 28,235 | \$ 21,437 |

Depreciation and amortization expense for Furniture, Equipment and Leasehold Improvements totaled \$1,412 and \$2,650 for the three and six months ended June 30, 2012, respectively, and \$694 and \$1,306 for the three and six months ended June 30, 2011, respectively.

Note 11 Issuance of Notes Payable and Warrants

On August 21, 2008, the Company entered into a Purchase Agreement with Mizuho Corporate Bank, Ltd. (Mizuho) pursuant to which Mizuho purchased from the Company \$120,000 principal amount of Senior Notes due 2020 with a 5.20% coupon (Senior Notes) and warrants to purchase 5,455 shares of the Company's Class A common stock, par value \$0.01 per share (Class A Shares) at \$22.00 per share (the Warrants) expiring in 2020. Based on their relative fair value at issuance, plus accretion, the Senior Notes and Warrants were reflected in Notes Payable and Additional Paid-In-Capital on the Unaudited Condensed Consolidated Statements of Financial Condition. The Senior Notes have an effective yield of 7.94%.

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

Pursuant to the agreement, Mizuho may not transfer the Senior Notes or Warrants until August 16, 2012 or, if the Strategic Alliance Agreement is terminated, one year following such termination. The Company has a right of first offer on any proposed transfer by Mizuho of the Warrants, Common Stock purchased in the open market or acquired by exercise of the Warrants and associated Common Stock issued as dividends.

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

Note 12 Evercore Partners Inc. Stockholders' Equity

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Dividends During the three and six months ended June 30, 2012, the Company declared and paid dividends of \$0.20 and \$0.40 per share, totaling \$5,797 and \$11,678, respectively. The Company's Board of Directors declared on July 24, 2012, a quarterly cash dividend of \$0.20 per share, to the holders of Class A Shares as of August 31, 2012, which will be paid on September 7, 2012.

Treasury Stock During the six months ended June 30, 2012, the Company purchased 611 Class A Shares primarily from employees at market values ranging from \$22.12 to \$29.62 per share primarily for the net settlement of stock-based compensation awards and 927 Class A Shares at market values ranging from \$24.00 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 \$40,409 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2012. During the six months ended June 30, 2012, the Company issued 39 Class A Shares from treasury stock as payment of contingent consideration in connection with the Morse Williams Agreement and 116 Class A Shares in conjunction with the acquisition of The Lexicon Partnership LLP (Lexicon). The result of these issuances was a decrease in Treasury stock of \$4,027 on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2012.

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LP Units During the six months ended June 30, 2012, 315 Evercore LP partnership units (LP Units) were gifted by employees to various charities and exchanged for Class A Shares, resulting in an increase to Common Stock and Additional Paid-In-Capital of \$3 and \$1,883, respectively, on the Company's Unaudited Condensed Consolidated Statement of Financial Condition as of June 30, 2012.

Accumulated Other Comprehensive Income (Loss) As of June 30, 2012, Accumulated Other Comprehensive Income (Loss) on the Company's Unaudited Condensed Consolidated Statement of Financial Condition includes accumulated Unrealized Gain (Loss) on Marketable Securities, net and Foreign Currency Translation Adjustment of (\$1,663) and (\$10,328), respectively.

Note 13 Noncontrolling Interest

Noncontrolling Interest recorded in the unaudited condensed consolidated financial statements of the Company relates to a 21% interest in Evercore LP, a 28% interest in ECB, a 49% interest in Evercore Wealth Management (EWM), a 34% equity interest in Atalanta Sosnoff Capital L.L.C. (Atalanta Sosnoff), a 37% interest in Institutional Equities (IE) and a 14% interest in Evercore Trust Company, N.A. (ETC), not owned by the Company at June 30, 2012. The Atalanta Sosnoff interest excludes the Series C Profits Interest, which has been reflected in Employee Compensation and Benefits Expense on the Unaudited Condensed Consolidated Statements of Operations. The Noncontrolling Interest for Evercore LP, EWM, Atalanta Sosnoff, IE and ETC have rights, in certain circumstances, to convert into Class A Shares.

Changes in Noncontrolling Interest for the six months ended June 30, 2012 and 2011 were as follows:

| | For the Six Months Ended June 30, | |
|--|--|-----------------|
| | 2012 | 2011 |
| Beginning balance | \$ 58,162 | \$ 66,542 |
| Comprehensive income (loss) | | |
| Operating income | 2,455 | 6,727 |
| Other comprehensive income (loss) | (61) | 1,488 |
| Total comprehensive income | 2,394 | 8,215 |
| Other items | | |
| Evercore LP Units Purchased or Converted into Class A Common Stock | (1,185) | (11,774) |
| Amortization and Vesting of LP Units | 10,554 | 10,975 |
| Distributions to Noncontrolling Interests | (7,868) | (12,014) |
| Issuance of noncontrolling interest | 333 | 729 |
| Other | (618) | |
| Total other items | 1,216 | (12,084) |
| Ending balance | \$ 61,772 | \$ 62,673 |

In February 2010, the Company issued 500 LP Units in exchange for a minority economic interest in Trilantic. At December 31, 2014, at the option of the holder, these LP Units are exchangeable on a one-for-one basis for Class A Shares or may be redeemed for cash of \$16,500. This transaction resulted in Redeemable Noncontrolling Interest on the Unaudited Condensed Consolidated Statements of Financial Condition of

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\$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 \$21 and \$42 for the three and six months ended June 30, 2012 and 2011, respectively.

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 Unaudited Condensed Consolidated Statements of Financial Condition at June 30, 2012 and December 31, 2011, respectively.

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

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

The calculations of basic and diluted net income per share attributable to Evercore Partners Inc. common shareholders for the three and six months ended June 30, 2012 and 2011 are described and presented below.

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|-------------|--|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Basic Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders | | | | |
| Numerator: | | | | |
| Net income from continuing operations attributable to Evercore Partners Inc. | \$ 7,934 | \$ 2,346 | \$ 4,566 | \$ 5,964 |
| Associated accretion of redemption price of noncontrolling interest in Trilantic (See Note 13) | (21) | (21) | (42) | (42) |
| Net income from continuing operations attributable to Evercore Partners Inc. common shareholders | 7,913 | 2,325 | 4,524 | 5,922 |
| Net income (loss) from discontinued operations attributable to Evercore Partners Inc. common shareholders | | (85) | | (115) |
| Net income attributable to Evercore Partners Inc. common shareholders | \$ 7,913 | \$ 2,240 | \$ 4,524 | \$ 5,807 |
| Denominator: | | | | |
| Weighted average shares of Class A common stock outstanding, including vested restricted stock units (RSUs) | 29,213 | 23,724 | 29,169 | 23,204 |
| Basic net income per share from continuing operations attributable to Evercore Partners Inc. common shareholders | \$ 0.27 | \$ 0.09 | \$ 0.16 | \$ 0.25 |
| Basic net income per share from discontinued operations attributable to Evercore Partners Inc. common shareholders | | | | |
| Basic net income per share attributable to Evercore Partners Inc. common shareholders | \$ 0.27 | \$ 0.09 | \$ 0.16 | \$ 0.25 |
| Diluted Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders | | | | |
| Numerator: | | | | |
| Net income from continuing operations attributable to Evercore Partners Inc. common shareholders | \$ 7,913 | \$ 2,325 | \$ 4,524 | \$ 5,922 |
| Noncontrolling interest related to the assumed exchange of LP Units for Class A common shares | (a) | (a) | (a) | (a) |
| Associated corporate taxes related to the assumed elimination of Noncontrolling Interest described above | (a) | (a) | (a) | (a) |
| Diluted net income from continuing operations attributable to Class A common shareholders | 7,913 | 2,325 | 4,524 | 5,922 |
| Net income (loss) from discontinued operations attributable to Evercore Partners Inc. common shareholders | | (85) | | (115) |
| Diluted net income attributable to Class A common shareholders | \$ 7,913 | \$ 2,240 | \$ 4,524 | \$ 5,807 |

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| Denominator: | | | | |
|--|---------|---------|---------|---------|
| Weighted average shares of Class A common stock outstanding, including vested RSUs | 29,213 | 23,724 | 29,169 | 23,204 |
| Assumed exchange of LP Units for Class A common shares | (a) | (a) | (a) | (a) |
| Additional shares of the Company's common stock assumed to be issued pursuant to non-vested RSUs and deferred consideration, as calculated using the Treasury Stock Method | 1,818 | 1,648 | 2,012 | 1,801 |
| Assumed conversion of Warrants issued | 633 | 1,992 | 925 | 1,951 |
| | | | | |
| Diluted weighted average shares of Class A common stock outstanding | 31,664 | 27,364 | 32,106 | 26,956 |
| | | | | |
| Diluted net income per share from continuing operations attributable to Evercore Partners Inc. common shareholders | \$ 0.25 | \$ 0.08 | \$ 0.14 | \$ 0.22 |
| Diluted net income per share from discontinued operations attributable to Evercore Partners Inc. common shareholders | | | | |
| | | | | |
| Diluted net income per share attributable to Evercore Partners Inc. common shareholders | \$ 0.25 | \$ 0.08 | \$ 0.14 | \$ 0.22 |

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

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

- (a) During the three and six months ended June 30, 2012 and 2011, the LP Units (which represent the right to receive Class A Shares upon exchange) were antidilutive and consequently the effect of their exchange into Class A Shares has been excluded from the calculation of diluted net income per share attributable to Evercore Partners Inc. common shareholders. The units that would have been included in the computation of diluted net income per share attributable to Evercore Partners Inc. common shareholders if the effect would have been dilutive were 9,000 and 9,068 for the three and six months ended June 30, 2012, respectively, and 11,664 and 11,789 for the three and six months ended June 30, 2011, respectively.

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

Note 15 Share-Based and Other Deferred Compensation

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

During the six months ended June 30, 2012, the Company granted employees 2,685 Service-based Awards. These awards had grant date fair values ranging from \$23.69 to \$29.19 per share. During the six months ended June 30, 2012, 1,546 Service-based Awards vested and 325 Service-based Awards were forfeited.

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 related to this program during the first quarter of 2012 which will vest ratably over four years and require payment upon vesting. Compensation expense related to this deferred compensation program was \$1,281 and \$2,265 for the three and six months ended June 30, 2012, respectively, and \$583 and \$835 for the three and six months ended June 30, 2011, respectively.

Compensation expense related to Service-based Awards, excluding compensation costs related to the amortization of the LP Units was \$16,038 and \$30,699 for the three and six months ended June 30, 2012, respectively, and \$11,805 and \$23,570 for the three and six months ended June 30, 2011, respectively. Compensation expense related to amortization of the LP Units was \$5,069 and \$9,828 for the three and six months ended June 30, 2012, respectively, and \$5,918 and \$10,975 for the three and six months ended June 30, 2011, respectively. Compensation expense related to acquisition-related awards and deferred cash consideration was \$4,379 and \$1,751, respectively, for the three months ended June 30, 2012, and \$10,632 and \$4,621, respectively, for the six months ended June 30, 2012.

During the second quarter of 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. The Company also modified equity-based compensation awards during 2011, resulting in the Company recognizing \$1,646 in incremental compensation expense for the six months ended June 30, 2011. During the first six months of 2012, the Company granted separation benefits to certain employees, resulting in expense included in Employee Compensation and Benefits expense of approximately \$2,169 and \$6,714 for the three and six months ended June 30, 2012, respectively. In conjunction with these arrangements, the Company distributed cash payments of \$1,040 and \$4,676 for the three and six months ended June 30, 2012, respectively. The remainder of the expense is expected to be incurred by the end of 2012.

Note 16 Commitments and Contingencies

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For a complete discussion of the Company's commitments, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Operating Leases The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2023. The Company reflects lease expense over the lease terms on a straight-line basis. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Occupancy and Equipment Rental on the Unaudited Condensed Consolidated Statements of Operations includes occupancy rental expense relating to operating leases of \$5,862 and \$11,347 for the three and six months ended June 30, 2012, respectively, and \$3,639 and \$7,196 for the three and six months ended June 30, 2011, respectively.

Other Commitments As of June 30, 2012, the Company has unfunded commitments for capital contributions of \$6,864 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.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

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

The Company also has commitments related to its redeemable noncontrolling interests. See Note 13 for further information.

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 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 17 Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the 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 June 30, 2012 and December 31, 2011 was \$52,330 and \$67,893, respectively, which exceeded the minimum net capital requirement by \$50,909 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 Office of the Comptroller of the Currency (OCC) and is a member bank of the Federal Reserve System. The Company, Evercore LP and ETC are subject to written agreements with the OCC that, among other things, require the Company and Evercore LP to (1) maintain at least \$5,000 in Tier 1 capital in ETC (or such other amount as the OCC may require), (2) maintain liquid assets in ETC in an amount at least equal to the greater of \$3,500 or 90 days coverage of ETC's operating expenses and (3) provide at least \$10,000 of certain collateral held in a segregated account at a third-party depository institution. The collateral is included in Assets Segregated for Bank Regulatory Requirements on the Unaudited Condensed Consolidated Statements of Financial Condition. The Company was in compliance with the aforementioned agreements as of June 30, 2012.

Note 18 Income Taxes

The Company's Provision for Income Taxes was \$9,773 and \$5,135 for the three and six months ended June 30, 2012, respectively, and \$6,064 and \$10,500 for the three and six months ended June 30, 2011, respectively. The effective tax rate was 45% and 42% for the three and six months ended June 30, 2012, respectively, and 52% and 44% for the three and six months ended June 30, 2011, respectively. The effective tax rate for 2012 and 2011 reflects the effect of certain nondeductible expenses, including the vesting of LP Units, as well as the noncontrolling interest associated with LP Units. In addition, the effective tax rate for the three and six months ended June 30, 2012, was impacted by the reduction of the valuation allowance against the deferred tax assets of the Company by \$560 based on the Company's evaluation of the realizability in future years of its deferred tax assets associated with one of the Company's foreign subsidiaries.

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The Company reported a net increase in deferred tax assets of \$339 associated with changes in Accumulated Other Comprehensive Income (Loss) for the six months ended June 30, 2012.

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EVERCORE PARTNERS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

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

As of June 30, 2012, there was \$1,085 of unrecognized tax benefits that, if recognized, would affect the effective tax rate. The Company does not anticipate a significant change in unrecognized tax positions as a result of the settlement of income tax audits for examining the Company's income tax returns during the upcoming year.

The Company classifies interest relating to tax matters and tax penalties as a component of income tax expense in its Unaudited Condensed Consolidated Statements of Operations. Related to the unrecognized tax benefits, the Company accrued interest and penalties of \$22 and \$2, respectively, during the three months ended June 30, 2012, and \$43 and \$3, respectively, during the six months ended June 30, 2012, and had recognized a liability for penalties of \$258 and interest of \$373 at June 30, 2012.

Note 19 Segment Operating Results

Business Segments The Company's business results are categorized into the following two segments: Investment Banking and Investment Management. Investment Banking includes providing advice 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. During 2011, the Investment Banking segment expanded to include the acquisition of Lexicon. Investment Management includes advising third-party investors in the Institutional Asset Management, Wealth Management and Private Equity sectors.

The Company's segment information for the three and six months ended June 30, 2012 and 2011 was 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 amortization costs associated with the modification of unvested LP Units and certain other awards, compensation charges associated with deferred consideration, retention awards and related compensation for Lexicon employees, charges associated with the vesting of Event-based awards, special charges incurred in connection with exiting facilities in the UK and amortization of intangibles associated with certain acquisitions.

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

One client accounted for more than 10% of the Company's consolidated Net Revenues for the three months ended June 30, 2012.

During the first six months of 2012, the Company granted separation benefits to employees of its Investment Banking segment. See Note 15 for further information.

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

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

| | For the Three Months Ended June 30, 2012 | | For the Six Months Ended June 30, 2011 | |
|--|--|--------------|--|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| Investment Banking | | | | |
| Net Revenues (1) | \$ 153,164 | \$ 113,976 | \$ 236,949 | \$ 196,355 |
| Operating Expenses | 118,683 | 88,340 | 197,659 | 153,661 |
| Other Expenses (2) | 11,898 | 14,511 | 28,005 | 20,867 |
| Operating Income | 22,583 | 11,125 | 11,285 | 21,827 |
| Income (Loss) from Equity Method Investments | (33) | 134 | 1,595 | 916 |
| Pre-Tax Income | \$ 22,550 | \$ 11,259 | \$ 12,880 | \$ 22,743 |
| Identifiable Segment Assets | \$ 486,481 | \$ 489,694 | \$ 486,481 | \$ 489,694 |
| Investment Management | | | | |
| Net Revenues (1) | \$ 19,333 | \$ 27,228 | \$ 38,346 | \$ 51,947 |
| Operating Expenses | 20,065 | 23,391 | 39,315 | 46,149 |
| Other Expenses (2) | 656 | 3,347 | 1,264 | 4,246 |
| Operating Income (Loss) | (1,388) | 490 | (2,233) | 1,552 |
| Income (Loss) from Equity Method Investments | 752 | (65) | 1,509 | (447) |
| Pre-Tax Income (Loss) | \$ (636) | \$ 425 | \$ (724) | \$ 1,105 |
| Identifiable Segment Assets | \$ 487,377 | \$ 552,104 | \$ 487,377 | \$ 552,104 |
| Total | | | | |
| Net Revenues (1) | \$ 172,497 | \$ 141,204 | \$ 275,295 | \$ 248,302 |
| Operating Expenses | 138,748 | 111,731 | 236,974 | 199,810 |
| Other Expenses (2) | 12,554 | 17,858 | 29,269 | 25,113 |
| Operating Income | 21,195 | 11,615 | 9,052 | 23,379 |
| Income from Equity Method Investments | 719 | 69 | 3,104 | 469 |
| Pre-Tax Income | \$ 21,914 | \$ 11,684 | \$ 12,156 | \$ 23,848 |
| Identifiable Segment Assets | \$ 973,858 | \$ 1,041,798 | \$ 973,858 | \$ 1,041,798 |

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

For the Three Months Ended June 30, For the Six Months Ended June 30,

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| | 2012 | 2011 | 2012 | 2011 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| Investment Banking (A) | \$ (1,262) | \$ (720) | \$ (1,972) | \$ (1,393) |
| Investment Management (B) | (703) | (759) | (1,454) | (1,484) |
| Total Other Revenue, net | \$ (1,965) | \$ (1,479) | \$ (3,426) | \$ (2,877) |

- (A) Investment Banking Other Revenue, net, includes interest expense on the Senior Notes of \$1,075 and \$2,145 for the three and six months ended June 30, 2012, respectively, and \$1,059 and \$2,112 for the three and six months ended June 30, 2011, respectively.
- (B) Investment Management Other Revenue, net, includes interest expense on the Senior Notes of \$909 and \$1,813 for the three and six months ended June 30, 2012, respectively, and \$894 and \$1,784 for the three and six months ended June 30, 2011, respectively.

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

(2) Other Expenses are as follows:

| | For the Three Months Ended June 30, 2012 | | For the Six Months Ended June 30, 2011 | |
|---|--|------------------|--|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Investment Banking | | | | |
| Amortization of LP Units and Certain Other Awards | \$ 4,495 | \$ 5,136 | \$ 8,711 | \$ 11,023 |
| Vesting of Event-based Awards | | 8,906 | | 8,906 |
| Acquisition Related Compensation Charges | 6,352 | | 15,997 | |
| Special Charges | 662 | | 662 | |
| Intangible Asset Amortization | 389 | 469 | 2,635 | 938 |
| Total Investment Banking | 11,898 | 14,511 | 28,005 | 20,867 |
| Investment Management | | | | |
| Amortization of LP Units and Certain Other Awards | 574 | 781 | 1,100 | 1,597 |
| Vesting of Event-based Awards | | 2,483 | | 2,483 |
| Intangible Asset Amortization | 82 | 83 | 164 | 166 |
| Total Investment Management | 656 | 3,347 | 1,264 | 4,246 |
| Total Other Expenses | \$ 12,554 | \$ 17,858 | \$ 29,269 | \$ 25,113 |

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 Three Months Ended June 30, 2012 | | For the Six Months Ended June 30, 2011 | |
|--------------------------|--|-------------------|--|-------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Revenues: (1) | | | | |
| United States | \$ 131,406 | \$ 117,860 | \$ 201,067 | \$ 189,615 |
| Europe and Other | 35,309 | 19,697 | 59,631 | 46,949 |
| Latin America | 7,747 | 5,126 | 18,023 | 14,615 |
| Total | \$ 174,462 | \$ 142,683 | \$ 278,721 | \$ 251,179 |

(1) Excludes Other Revenue and Interest Expense.
The majority of the Company's long-lived assets reside in the United States.

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

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

Forward-Looking Statements

This report contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these and 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 forward-looking statements. All statements other than statements of historical fact are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, and may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. We believe these factors include, but are not limited to, those described under "Risk Factors" discussed in the Annual Report on Form 10-K for the year ended December 31, 2011 and subsequent quarterly reports on Form 10-Q. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this report. We undertake no obligation to publicly update or review any forward-looking statement. We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Key Financial Measures

Revenue

Total revenues reflect revenues from our Investment Banking and Investment Management business segments that include 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 merger and acquisition ("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 assets under management ("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

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benchmarks are exceeded. In certain circumstances, such fees are subject to claw-back provisions. Portfolio company fees include monitoring, director and transaction fees associated with services provided to the portfolio companies of the private equity funds we manage. Gains and losses include both realized and unrealized gains and losses on principal investments, including those arising from our equity interest in investment partnerships.

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

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, 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.

Other Expenses

Other Expenses include amortization costs associated with the modification of unvested LP Units and certain other awards, compensation charges associated with deferred consideration, retention awards and related compensation for Lexicon employees, charges associated with the vesting of Event-based awards, special charges incurred in connection with exiting facilities in the UK and amortization of intangibles associated with certain acquisitions.

Income from Equity Method Investments

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

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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 Unaudited Condensed 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 13 to our unaudited condensed 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.

Results of Operations

The following is a discussion of our results of operations for the three and six months ended June 30, 2012 and 2011. For a more detailed discussion of the factors that affected the revenue and operating expenses of our Investment Banking and Investment Management business segments in these periods, see the discussion in *Business Segments* below.

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

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| | For the Three Months Ended June 30, | | | For the Six Months Ended June 30, | | |
|---|-------------------------------------|-----------------|-------------|-----------------------------------|-----------------|--------------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| (dollars in thousands, except per share data) | | | | | | |
| Revenues | | | | | | |
| Investment Banking Revenue | \$ 154,426 | \$ 114,696 | 35% | \$ 238,921 | \$ 197,748 | 21% |
| Investment Management Revenue | 20,036 | 27,987 | (28%) | 39,800 | 53,431 | (26%) |
| Other Revenue | 1,593 | 4,270 | (63%) | 3,889 | 7,966 | (51%) |
| Total Revenues | 176,055 | 146,953 | 20% | 282,610 | 259,145 | 9% |
| Interest Expense | 3,558 | 5,749 | (38%) | 7,315 | 10,843 | (33%) |
| Net Revenues | 172,497 | 141,204 | 22% | 275,295 | 248,302 | 11% |
| Expenses | | | | | | |
| Operating Expenses | 138,748 | 111,731 | 24% | 236,974 | 199,810 | 19% |
| Other Expenses | 12,554 | 17,858 | (30%) | 29,269 | 25,113 | 17% |
| Total Expenses | 151,302 | 129,589 | 17% | 266,243 | 224,923 | 18% |
| Income Before Income from Equity Method Investments and Income Taxes | | | | | | |
| | 21,195 | 11,615 | 82% | 9,052 | 23,379 | (61%) |
| Income from Equity Method Investments | 719 | 69 | 942% | 3,104 | 469 | 562% |
| Income Before Income Taxes | 21,914 | 11,684 | 88% | 12,156 | 23,848 | (49%) |
| Provision for Income Taxes | 9,773 | 6,064 | 61% | 5,135 | 10,500 | (51%) |
| Net Income from Continuing Operations | 12,141 | 5,620 | 116% | 7,021 | 13,348 | (47%) |
| Discontinued Operations | | | | | | |
| Income (Loss) from Discontinued Operations | | (448) | NM | | (1,037) | NM |
| Provision (Benefit) for Income Taxes | | (87) | NM | | (265) | NM |
| Net Income (Loss) Attributable to Noncontrolling Interest | | (276) | NM | | (657) | NM |
| Net Income (Loss) from Discontinued Operations | | (85) | NM | | (115) | NM |
| Net Income | 12,141 | 5,535 | 119% | 7,021 | 13,233 | (47%) |
| Net Income Attributable to Noncontrolling Interest | 4,207 | 3,274 | 28% | 2,455 | 7,384 | (67%) |
| Net Income Attributable to Evercore Partners Inc. | \$ 7,934 | \$ 2,261 | 251% | \$ 4,566 | \$ 5,849 | (22%) |
| Diluted Net Income Per Share Attributable to Evercore Partners Inc. Common Shareholders: | | | | | | |
| From Continuing Operations | \$ 0.25 | \$ 0.08 | 213% | \$ 0.14 | \$ 0.22 | (36%) |
| From Discontinued Operations | | | NM | | | NM |
| Net Income Attributable to Evercore Partners Inc. | \$ 0.25 | \$ 0.08 | 213% | \$ 0.14 | \$ 0.22 | (36%) |

As of June 30, 2012 and 2011 we employed approximately 850 and 700 people, respectively, worldwide.

Three Months Ended June 30, 2012 versus June 30, 2011

Net revenues were \$172.5 million for the three months ended June 30, 2012, an increase of \$31.3 million, or 22%, versus net revenues of \$141.2 million for the three months ended June 30, 2011. Investment Banking Revenue increased 35%, and reflects the integration of the Lexicon acquisition for the three months ended June 30, 2012, and Investment Management Revenue decreased 28% compared to the three months ended June 30, 2011. See the segment discussion below for further information. Other revenue for the three months ended June 30, 2012 was lower than for the three months ended June 30, 2011 as a result of relatively lower gains on our Marketable Securities portfolios. Net revenues include interest expense on our Senior Notes.

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Total Operating Expenses were \$138.7 million for the three months ended June 30, 2012 as compared to \$111.7 million for the three months ended June 30, 2011, a 24% increase. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$102.8 million for the three months ended June 30, 2012, an increase of \$20.0 million, or 24%, versus expense of \$82.8 million for the three months ended June 30, 2011. The increase was primarily due to increased compensation costs resulting from the expansion of existing businesses and our new businesses, higher discretionary incentive compensation associated with increased profitability 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 \$36.0 million for the three months ended June 30, 2012, an increase of \$7.0 million, or 24%, over non-compensation operating expenses of \$29.0 million for the three months ended June 30, 2011. Non-compensation operating expenses increased compared to the three months ended June 30, 2011 primarily as a result of the expansion of our new and existing businesses, including the integration of Lexicon.

Total Other Expenses of \$12.6 million for the three months ended June 30, 2012 related to compensation costs associated with unvested LP Units and certain other awards of \$5.1 million, acquisition related compensation charges of \$6.4 million, special charges of \$0.7 million and amortization of intangibles of \$0.5 million. Total Other Expenses of \$17.9 million for the three months ended June 30, 2011 related to compensation costs associated with unvested LP Units and certain other awards of \$5.9 million, vesting of event-based awards of \$11.4 million and amortization of intangibles of \$0.6 million.

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As a net result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues decreased to 66% for the three months ended June 30, 2012 from 71% for the three months ended June 30, 2011.

The provision for income taxes for the three months ended June 30, 2012 was \$9.8 million, which reflected an effective tax rate of 45%. The provision was impacted by the vesting of LP Units, which are not deductible for income tax purposes, as well as the noncontrolling interest associated with LP Units and the release of valuation allowances for certain deferred tax assets. The provision for income taxes for the three months ended June 30, 2011 was \$6.1 million, which reflected an effective tax rate of 52%. The provision was impacted by the vesting of LP Units and certain other awards, as well as the noncontrolling interest associated with LP Units.

Income from equity method investments was \$0.7 million for the three months ended June 30, 2012, as compared to \$0.1 million for the three months ended June 30, 2011. The increase was primarily due to our investment in ABS, which the Company made in the fourth quarter of 2011.

Noncontrolling interest was \$4.2 million for the three months ended June 30, 2012 compared to \$3.3 million for the three months ended June 30, 2011.

Six Months Ended June 30, 2012 versus June 30, 2011

Net revenues were \$275.3 million for the six months ended June 30, 2012, an increase of \$27.0 million, or 11%, versus net revenues of \$248.3 million for the six months ended June 30, 2011. Investment Banking Revenue increased 21%, and reflects the integration of the Lexicon acquisition for the six months ended June 30, 2012, and Investment Management Revenue decreased 26% compared to the six months ended June 30, 2011. See the segment discussion below for further information. Other revenue for the six months ended June 30, 2012 was lower than for the six months ended June 30, 2011 as a result of relatively lower gains on our Marketable Securities portfolios. Net revenues include interest expense on our Senior Notes.

Total Operating Expenses were \$237.0 million for the six months ended June 30, 2012 as compared to \$199.8 million for the six months ended June 30, 2011, a 19% increase. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$169.2 million for the six months ended June 30, 2012, an increase of \$24.0 million, or 17%, versus expense of \$145.2 million for the six months ended June 30, 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 \$67.7 million for the six months ended June 30, 2012, an increase of \$13.0 million, or 24%, over non-compensation operating expenses of \$54.7 million for the six months ended June 30, 2011. Non-compensation operating expenses increased compared to the six months ended June 30, 2011 primarily as a result of the expansion of our new and existing businesses, including the integration of Lexicon.

Total Other Expenses of \$29.3 million for the six months ended June 30, 2012 related to compensation costs associated with unvested LP Units and certain other awards of \$9.8 million, acquisition related compensation charges of \$16.0 million, special charges of \$0.7 million and amortization of intangibles of \$2.8 million. Total Other Expenses of \$25.1 million for the six months ended June 30, 2011 related to compensation costs associated with unvested LP Units and certain other awards of \$12.6 million, vesting of event-based awards of \$11.4 million and amortization of intangibles of \$1.1 million.

As a net result of the factors noted above, Employee Compensation and Benefits Expense as a percentage of Net Revenues increased to 71% for the six months ended June 30, 2012 from 68% for the six months ended June 30, 2011.

The provision for income taxes for the six months ended June 30, 2012 was \$5.1 million, which reflected an effective tax rate of 42%. The provision was impacted by the vesting of LP Units, which are not deductible for income tax purposes, as well as the noncontrolling interest associated with LP Units and the release of valuation allowances for certain deferred tax assets. The provision for income taxes for the six months ended June 30, 2011 was \$10.5 million, which reflected an effective tax rate of 44%. The provision was impacted by the vesting of LP Units and certain other awards, as well as the noncontrolling interest associated with LP Units.

Income from equity method investments was \$3.1 million for the six months ended June 30, 2012, as compared to \$0.5 million for the six months ended June 30, 2011. The increase was primarily due to an increase in earnings from G5 and our investment in ABS, which the Company made in the fourth quarter of 2011.

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Noncontrolling interest was \$2.5 million for the six months ended June 30, 2012 compared to \$7.4 million for the six months ended June 30, 2011.

Impairment Assessment

During the second quarter of 2012, the Institutional Asset Management operating segment experienced a further 13% decline in AUM related to client outflows and market depreciation. The decline was principally driven by Atalanta Sosnoff's performance and outflows. As a result, the Company determined that this met the criteria for a Step 1 impairment assessment as required by ASC 350, *Goodwill and Other Intangible Assets*, 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.

The Company performed a cash flow analysis for the client-related intangible assets of Atalanta Sosnoff, which aggregated \$27.7 million at June 30, 2012 (a portion of which is related to noncontrolling interest), and concluded that the estimated undiscounted future cash flows exceeded the carrying amount of the intangible assets as of June 30, 2012. In performing this analysis, the Company utilized current and forecasted AUM and average management fee data together with additional estimates and assumptions in order to determine the forecasted undiscounted cash flows related to the client-related intangible assets. A material fluctuation in factors such as earnings margins and rates of asset growth and attrition could have an effect on the results of this analysis. As a measure of sensitivity, a 30% decrease in AUM or average management fees earned would have had no impact on the conclusion reached in this analysis.

The amount of Goodwill allocated to the Institutional Asset Management reporting unit was \$94.7 million as of June 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 forecast inherent in the valuation assumes a further significant decline in AUM and related revenues in the second half of 2012 and, over the longer term, assumes a compound annual growth rate in revenues of 7% from the trailing twelve month period ended June 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. As of June 30, 2012, we concluded that the fair value of our Institutional Asset Management reporting unit exceeded its carrying value by approximately 7%. 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. We estimate that an assumed 10% 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. 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.

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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 Three Months Ended June 30, | | | For the Six Months Ended June 30, | | |
|--|--|------------------|-------------|--------------------------------------|------------------|--------------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| (dollars in thousands) | | | | | | |
| Revenues | | | | | | |
| Investment Banking Revenue (1) | \$ 154,426 | \$ 114,696 | 35% | \$ 238,921 | \$ 197,748 | 21% |
| Other Revenue, net (2) | (1,262) | (720) | (75%) | (1,972) | (1,393) | (42%) |
| Net Revenues | 153,164 | 113,976 | 34% | 236,949 | 196,355 | 21% |
| Expenses | | | | | | |
| Operating Expenses | 118,683 | 88,340 | 34% | 197,659 | 153,661 | 29% |
| Other Expenses | 11,898 | 14,511 | (18%) | 28,005 | 20,867 | 34% |
| Total Expenses | 130,581 | 102,851 | 27% | 225,664 | 174,528 | 29% |
| Operating Income (3) | 22,583 | 11,125 | 103% | 11,285 | 21,827 | (48%) |
| Income (Loss) from Equity Method Investments | (33) | 134 | NM | 1,595 | 916 | 74% |
| Pre-Tax Income | \$ 22,550 | \$ 11,259 | 100% | \$ 12,880 | \$ 22,743 | (43%) |

(1) Includes client related expenses of \$3.0 million and \$4.5 million for the three and six months ended June 30, 2012, respectively, and \$3.0 million and \$6.6 million for the three and six months ended June 30, 2011, respectively.

(2) Includes interest expense on the Senior Notes of \$1.1 million and \$2.1 million for the three and six months ended June 30, 2012, respectively, and \$1.1 million and \$2.1 million for the three and six months ended June 30, 2011, respectively.

(3) Includes Noncontrolling interest of \$0.02 million and (\$0.3) million for the three and six months ended June 30, 2012, respectively, and (\$1.0) million and (\$1.7) million for the three and six months ended June 30, 2011, respectively.

For the three and six months ended June 30, 2012, the level of announced and completed M&A activity for the market was lower versus the three and six months ended June 30, 2011, as evidenced by the following statistics regarding the volume of transactions:

| | For the Three Months Ended June 30, | | | For the Six Months Ended June 30, | | |
|---|--|--------|--------|--------------------------------------|----------|--------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| Industry Statistics (\$ in billions) * | | | | | | |
| Value of North American M&A Deals Announced | \$ 221 | \$ 265 | (17%) | \$ 385 | \$ 590 | (35%) |
| Value of North American M&A Deals Completed | \$ 287 | \$ 316 | (9%) | \$ 462 | \$ 585 | (21%) |
| Value of Global M&A Deals Announced | \$ 602 | \$ 676 | (11%) | \$ 1,089 | \$ 1,385 | (21%) |
| Value of Global M&A Deals Completed | \$ 532 | \$ 695 | (23%) | \$ 918 | \$ 1,316 | (30%) |

Evercore Statistics **

| | | | | | | |
|---|-----|----|-----|-----|-----|-----|
| Total Number of Fee Paying Advisory Clients | 137 | 77 | 78% | 165 | 118 | 40% |
|---|-----|----|-----|-----|-----|-----|

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| | | | | | | |
|---|----|----|-----|----|----|-----|
| Investment Banking Fees of at Least \$1 million From Advisory Clients | 30 | 21 | 43% | 50 | 38 | 32% |
|---|----|----|-----|----|----|-----|

* Source: Thomson Financial July 6, 2012

** Includes revenue generating clients only

Investment Banking Results of Operations

Three Months Ended June 30, 2012 versus June 30, 2011

Net Investment Banking Revenues were \$153.2 million for the three months ended June 30, 2012 compared to \$114.0 million for the three months ended June 30, 2011, which represented an increase of 34%. Investment Banking Revenues for the three months ended June 30, 2012 included \$5.1 million and \$2.7 million of commissions and underwriting revenues, respectively, compared to \$3.4 million and \$4.4 million, respectively, for the three months ended June 30, 2011. We earned revenue from 137 advisory clients during the three months ended June 30, 2012 and 30 fees which exceeded \$1.0 million in revenue, compared to 77 clients during the three months ended June 30, 2011 and 21 fees which exceeded \$1.0 million in revenue. Further, the three months ended June 30, 2012 includes the integration of the Lexicon acquisition, which occurred in the third quarter of 2011.

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Operating Expenses were \$118.7 million for the three months ended June 30, 2012, as compared to \$88.3 million for the three months ended June 30, 2011, an increase of \$30.4 million, or 34%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$89.8 million for the three months ended June 30, 2012, as compared to \$67.3 million for the three months ended June 30, 2011, an increase of \$22.5 million, or 34%. 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 discretionary incentive compensation associated with increased profitability 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 \$28.9 million for the three months ended June 30, 2012, as compared to \$21.0 million for the three months ended June 30, 2011, an increase of \$7.9 million, or 37%. 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. The increase in Investment Banking headcount has led directly and indirectly to cost increases relating to occupancy, travel, professional and regulatory fees.

Other Expenses of \$11.9 million for the three months ended June 30, 2012 included \$4.5 million related to compensation costs associated with unvested LP Units and certain other awards, \$6.4 million of acquisition related compensation charges, \$0.7 million of special charges and \$0.4 million of intangible asset amortization. Other Expenses of \$14.5 million for the three months ended June 30, 2011 included \$5.1 million related to compensation costs associated with unvested LP Units and certain other awards, vesting of event-based awards of \$8.9 million and \$0.5 million of intangible asset amortization.

Six Months Ended June 30, 2012 versus June 30, 2011

Net Investment Banking Revenues were \$236.9 million for the six months ended June 30, 2012 compared to \$196.4 million for the six months ended June 30, 2011, an increase of 21%. Investment Banking Revenues for the six months ended June 30, 2012 included \$9.3 million and \$10.0 million of commissions and underwriting revenues, respectively, compared to \$5.9 million and \$7.6 million, respectively, for the six months ended June 30, 2011. We earned revenue from 165 advisory clients during the six months ended June 30, 2012 and 50 fees which exceeded \$1.0 million in revenue, compared to 118 clients during the six months ended June 30, 2011 and 38 fees which exceeded \$1.0 million in revenue. Further, the six months ended June 30, 2012 also includes the integration of the Lexicon acquisition.

Operating Expenses were \$197.7 million for the six months ended June 30, 2012, as compared to \$153.7 million for the six months ended June 30, 2011, an increase of \$44.0 million, or 29%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$144.3 million for the six months ended June 30, 2012, as compared to \$114.8 million for the six months ended June 30, 2011, an increase of \$29.5 million, or 26%. 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, offset in part by a reduction in discretionary incentive compensation associated with decreased profitability. Non-compensation expenses, as a component of Operating Expenses, were \$53.4 million for the six months ended June 30, 2012, as compared to \$38.9 million for the six months ended June 30, 2011, an increase of \$14.5 million, or 37%. 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. The increase in Investment Banking headcount has led directly and indirectly to cost increases relating to occupancy, travel, professional and regulatory fees.

Other Expenses of \$28.0 million for the six months ended June 30, 2012 included \$8.7 million related to compensation costs associated with unvested LP Units and certain other awards, \$16.0 million of acquisition related compensation charges, \$0.7 million of special charges and \$2.6 million of intangible asset amortization. Other Expenses of \$20.9 million for the six months ended June 30, 2011 included \$11.0 million related to compensation costs associated with unvested LP Units and certain other awards, vesting of event-based awards of \$8.9 million and \$0.9 million of intangible asset amortization.

Table of Contents**Investment Management**

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

| | For the Three Months Ended June 30, | | | For the Six Months Ended June 30, | | |
|--|--|---------------|-----------|--------------------------------------|-----------------|-----------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| (dollars in thousands) | | | | | | |
| Revenues | | | | | | |
| Investment Advisory and Management Fees: | | | | | | |
| Wealth Management | \$ 4,906 | \$ 3,764 | 30% | \$ 9,431 | \$ 7,232 | 30% |
| Institutional Asset Management | 12,504 | 17,641 | (29%) | 25,103 | 35,779 | (30%) |
| Private Equity | 1,810 | 1,714 | 6% | 3,545 | 3,443 | 3% |
| Total Investment Advisory and Management Fees | 19,220 | 23,119 | (17%) | 38,079 | 46,454 | (18%) |
| Realized and Unrealized Gains (Losses): | | | | | | |
| Institutional Asset Management | 1,117 | 990 | 13% | 2,329 | 2,157 | 8% |
| Private Equity | (301) | 3,878 | NM | (608) | 4,820 | NM |
| Total Realized and Unrealized Gains | 816 | 4,868 | (83%) | 1,721 | 6,977 | (75%) |
| Investment Management Revenue (1) | 20,036 | 27,987 | (28%) | 39,800 | 53,431 | (26%) |
| Other Revenue, net (2) | (703) | (759) | 7% | (1,454) | (1,484) | 2% |
| Net Investment Management Revenues | 19,333 | 27,228 | (29%) | 38,346 | 51,947 | (26%) |
| Expenses | | | | | | |
| Operating Expenses | 20,065 | 23,391 | (14%) | 39,315 | 46,149 | (15%) |
| Other Expenses | 656 | 3,347 | (80%) | 1,264 | 4,246 | (70%) |
| Total Expenses | 20,721 | 26,738 | (23%) | 40,579 | 50,395 | (19%) |
| Operating Income (Loss) (3) | (1,388) | 490 | NM | (2,233) | 1,552 | NM |
| Income (Loss) from Equity Method Investments (4) | 752 | (65) | NM | 1,509 | (447) | NM |
| Pre-Tax Income (Loss) (5) | \$ (636) | \$ 425 | NM | \$ (724) | \$ 1,105 | NM |

- (1) Includes transaction-related client reimbursements of \$0.1 million and \$0.2 million for the three and six months ended June 30, 2012, respectively, and \$0.1 million and \$0.4 million for the three and six months ended June 30, 2011, respectively.
- (2) Includes interest expense on the Senior Notes of \$0.9 million and \$1.8 million for the three and six months ended June 30, 2012, respectively, and \$0.9 million and \$1.8 million for the three and six months ended June 30, 2011, respectively.
- (3) Includes Noncontrolling interest of \$0.2 million and \$0.4 million for the three and six months ended June 30, 2012, respectively, and \$0.9 million and \$1.8 million for the three and six months ended June 30, 2011, respectively.
- (4) Equity in G5, ABS and Pan are classified as Income from Equity Method Investments.
- (5) Amounts above exclude the results of EAM for the three and six months ended June 30, 2011. These results were reclassified to Discontinued Operations during the fourth quarter of 2011.

Investment Management Results of Operations

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Our Wealth Management business includes the results of EWM. Our Institutional Asset Management business includes the results of Atalanta Sosnoff, ETC and ECB. 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 June 2012, the Company held an initial closing on EMCP III, a private equity fund focused on middle market investments in Mexico. The initial closing subscribed capital commitments of \$59.2 million, which included a capital commitment of \$2.0 million by the Company.

ECP II earns management fees of 1% of invested capital. Starting January 1, 2010, pursuant to an amendment to the Evercore Capital Partners L.P. and its affiliates Partnership Agreement, no management fees were earned. Our Mexican private equity funds EMCP II and EMCP III earn management fees of 2.25% and 2.0%, respectively, on committed capital during its investment period and 2.25% and 2.0%, respectively, on net funded committed 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 related to ECP II, EMCP II and EMCP III is distributed to certain of our private equity professionals. In the event the funds perform poorly we may be obligated to repay certain carried interest previously distributed. As of June 30, 2012, we had \$2.7 million of previously received carried interest that may be subject to repayment.

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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 from Equity Method Investments.

Assets Under Management

AUM for our Investment Management business of \$11.8 billion at June 30, 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, 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 49% of Level I investments and 51% of Level II investments as of June 30, 2012 and December 31, 2011 and Institutional Asset Management maintained 91% and 92% of Level I investments and 9% and 8% of Level II investments as of June 30, 2012 and December 31, 2011, respectively. 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 six months ended June 30, 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 |

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 market appreciation in Institutional Asset Management and Wealth Management.

Three Months Ended June 30, 2012 versus June 30, 2011

Net Investment Management Revenues were \$19.3 million for the three months ended June 30, 2012, compared to \$27.2 million for the three months ended June 30, 2011. Fee-based revenues earned from the management of client portfolios and other investment advisory services decreased 17% from the three months ended June 30, 2011, reflecting a decline in AUM starting in the second half of 2011. Fee-based revenues included \$0.3 million of revenues from performance fees during the three months ended June 30, 2012 compared to \$0.1 million for the three months ended June 30, 2011. Realized and Unrealized Gains 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 carried interest from Trilantic earned during the second quarter of 2011. Income (loss) from equity method investments increased from the three months ended June 30, 2011 primarily as a result of income from our investment in ABS.

Operating Expenses were \$20.1 million for the three months ended June 30, 2012, as compared to \$23.4 million for the three months ended June 30, 2011, a decrease of \$3.3 million, or 14%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$13.0 million for the three months ended June 30, 2012, as compared to \$15.5 million for the three months ended June 30, 2011, a decrease of

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\$2.5 million, or 16%. 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 \$7.1 million for the three months ended June 30, 2012, down from \$7.9 million for the three months ended June 30, 2011.

Other Expenses of \$0.7 million for the three months ended June 30, 2012 included \$0.6 million related to compensation costs associated with unvested LP Units and certain other awards and \$0.1 million of intangible asset amortization. Other Expenses of \$3.3 million for the three months ended June 30, 2011 included \$0.8 million related to compensation costs associated with unvested LP Units and certain other awards, vesting of event-based awards of \$2.5 million and amortization of intangibles of \$0.1 million.

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Net Investment Management Revenues were \$38.3 million for the six months ended June 30, 2012, compared to \$51.9 million for the six months ended June 30, 2011. Fee-based revenues earned from the management of client portfolios and other investment advisory services decreased 18% from the six months ended June 30, 2011, reflecting a decline in AUM starting in the second half of 2011. Fee-based revenues included \$0.4 million of revenues from performance fees during the six months ended June 30, 2012 compared to \$0.1 million for the six months ended June 30, 2011. Realized and Unrealized Gains 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 carried interest from Trilantic earned during the second quarter of 2011. Income (loss) from equity method investments increased from the six months ended June 30, 2011 primarily as a result of income from our investment in ABS.

Operating Expenses were \$39.3 million for the six months ended June 30, 2012, as compared to \$46.1 million for the six months ended June 30, 2011, a decrease of \$6.8 million, or 15%. Employee Compensation and Benefits Expense, as a component of Operating Expenses, was \$24.9 million for the six months ended June 30, 2012, as compared to \$30.4 million for the six months ended June 30, 2011, a decrease of \$5.5 million, or 18%. 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 \$14.4 million for the six months ended June 30, 2012, down from \$15.8 million for the six months ended June 30, 2011.

Other Expenses of \$1.3 million for the six months ended June 30, 2012 included \$1.1 million related to compensation costs associated with unvested LP Units and certain other awards and \$0.2 million of intangible asset amortization. Other Expenses of \$4.2 million for the six months ended June 30, 2011 included \$1.6 million related to compensation costs associated with unvested LP Units and certain other awards, vesting of event-based awards of \$2.5 million and amortization of intangibles of \$0.2 million.

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. 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 Six Months Ended June 30, | |
|---|--|---------------|
| | 2012 | 2011 |
| | (dollars in thousands) | |
| Cash Provided By (Used In) | | |
| Operating activities: | | |
| Net income | \$ 7,021 | \$ 12,576 |
| Non-cash charges | 70,036 | 53,222 |
| Other operating activities | (74,384) | (58,064) |
| Operating activities | 2,673 | 7,734 |
| Investing activities | 26,098 | 19,627 |
| Financing activities | (59,808) | 35,788 |
| Effect of exchange rate changes | (1,200) | (37) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (32,237) | 63,112 |
| Cash and Cash Equivalents | | |
| Beginning of Period | 182,905 | 141,337 |

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| | | |
|---------------|------------|------------|
| End of Period | \$ 150,668 | \$ 204,449 |
|---------------|------------|------------|

Six Months Ended June 30, 2012. Cash and Cash Equivalents were \$150.7 million at June 30, 2012, a decrease of \$32.2 million versus Cash and Cash Equivalents of \$182.9 million at December 31, 2011. Operating activities resulted in a net inflow of \$2.7 million, primarily related to earnings, offset by a decrease in accrued compensation and benefits. Cash of \$26.1 million was provided by

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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. Financing activities during the period used cash of \$59.8 million, primarily for the payment of dividends, distributions to Partners and treasury stock purchases.

Six Months Ended June 30, 2011. Cash and Cash Equivalents were \$204.4 million at June 30, 2011, an increase of \$63.1 million versus Cash and Cash Equivalents of \$141.3 million at December 31, 2010. Operating activities resulted in a net inflow of \$7.7 million, primarily related to earnings, partially offset by an increase in accounts receivable and a decrease in accrued compensation and benefits. Cash of \$19.6 million was provided by investing activities primarily related to proceeds from maturities and sales of our marketable securities. Financing activities during the period provided cash of \$35.8 million, primarily from our June 2011 offering of Class A common stock, offset by the payment of dividends, distributions to Partners and treasury stock purchases.

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 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 in our Form 10-K for the year ended December 31, 2011.

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 the six months ended June 30, 2012, we repurchased 927,000 shares for \$23.3 million pursuant to this program.

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. During the six months ended June 30, 2012, we repurchased 610,606 shares for \$17.1 million primarily related to minimum tax withholding requirements of share deliveries.

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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 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 Purchase Agreement, Mizuho may not transfer the Senior Notes or Warrants until either (a) after August 16, 2012 or (b) if the Strategic Alliance Agreement is terminated one year following such termination. We have a right of first offer on any proposed transfer by Mizuho of the Warrants, Common Stock purchased by Mizuho in the open market or acquired by Mizuho upon 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 June 30, 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 \$7.3 million and 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 arrangements, we are obligated to make cash payments in future periods. For further information see Note 15 to our unaudited condensed consolidated financial statements.

Certain of our subsidiaries are regulated entities and are subject to capital requirements. For further information see Note 17 to our unaudited condensed 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 Unaudited Condensed 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 Unaudited Condensed 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 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 Unaudited Condensed Consolidated Statements of Financial Condition have an estimated average time to maturity of approximately 2.8 years, as of June 30, 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, which is a statistical

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measure, at a 98% confidence level, of the potential 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 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.

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We periodically assess the collectability or credit quality related to securities purchased under agreements to resell; as of June 30, 2012, the Company believes it maintains a sufficient level of cash or collateral.

As of June 30, 2012 and December 31, 2011, a summary of ECB's assets, liabilities, collateral received or pledged and risk measures related to its collateralized financing activities is as follows:

| | June 30, 2012 | | December 31, 2011 | |
|---|---------------|--|-------------------|--|
| | Amount | Market Value of Collateral Received or (Pledged) (dollars in thousands) | Amount | Market Value of Collateral Received or (Pledged) |
| Assets | | | | |
| Financial Instruments Owned and Pledged as Collateral at Fair Value | \$ 121,347 | | \$ 127,178 | |
| Securities Purchased Under Agreements to Resell | | \$ | 2,146 | \$ 2,143 |
| Total Assets | 121,347 | | 129,324 | |
| Liabilities | | | | |
| Securities Sold Under Agreements to Repurchase | (121,548) | \$ (121,723) | (129,577) | \$ (129,809) |
| Net Liabilities | \$ (201) | | \$ (253) | |
| Risk Measures | | | | |
| Value at Risk | \$ 34 | | \$ 65 | |
| Sensitivity to a 100 basis point increase in the interest rate | \$ (255) | | \$ (366) | |
| Sensitivity to a 100 basis point decrease in the interest rate | \$ 255 | | \$ 366 | |

Contractual Obligations

For a complete discussion of our contractual obligations, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

As of June 30, 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 this disclosure.

We had total commitments (not reflected on our Unaudited Condensed Consolidated Statements of Financial Condition) relating to future principal investments of \$6.9 million and \$5.8 million as of June 30, 2012 and December 31, 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 December 2017, depending on the timing and level of investments by our private equity funds.

We also have commitments related to our redeemable noncontrolling interests. See Note 13 of our unaudited condensed consolidated financial statements for further information.

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 unaudited condensed consolidated financial statements.

Market Risk and Credit Risk

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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 June 30, 2012, the fair value of our investments with these products, based on closing prices, was \$10.7 million.

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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 \$1.1 million for the three months ended June 30, 2012.

See *Liquidity and Capital Resources* above for a discussion.

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 \$2.5 million for the three months ended June 30, 2012.

Exchange Rate Risk

We have foreign operations, through our subsidiaries and affiliates, in Mexico, the United Kingdom, Brazil and Hong Kong which creates foreign exchange rate risk. Their respective functional currencies are the Mexican peso, British pound sterling, Brazilian real 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 six months ended June 30, 2012, the net impact of the fluctuation of foreign currencies recorded in Other Comprehensive Income within the Unaudited Condensed Consolidated Statement of Comprehensive Income was \$8 thousand. 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 June 30, 2012 and December 31, 2011, total receivables amounted to \$54.1 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. 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 six months ended June 30, 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 June 30, 2012, we had Marketable Securities of \$47.1 million, of which 55% were corporate and municipal bonds and other debt securities primarily with S&P ratings ranging from AAA to BB+ and 45% were Seed Capital Investments and mutual funds.

Critical Accounting Policies and Estimates

The unaudited condensed 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 unaudited condensed 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

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reasonable under the circumstances. Actual results could differ materially from those estimates. For a complete discussion of our critical accounting policies and estimates, refer to our Annual Report on Form 10-K for the year ended December 31, 2011.

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Recently Issued Accounting Standards

ASU 2011-11 In December 2011, the 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 is currently assessing the impact of the adoption of this update on the Company's consolidated financial condition, results of operations and cash flows.

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**Item 3. 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 2 - Market Risk and Credit Risk - above.

**Item 4. 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.

Changes in Internal Controls over Financial Reporting

We have not made any changes during the three months ended June 30, 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).

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In the normal course of business, from time to time the Company and its affiliates are involved in judicial proceedings or arbitration concerning matters arising in connection with the conduct of its businesses. In addition, Mexican, United Kingdom, Hong Kong 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 legal 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.

Item 1A. Risk Factors

There have not been any material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*Unregistered Sales*

None

Issuer Purchases of Equity Securities

| | Total Number of Shares (or Units) Purchased (1) | Average Price Paid Per Share | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2) | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plan or Program (2) |
|---------------------|--|------------------------------------|--|--|
| 2012 | | | | |
| April 1 to April 30 | 54,642 | \$ 26.02 | 30,000 | \$ 84,213,616 |
| May 1 to May 31 | 910,959 | 25.12 | 897,000 | 61,688,777 |
| June 1 to June 30 | 49,497 | 24.05 | | 61,688,777 |
| Total | 1,015,098 | \$ 25.12 | 927,000 | \$ 61,688,777 |

(1) These include treasury transactions arising from net settlement of equity awards to satisfy minimum tax obligations.

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- (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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

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Item 6. Exhibits

| Exhibit Number | Description |
|-----------------------|--|
| 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, are formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Financial Condition as of June 30, 2012 and December 31, 2011, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2012 and 2011, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011, (iv) Condensed Consolidated Statements of Changes In Equity for the six months ended June 30, 2012 and 2011, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011, and (vi) Notes to Condensed Consolidated Financial Statements (furnished herewith) |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 8, 2012

Evercore Partners Inc.

By: /s/ RALPH SCHLOSSTEIN
Name: **Ralph Schlosstein**
Title: **Chief Executive Officer and Director**

By: /s/ ROBERT B. WALSH
Name: **Robert B. Walsh**
Title: **Chief Financial Officer**

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Exhibit Index

| Exhibit Number | Description |
|---------------------------|--|
| 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, are formatted in XBRL (eXtensible Business Reporting Language); (i) Condensed Consolidated Statements of Financial Condition as of June 30, 2012 and December 31, 2011, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2012 and 2011, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011, (iv) Condensed Consolidated Statements of Changes In Equity for the six months ended June 30, 2012 and 2011, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011, and (vi) Notes to Condensed Consolidated Financial Statements (furnished herewith) |