Invesco California Value Municipal Income Trust
Form N-Q
January 29, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT

INVESTMENT COMPANY

Investment Company Act file number 811-07404

Invesco California Value Municipal Income Trust

(Exact name of registrant as specified in charter)

1555 Peachtree Street, N.E., Atlanta, Georgia 30309

(Address of principal executive offices) (Zip code)

Colin Meadows 1555 Peachtree Street, N.E., Atlanta, Georgia 30309

(Name and address of agent for service)

Registrant s telephone number, including area code: (713) 626-1919

Date of fiscal year end: 2/28

Date of reporting period: 11/30/12

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Item 1. Schedule of Investments.

Invesco California Value Municipal Income Trust

Effective December 3, 2012, Invesco Van Kampen California Value Municipal Income Trust was renamed Invesco California Value Municipal Income Trust.

Quarterly Schedule of Portfolio Holdings

November 30, 2012

invesco.com/us VK-CE-CAVMI-QTR-1 11/12 Invesco Advisers, Inc.

Schedule of Investments

November 30, 2012

(Unaudited)

	Interest Rate	Maturity Date	Principal Amount (000)	Value
Municipal Obligations 154.29%				
California 145.31%				
Adelanto (City of) Public Utility Authority (Utility System); Series 2009 A, Ref. RB	6.75%	07/01/39	$ 3,000	$ 3,337,560
Alameda (County of) Joint Powers Authority (Juvenile Justice Refunding);				
Series 2008 A, Lease RB (INS-AGM) [(a)]	5.00%	12/01/24	235	277,544
Series 2008 A, Lease RB (INS-AGM) [(a)]	5.00%	12/01/25	750	883,785
Alhambra (City of) (Atherton Baptist Homes);				
Series 2010 A, RB	7.50%	01/01/30	1,725	1,941,246
Series 2010 A, RB	7.63%	01/01/40	750	841,268
Alhambra Unified School District (Election of 2004);				
Series 2009 B, Unlimited Tax CAB GO Bonds (INS-AGC) [(a)(b)]	0.00%	08/01/35	1,120	391,395
Series 2009 B, Unlimited Tax CAB GO Bonds (INS-AGC) [(a)(b)]	0.00%	08/01/36	1,805	568,647
Anaheim (City of) Public Financing Authority (Electric System Distribution Facilities); Series 2007 A, RB (INS-NATL) [(a)(c)]	4.50%	10/01/37	4,000	4,253,000
Anaheim (City of) Redevelopment Agency (Anaheim Merged Redevelopment Area); Series 2007 A, Ref. Tax Allocation RB (INS-AGM) [(a)(c)]	5.00%	01/01/31	4,250	4,514,775
Anaheim City School District (Election of 2002); Series 2007, Unlimited Tax CAB GO Bonds (INS-NATL) [(a)(b)]	0.00%	08/01/24	4,970	3,108,188
Arcadia Unified School District (Election of 2006); Series 2007 A, Unlimited Tax GO Bonds (INS-AGM) [(a)]	5.00%	08/01/37	1,000	1,089,880
Bakersfield (City of); Series 2007 A, Wastewater RB (INS-AGM) [(a)]	5.00%	09/15/32	2,500	2,759,675
Bay Area Toll Authority (San Francisco Bay Area);				
Series 2007 F, Toll Bridge RB [(c)(d)(e)]	5.00%	04/01/17	6,000	7,108,500
Series 2009 F-1, Toll Bridge RB [(c)]	5.13%	04/01/39	4,500	5,300,460
Series 2009 F-1, Toll Bridge RB [(c)]	5.25%	04/01/26	4,315	5,308,529
Series 2009 F-1, Toll Bridge RB [(c)]	5.25%	04/01/29	4,795	5,863,278
Beverly Hills Unified School District (Election of 2008);				
Series 2009, Unlimited Tax CAB GO Bonds [(b)]	0.00%	08/01/26	1,245	788,981
Series 2009, Unlimited Tax CAB GO Bonds [(b)]	0.00%	08/01/28	3,000	1,737,780
Series 2009, Unlimited Tax CAB GO Bonds [(b)]	0.00%	08/01/31	2,010	1,003,613
Series 2009, Unlimited Tax CAB GO Bonds [(b)]	0.00%	08/01/32	430	204,874
Brea (City of) Redevelopment Agency (Redevelopment Project AB); Series 2001 A, Ref. Tax Allocation RB (INS-AMBAC) [(a)]	5.50%	08/01/20	3,535	3,539,843
Brea Olinda Unified School District; Series 2002 A, Ref. COP (INS-AGM) [(a)]	5.50%	08/01/20	1,510	1,516,266
California (State of) Department of Veterans Affairs; Series 2007 A, Home Purchase RB [(c)(f)]	4.95%	12/01/37	9,000	9,382,680
California (State of) Department of Water Resources (Central Valley);				
Series 2003 Y, Water System RB [(g)]	5.00%	12/01/25	2,000	2,046,020
Series 2008 AE, Water System RB	5.00%	12/01/29	2,000	2,381,800
California (State of) Department of Water Resources; Subseries 2005 F-5, Power Supply RB	5.00%	05/01/22	2,000	2,394,920
California (State of) Educational Facilities Authority (California College of Arts); Series 2012, RB	5.25%	06/01/30	1,125	1,254,668
California (State of) Educational Facilities Authority (Chapman University); Series 2011, RB	5.00%	04/01/31	1,750	2,036,527
California (State of) Educational Facilities Authority (Claremont McKenna College); Series 2007, RB [(c)]	5.00%	01/01/38	7,480	8,312,973
California (State of) Educational Facilities Authority (OTIS College of Art and Design Goldsmith Campus); Series 1999 B, RB	5.25%	04/01/24	580	580,655
California (State of) Educational Facilities Authority (Pitzer College);				
Series 2009, RB	5.38%	04/01/34	2,000	2,262,780
Series 2009, RB	6.00%	04/01/40	1,000	1,208,260
California (State of) Educational Facilities Authority (University of Southern California); Series 2009 B, RB [(c)]	5.25%	10/01/39	10,200	12,194,100
California (State of) Health Facilities Financing Authority (Adventist Health System West); Series 2009 A, RB	5.75%	09/01/39	2,500	2,941,525
	5.25%	07/01/23	2,555	2,711,647

California (State of) Health Facilities Financing Authority (Catholic Healthcare West); Series 2004 G, RB				
Series 2009 A, RB	6.00%	07/01/39	2,500	3,013,925
California (State of) Health Facilities Financing Authority (Cedars-Sinai Medical Center); Series 2009, RB	5.00%	08/15/39	4,000	4,455,680
California (State of) Health Facilities Financing Authority (Children s Hospital Los Angeles); Series 2010, RB (INS-AGM) [(a)]	5.25%	07/01/38	5,050	5,558,232

See accompanying notes which are an integral part of this schedule.

Invesco California Value Municipal Income Trust

	Interest Rate	Maturity Date	Principal Amount (000)	Value
California (continued)				
California (State of) Health Facilities Financing Authority (Chinese Hospital Association); Series 2012, RB (INS-Cal Mortgage) [(a)]	5.00%	06/01/37	$ 2,000	$ 2,255,400
California (State of) Health Facilities Financing Authority (City of Hope); Series 2012 A, RB	5.00%	11/15/35	3,000	3,469,800
California (State of) Health Facilities Financing Authority (Kaiser Permanente); Series 2006 A, RB	5.25%	04/01/39	1,000	1,105,310
California (State of) Health Facilities Financing Authority (Lucile Packard Children s Hospital); Series 2012, RB [(c)]	5.00%	08/15/51	12,000	13,816,800
California (State of) Health Facilities Financing Authority (Providence Health & Services); Series 2008 C, RB	6.50%	10/01/33	3,000	3,698,160
California (State of) Health Facilities Financing Authority (Scripps Health); Series 2010 A, RB [(c)]	5.00%	11/15/36	6,250	7,023,438
Series 2012 A, RB	5.00%	11/15/40	2,000	2,307,920
California (State of) Health Facilities Financing Authority (Stanford Hospital); Series 2008 A-2, Ref. RB	5.25%	11/15/40	4,000	4,700,640
Califorrnia (State of) Health Facilities Financing Authority (Sutter Health);				
Series 2011 B, RB	5.50%	08/15/26	3,500	4,294,920
Series 2011 D, Ref. RB [(c)]	5.25%	08/15/31	10,000	12,074,500
California (State of) Housing Finance Agency; Series 1997 A, MFH RB (INS-NATL) [(a)(f)]	5.85%	08/01/17	2,005	2,054,764
California (State of) Municipal Finance Authority (American Heritage Education Foundation); Series 2006 A, Education RB	5.25%	06/01/26	500	491,935
California (State of) Municipal Finance Authority (Community Hospitals of Central California Obligated Group); Series 2007, COP	5.00%	02/01/19	1,215	1,330,085
Series 2007, COP	5.25%	02/01/37	6,500	6,830,460
California (State of) Municipal Finance Authority (Eisenhower Medical Center); Series 2010 A, RB	5.75%	07/01/40		

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Evercore Partners Inc.	Evercore LP
Amendments to Governing Instruments	
Pursuant to the DGCL, the certificate of incorporation of the Corporation may only be amended by the board of directors with the approval of a majority of the outstanding stock entitled to vote and a majority of the outstanding stock of any class of stock affected by the amendment.	The general partner may, at its sole discretion, amend the partnership agreement. However, subject to certain specified exceptions, no such amendment may have a material adverse affect on the rights or preferences of any class of partnership units in relation to any other class of partnership units without the written consent of those holding a majority of the vested partnership units of the affected class.
The affirmative vote of the holders of at least 80% of the voting power of all the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, will be required for the stockholders to make, amend, alter, change, add to or repeal any provision of the by-laws.	
Asset Sales, Mergers and Consolidations	
Pursuant to the DGCL, the board of directors may sell, lease or exchange all or substantially all the Corporation s assets when authorized by a majority of the stockholders entitled to vote on a resolution granting such authorization.	The Corporation, as general partner, has the authority and sole discretion to determine if, when and on what terms any or all of Evercore LP s assets are sold.
We may merge or consolidate with another entity upon the board of directors recommending such action and subsequent approval of a majority of the stockholders entitled to vote on mergers and consolidations. The information submitted to the stockholders by the board of directors must include (i) the terms and conditions of the merger or consolidation; (ii) the mode of carrying the transaction into effect; (iii) in the case of a merger, any changes that are to be made to the certificate of incorporation of the surviving company; (iv) in the case of a consolidation, that the certificate of incorporation of the resulting corporation shall be as is set forth in an attachment to the consolidation agreement; and (v) the manner, if any, of converting the shares of the constituent corporations into an interest in the surviving or newly created entity.	

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Evercore Partners Inc.	Evercore LP
Rights on Liquidation	
In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential and other amounts, if any, to which the holders of preferred stock are entitled, the Class A common stockholders will be entitled to receive the remaining assets of the Corporation available for distribution. Such assets will be paid on a *pro rata* basis in proportion to the amount of outstanding shares owned by each Class A common stockholder.	Upon dissolution, the general partner, or its agent, shall take full account of the assets and liabilities of the partnership and liquidate the assets of Evercore LP. The proceeds will be applied first against Evercore LP s debts and liabilities and expenses of liquidation, then to establishing a reserve fund to be used for payment of any unforeseen liabilities or obligations of the partnership. The balance, if any, will be distributed to the partners *pro rata* based on overall ownership of vested partnership units.
Access to Books and Records	
Members of the general public have a right to inspect our public documents, available at the Securities and Exchange Commission s offices and through its electronic filing system (EDGAR).	Under the RULPA, limited partners are permitted access to certain financial and tax information and other records of Evercore LP.
Under the DGCL, stockholders have the right to access a list of stockholders and others entitled to vote at a meeting. This list must be produced by us at least 10 days in advance of any meeting in which voting is to take place. The list must contain the names and addresses of all stockholders as well as the number of shares each holds. Stockholders may only access the list for purposes of conducting stockholder business.	
Dissolution	
The Corporation has a perpetual term.	Evercore LP was formed on May 12, 2006 and will continue until dissolved upon the occurrence of specified events including (i) judicial decree, (ii) those specified within the RULPA, and (iii) upon removal or incapacity of the General Partner.

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PLAN OF DISTRIBUTION

This prospectus relates to the issuance from time to time of up to 20,193,897 shares of our Class A common stock to holders of up to an equal number of Evercore LP partnership units. The shares of Class A common stock registered under this prospectus will only be issued to the extent that holders of partnership units exchange such partnership units. We will not receive any cash proceeds from the issuance of any of our shares of Class A common stock upon an exchange of Evercore LP partnership units, but we will acquire the Evercore LP partnership units exchanged for shares of our Class A common stock that we issue to an exchanging holder.

LEGAL MATTERS

The validity of the Class A common stock will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. An investment vehicle composed of certain partners of Simpson Thacher & Bartlett LLP, members of their families, related parties and others own an interest representing less than 1% of the capital commitments of investment funds managed by Evercore.

EXPERTS

The consolidated statement of financial condition of Evercore Partners Inc. and subsidiaries (the Company) as of December 31, 2006, and the related consolidated statements of income, changes in stockholders equity and cash flows for the period from August 10, 2006 to December 31, 2006, and the combined statement of financial condition of Evercore Holdings as of December 31, 2005, and the related combined statements of income, changes in members equity and cash flows for the period from January 1, 2006 to August 9, 2006, and the years ended December 31, 2005 and 2004, included in this prospectus which is part of this registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report dated April 2, 2007 (May 15, 2007 as to Note 21) appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the formation of the Company, the adoption of Statement of Financial Accounting Standard (SFAS) No. 123(R) Share-Based Payment on January 1, 2006, and the Company becoming subject to U.S. corporate federal income taxes that it accounts for in accordance with SFAS No. 109 Accounting for Income Taxes), and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Protego Asesores, S.A. de C.V. (Protego) and its subsidiaries and Protego SI, S.C. (Protego SI) incorporated in this prospectus by reference to the Evercore Partners Inc. Current Report on Form 8-K dated February 21, 2007 have been so incorporated in reliance on the report, which contains an explanatory paragraph relating to the Company s restatement of its financial statements as described in Note 2 to the combined and consolidated financial statements, of PricewaterhouseCoopers, S.C., independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Braveheart Financial Services Limited at March 31, 2006, and for the twelve months in the period ended March 31, 2006, incorporated by reference in this prospectus have been audited by Saffery Champness, chartered accountants and registered auditors, as stated in their report appearing herein, and are incorporated by reference in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act with respect to the Class A common stock offered in this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our Class A common stock, we refer you to the registration statement and to its exhibits

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and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement, with each such statement being qualified in all respects by reference to the document to which it refers. Anyone may inspect the registration statement and its exhibits and schedules without charge at the public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain further information about the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect these reports and other information without charge at a website maintained by the SEC. The address of this site is http://www.sec.gov.

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and are required to file reports, proxy statements and other information with the SEC. You may inspect and copy these reports, proxy statements and other information at the public reference facilities maintained by the SEC at the address noted above. You also are able to obtain copies of this material from the Public Reference Room of the SEC as described above, or inspect them without charge at the SEC s website. We intend to make available to our stockholders annual reports containing consolidated financial statements audited by an independent registered public accounting firm.

The SEC s rules allow us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offerings of the shares of common stock by means of this prospectus are terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus the following documents or information filed with the SEC:

Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed on April 2, 2007 (File No. 001-32975) (excluding the audited financial statements which are included pursuant to Item 8. thereof, which are included in this prospectus);

Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, filed on August 13, 2007 (File No. 001-32975);

Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007, filed on May 15, 2007 (File No. 001-32975);

Current Report on Form 8-K, dated August 6, 2007, filed on August 6, 2007 (File No. 001-32975);

Current Report on Form 8-K, dated June 29, 2007, filed on July 6, 2007 (File No. 001-32975);

Current Report on Form 8-K, dated June 4, 2007, filed on June 8, 2007 (File No. 001-32975);

Current Report on Form 8-K, dated May 23, 2007, filed on May 30, 2007 (File No. 001-32975);

Current Report on Form 8-K, dated March 1, 2007, filed on March 2, 2007 (File No. 001-32975);

Current Report on Form 8-K, dated February 21, 2007, filed on February 21, 2007 (File No. 001-32975);

Current Report on Form 8-K/A, dated December 19, 2006, as amended by Current Report on Form 8-K/A, dated March 7, 2007, filed on April 10, 2007 (File No. 001-32975);

Current Report on Form 8-K/A, dated December 19, 2006, filed on March 7, 2007 (File No. 001-32975);

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Proxy Statement on Schedule 14A, filed on April 30, 2007 (File No. 001-32236);

The description of our Class A common stock contained in the Registration Statement on Form 8-A, dated August 7, 2006, filed with the SEC under Section 12(b) of the Securities Exchange Act of 1934; and

All documents filed by Evercore Partners Inc. under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and before the termination of the offerings to which this prospectus relates.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. You may request copies of those documents from Evercore Partners Inc., 55 East 52nd Street, 38th Floor, New York, NY 10055. You also may contact us at (212) 857-3100 or visit our website at http://www.evercore.com for copies of those documents. Our website and the information contained on our website are not a part of this prospectus, and you should not rely on any such information in making your decision whether to purchase the shares offered hereby.

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated statement of financial condition of Evercore Partners Inc. and subsidiaries (the Successor) as of December 31, 2006, and the related consolidated statements of income, changes in stockholders equity, and cash flows for the period from August 10, 2006 to December 31, 2006. We have also audited the accompanying combined statement of financial condition of Evercore Holdings (the Predecessor) as of December 31, 2005, and the related combined statements of income, changes in members equity and cash flows for the period from January 1, 2006 to August 9, 2006, and the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Successors and Predecessors (collectively the Company) management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Successor s consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Successor as of December 31, 2006, and the results of its operations and its cash flows for the period August 10, 2006 to December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor s combined financial statements referred to above present fairly, in all material respects, the financial position of the Predecessor as of December 31, 2005, and the results of its operations and its cash flows for the period January 1, 2006 to August 9, 2006, and the years ended December 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the combined/consolidated financial statements, the Successor was formed on August 10, 2006 pursuant to a contribution and sale agreement. As discussed in Note 2 to the combined/consolidated financial statements, effective January 1, 2006, the Successor adopted Statement of Financial Accounting Standard (SFAS) No. 123(R) Share-Based Payment. As discussed in Note 2 to the combined/consolidated financial statements, commencing August 10, 2006, the Company became subject to U.S. corporate federal income tax that it accounts for in accordance with SFAS No. 109 Accounting for Income Taxes.

/s/ Deloitte & Touche LLP

New York, New York

April 2, 2007

May 15, 2007 (as to Note 21 related to Stock Based Compensation and Dividends)

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EVERCORE PARTNERS INC.

COMBINED/CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share and per share data)

	Combined December 31, 2005 PREDECESSOR	Consolidated December 31, 2006 SUCCESSOR
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 37,855	$ 65,420
Trading Securities		4,216
Financial Instruments Owned and Pledged as Collateral at Fair Value		73,847
Securities Purchased Under Agreements to Resell		10,266
Accounts Receivable (net of allowances of $256 on December 31, 2005 and $208 on December 31, 2006)	12,708	55,247
Receivable from Members, Employees and Related Parties	1,952	1,443
Receivable from Affiliates	1,255	1,189
Debt Issuance Costs	607	
Prepaid Expenses	604	3,141
Other Current Assets	353	990
Total Current Assets	55,334	215,759
Investments	16,755	16,009
Deferred Tax Asset	205	1,774
Deferred Offering and Acquisition Costs	5,138	
Furniture, Equipment and Leasehold Improvements, Net	2,263	4,373
Goodwill		37,966
Intangible Assets, Net		23,080
Other Assets	1,761	2,542
TOTAL ASSETS	$ 81,456	$ 301,503
LIABILITIES AND MEMBERS AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accrued Compensation and Benefits	$ 13,165	$ 48,094
Accounts Payable and Accrued Expenses	11,672	8,948
Securities Sold Under Agreements to Repurchase		84,135
Deferred Revenue	935	404
Notes Payable to Related Parties		3,000
Payable to Members and Employees	659	338
Payable to Affiliates	440	306
Capital Leases Payable Current	193	132
Taxes Payable	1,730	6,535
Other Current Liabilities	626	15
Total Current Liabilities	29,420	151,907
Deferred Tax Liability	25	107
Capital Leases Payable Long-Term	232	94
TOTAL LIABILITIES	29,677	152,108
Commitments and Contingencies		
Minority Interest	274	36,918
Members and Stockholders Equity		
Members Equity	51,301	
Common Stock:		
Class A, par value $0.01 per share (1,000,000,000 shares authorized, 6,359,558 issued and outstanding)		64

Class B, par value $0.01 per share (1,000,000 shares authorized, 51 issued and outstanding)				
Additional Paid-In-Capital				108,564
Retained Earnings				3,786
Accumulated Other Comprehensive Income		204		63
TOTAL MEMBERS AND STOCKHOLDERS EQUITY		51,505		112,477
TOTAL LIABILITIES AND MEMBERS AND STOCKHOLDERS EQUITY	$	81,456	$	301,503

See Notes to Combined/Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

COMBINED/CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Combined	Combined	Combined	Consolidated
			For the Period	
	For the Twelve Months Ended December 31, 2004 PREDECESSOR	For the Twelve Months Ended December 31, 2005 PREDECESSOR	January 1, 2006 through August 9, 2006 PREDECESSOR	August 10, 2006 through December 31, 2006 SUCCESSOR
REVENUES				
Advisory Revenue	$ 69,205	$ 110,842	$ 96,122	$ 87,659
Investment Management Revenue	16,967	14,584	16,860	6,400
Interest Income and Other Revenue	145	209	643	8,813
TOTAL REVENUES	86,317	125,635	113,625	102,872
Interest Expense				6,783
NET REVENUES	86,317	125,635	113,625	96,089
EXPENSES				
Employee Compensation and Benefits	17,084	24,115	20,598	52,316
Occupancy and Equipment Rental	3,090	3,071	2,233	1,971
Professional Fees	8,031	23,892	13,527	6,739
Travel and Related Expenses	3,352	4,478	4,176	3,130
Communications and Information Services	812	898	1,075	815
Financing Costs			1,706	11
Depreciation and Amortization	667	778	666	3,234
Other Operating Expenses	1,437	1,871	1,319	2,066
TOTAL EXPENSES	34,473	59,103	45,300	70,282
Other Income	76			
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	51,920	66,532	68,325	25,807
Provision for Income Taxes	2,114	3,372	2,368	6,030
Minority Interest	29	8	6	15,991
NET INCOME	$ 49,777	$ 63,152	$ 65,951	$ 3,786
Net Income Available to Holders of Shares of Class A Common Stock	N/A	N/A	N/A	$ 3,786
Weighted Average Shares of Class A Common Stock Outstanding:				
Basic	N/A	N/A	N/A	4,956
Diluted	N/A	N/A	N/A	4,956
Net Income Per Share:				
Basic	N/A	N/A	N/A	$ 0.76

Diluted	N/A	N/A	N/A	$	0.76

See Notes to Combined/Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

COMBINED/CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS AND STOCKHOLDERS EQUITY

TWELVE MONTHS ENDED DECEMBER 31, 2004, 2005 and 2006

(in thousands, except share data)

	Members Equity	Common Stock Shares	Common Stock Dollars	Additional Paid-In-Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Members and Stockholders Equity
Combined							
PREDECESSOR							
Balance at January 1, 2004	$ 26,963		$	$	$ 90	$	$ 27,053
Net Income	49,777						49,777
Other Comprehensive Income:							
Unrealized Gains on Available-For-Sale Securities (net of tax of $15)					157		157
Less Reclass for Unrealized Gains included in Net Income (net of tax of $8)					(84)		(84)
Net Other Comprehensive Income					73		73
Total Comprehensive Income	49,777				73		49,850
Members Contributions	900						900
Members Distributions	(26,524)						(26,524)
Balance at December 31, 2004	51,116				163		51,279
Net Income	63,152						63,152
Other Comprehensive Income:							
Unrealized Gains on Available-For-Sale Securities (net of tax of $4)					41		41
Total Comprehensive Income	63,152				41		63,193
Members Contributions	2,291						2,291
Members Distributions	(65,258)						(65,258)
Balance at December 31, 2005	51,301				204		51,505
Net Income Allocable to Members	65,951						65,951
Members Contributions	2,644						2,644
Members Distributions	(100,711)						(100,711)
Members Draw	(6,503)						(6,503)
Private Equity Funds Distributions	(3,872)						(3,872)
Distribution of Available-For-Sale Securities					(204)		(204)
Elimination of Non-Contributed Entities	(16,452)						(16,452)
Capital Issuance Related to Acquisition	27,510						27,510
Transfer to Minority Interest	(19,868)						(19,868)
Balance at August 9, 2006	$		$	$	$	$	$
Consolidated							
SUCCESSOR							
Balance at August 10, 2006	$		$	$	$	$	$
Net Income Available to Class A Common Shareholders						3,786	3,786
Proceeds Issuance of Common Stock, net of $13,995 Issuance Costs		4,542,500	45	81,352			81,397
Issuance of Common Stock Related to Acquisitions		1,817,058	19	22,813			22,832

Issuance of Restricted Stock Units			4,399			4,399
Other Comprehensive Income				63		63
Balance at December 31, 2006	$ 6,359,558	$ 64	$ 108,564	$ 63	$ 3,786	$ 112,477

See Notes to Combined/Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Combined For the Twelve Months Ended December 31, 2004 PREDECESSOR	Combined For the Twelve Months Ended December 31, 2005 PREDECESSOR	Combined For the Period January 1, 2006 through August 9, 2006 PREDECESSOR	Consolidated August 10, 2006 through December 31, 2006 SUCCESSOR
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	$ 49,777	$ 63,152	$ 65,951	$ 3,786
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Stock Compensation				4,399
Depreciation and Amortization	667	778	1,273	3,234
Gain (Loss) on Disposal of Equipment	69			
Minority Interest	29	8	6	15,991
Bad Debt Expense	50	330		
Realized Gain on Investment	(76)			
Net Realized and Unrealized (Gains) and Losses on Investments	(3,122)	998	(4,845)	(1,476)
Net Realized and Unrealized (Gains) and Losses on Trading Securities			160	(461)
(Increase) Decrease in Operating Assets:				
Trading Securities			(3,158)	(752)
Financial Instruments Owned and Pledged as Collateral at Fair Value				123,685
Securities Purchased Under Agreements to Resell				196,141
Accounts Receivable	(5,525)	(5,495)	3,982	(40,678)
Placement Fees Receivable	2,487	2,487		
Receivable from Members, Employees and Related Parties Current	(1,128)	250	494	15
Receivable from Affiliates	(1,800)	808	(302)	(883)
Prepaid Expenses	(54)	(306)	(1,270)	(908)
Other Current Assets		(335)	308	107
Deferred Tax Asset	(111)			(1,569)
Deferred Offering and Acquisition Costs		(5,138)	(7,089)	(1,140)
Receivable from Members, Employees and Related Parties Long-term	134			
Other Assets	3	(208)	(49)	327
Increase (Decrease) in Operating Liabilities:				
Accrued Compensation and Benefits	3,601	4,355	2,488	28,235
Accounts Payable and Accrued Expenses	2,346	7,561	740	(6,428)
Securities Sold Under Agreements to Repurchase				(319,847)
Placement Fees Payable	(2,487)	(2,487)		
Deferred Revenue	253	(478)	1,344	(1,875)
Payable to Members and Employees	237	(247)	(243)	(6,001)
Payable to Affiliates	141	104	832	306
Deferred Tax Liability	61	(68)		82
Taxes Payable	863	194	31	5,385
Other Current Liabilities	142	419	(529)	(82)
Net Cash Provided by (Used in) Operating Activities	46,557	66,682	60,124	(407)

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EVERCORE PARTNERS INC.

COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

	Combined For the Twelve Months Ended December 31, 2004 PREDECESSOR	Combined For the Twelve Months Ended December 31, 2005 PREDECESSOR	Combined For the Period January 1, 2006 through August 9, 2006 PREDECESSOR	Consolidated August 10, 2006 through December 31, 2006 SUCCESSOR
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Acquired from Acquisitions			3,972	1,370
Investments Purchased	(545)	(5,793)	(9,202)	(5,476)
Proceeds from Investments Sold	3,056	5,010	3,497	2,536
Purchase of Furniture, Equipment and Leasehold Improvements	(1,048)	(1,024)	(1,272)	(912)
Elimination of Cash for Non-Contributed Entities			(54)	
Other Assets	(724)	(679)		(547)
Net Cash Provided by (Used in) Investing Activities	739	(2,486)	(3,059)	(3,029)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for Capital Leases Payable	(107)	(147)	(120)	(85)
Contributions from Members	900	2,291	2,644	
Net Capital Contributions from Minority Interest Members	81	1		
Net Proceeds from IPO				88,590
Repayment of Short-Term Borrowings				(30,000)
Payment of Notes Payable-Protego				(6,050)
Short-Term Borrowings			30,000	
Debt Issuance Costs		(607)		
Distributions to Members	(26,524)	(65,258)	(111,086)	
Net Cash Provided by (Used in) Financing Activities	(25,650)	(63,720)	(78,562)	52,455
EFFECT OF EXCHANGE RATE CHANGES ON CASH				43
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,646	476	(21,497)	49,062
CASH AND CASH EQUIVALENTS Beginning of Period	15,733	37,379	37,855	16,358
CASH AND CASH EQUIVALENTS End of Period	$ 37,379	$ 37,855	$ 16,358	$ 65,420

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EVERCORE PARTNERS INC.

COMBINED/CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

	Combined For the Twelve Months Ended December 31, 2004 PREDECESSOR	Combined For the Twelve Months Ended December 31, 2005 PREDECESSOR	Combined For the Period January 1, 2006 through August 9, 2006 PREDECESSOR	Consolidated August 10, 2006 through December 31, 2006 SUCCESSOR
SUPPLEMENTAL CASH FLOW DISCLOSURE				
Payments for Interest Company Debt	$ 145	$ 99	$ 917	$ 212
Payments for Interest Collateralized Financing Transactions	$	$	$	$ 6,783
Payments for Income Taxes	$ 1,284	$ 3,276	$ 3,808	$ 2,293
Fixed Assets Acquired Under Capital Leases	$ 55	$ 124	$	$
Non-Cash Distribution of Available-For-Sale-Securities	$	$	$ 416	$
Purchase of Subsidiaries				
Non-Interest bearing Evercore LP Notes	$	$	$ 7,000	$
Interest bearing Evercore Partners Inc. Notes				3,000
Evercore Class A Shares				21,882
Evercore LP Partnership Units			27,510	
Acquisition Costs			3,420	2,529
Cash Paid				392
Total Purchase Price			37,930	27,803
Accounts Receivable			(6,582)	(656)
Financial Instruments Owned and Pledged as Collateral at Fair Value			(198,511)	
Securities Purchased Under Agreements to Resell			(207,596)	
Other Current Assets				(613)
Investments			(1,670)	
Fixed Assets			(990)	(183)
Intangible Assets			(3,480)	(22,254)
Goodwill			(30,986)	(6,829)
Other Assets			(483)	(62)
Securities Sold Under Agreements to Repurchase			406,150	
Other Current Liabilities			2,756	4,556
Dividend Payable			6,375	
Minority Interest			1,059	
Cash Acquired from Purchase	$	$	$ 3,972	$ 1,762
Elimination of Non-Contributed Entities				
Members Equity of Non-Contributed Entities	$	$	$ 16,452	$
Due To (From) Members and Employees			1,255	
Due To (From) Uncombined Affiliates			(1,257)	

Investments			(16,757)	
Accounts Payable and Accrued Expenses			88	
Minority Interest			273	
Cash Withdrawal from General Partner Entity	$	$	$ 54	$
Issuance of Common Stock to repay Note Payable	$	$	$	$ 950
Non-Cash Deferred IPO Costs	$	$	$	$ 7,193
Transfer of Members Equity to Minority Interest	$	$	$ 19,868	$

See Notes to Combined/Consolidated Financial Statements.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Note 1 Organization

Evercore Partners Inc. and subsidiaries (the Successor Company) is an investment banking firm, incorporated in Delaware on July 21, 2005 and headquartered in New York, New York. The Successor Company is a holding company and its sole material asset is a controlling equity interest in Evercore LP. The Successor Company is the sole general partner of Evercore LP and, through Evercore LP and its operating entity subsidiaries, the Successor Company has continued to conduct the same business as prior to the Reorganization referred to below by certain combined and consolidated entities under the common ownership of the Evercore Senior Managing Directors (the Members) and common control of two of the founding Members (the Founding Members).

On August 10, 2006, pursuant to a contribution and sale agreement dated May 12, 2006: 1) the Members contributed to Evercore LP each of the various entities included in the historical combined financial statements of Evercore Holdings (the Predecessor Company), with the exception of the general partners of Evercore Capital Partners L.P. and its affiliated entities (collectively ECP I), Evercore Capital Partners II L.P. and its affiliated entities (collectively ECP II) and Evercore Venture Partners L.P. and its affiliated entities (collectively EVP), which are Company sponsored private equity funds, and of Evercore Founders L.L.C. and Evercore Founders Cayman Ltd. (collectively, the Founders), which are the entities through which the Founding Members fund their additional commitments to ECP I and acquired an interest in the general partner of ECP II, which will permit Evercore LP to receive 8% to 9% (depending on the particular fund investment) of any carried interest from that fund following the contribution (the Formation Transaction) and 2) Evercore LP acquired Protego Asesores S. de R.L. (Protego) and its subsidiaries and Protego SI, S.C. (Protego SI) from its directors and other stockholders. On August 16, 2006, the Company completed the initial public offering (IPO) of its Class A common stock. The Formation Transaction and IPO are collectively referred to as the Reorganization . On December 19, 2006, the Company acquired all of the outstanding shares of Braveheart Financial Services Limited (Braveheart) pursuant to a purchase and sale agreement dated July 31, 2006. Subsequently Braveheart was renamed Evercore Partners Limited (Evercore Europe). Where reference is made to the periods prior and subsequent to the IPO, the term the Company refers to the Predecessor Company and Successor Company, respectively.

The Successor Company s combined/consolidated financial statements include the accounts of the Company s subsidiaries. The sole direct subsidiary of the Company is Evercore LP. The subsidiaries of Evercore LP are as follows:

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

  - Evercore Group L.L.C. (EGL), is a registered broker-dealer under the Securities Exchange Act of 1934, as amended (the Exchange Act), and is registered with the National Association of Securities Dealers, Inc. EGL is a limited service entity, which specializes in rendering selected financial advisory services. EGL was converted to a limited liability company from an S corporation on April 19, 2006;

  - Evercore Advisors L.L.C., a Delaware limited liability company, provides investment advisory services to ECP II;

  - Evercore Venture Advisors L.L.C., a Delaware limited liability company, provides investment advisory services to EVP;

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Evercore Advisors I L.L.C., a Delaware limited liability company, provides investment advisory services to ECP I. Evercore Advisors Inc. was converted into Evercore Advisors I L.L.C. on August 10, 2006;

Evercore Properties L.L.C., a Delaware limited liability company, is a lease holding entity for the Company s New York offices. With respect to the Company s California offices, such leases are held by East. Evercore Properties Inc. was converted into Evercore Properties L.L.C. on August 10, 2006.

Evercore Financial Advisors L.L.C., a Delaware limited liability company.

Evercore Restructuring L.L.C., a Delaware limited liability company.

Evercore Group Holdings L.L.C., a Delaware limited liability company, is the general partner of EGH.

Evercore GP Holdings L.L.C. (GP Holdings), which is a non-managing member of the general partner of ECP II.

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

Protego, which together with Evercore LP, owns all of the interests in each of the following entities that principally provide advisory, investment management and administrative services: Protego Administradores, S. de R.L., Sedna, S. de R.L., Protego PE, S. de R.L., Protego Servicios, S.C., Protego Casa de Bolsa (PCB) and Protego CB Servicios, S. de R.L. (PCBS). All of these entities are 100% owned by Protego, with the exception of PCB and PCBS. PCB and PCBS were established for Protego s asset management business and are 70.0% and 70.6%, respectively, owned by the Company. The remaining interest in these entities is held by third party outsiders.

Evercore Partners Limited, a U.K. company whose main activity is the provision of advisory and related services.

The Predecessor Company, prior to the Reorganization referred to above, was comprised of certain combined entities under the common ownership of the Members and common control of the Founding Members.

The Combined Financial Statements of the Predecessor Company are comprised of the following entities:

EGH and subsidiaries.

Evercore Group Holdings L.L.C.

Evercore Partners L.L.C., Evercore Offshore Partners Ltd. and Evercore Partners Cayman L.P. are the general partners of various ECP I entities.

Evercore Partners II L.L.C. and Evercore Venture Management L.L.C. (EVM) are the general partners of ECP II and EVP, respectively.

The Founders are the entities through which the Company funds its additional commitments to ECP I.

The Company s principal activities are divided into two reportable segments:

Advisory includes advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings and similar corporate finance matters; and

Investment management prior to the IPO, investment management includes the management of outside capital invested in the Company s sponsored private equity funds: ECP I, ECP II and EVP, the Company s principal investments in ECP I, ECP II and EVP, and the Company s investments in, and managed by, Evercore Asset Management L.L.C. (EAM). Subsequent to the IPO, investment

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

management includes the management of outside capital invested in the Company s sponsored private equity funds: ECP I, ECP II, EVP and Discovery Americas I, L.P. (the Discovery Fund), the Company s principal investments in ECP II, GP Holdings, the Discovery Fund and EAM. Where reference is made to the periods prior and subsequent to the IPO, the term Private Equity Funds refers to the Company s principal investments in the respective private equity funds mentioned above. Each of the Private Equity Funds is managed by its own general partners, and outside investors participate in the Private Equity Funds as limited partners. Investment management also includes the management of outside funds by PCB.

Note 2 Significant Accounting Policies

Basis of Presentation The combined/consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Company s policy is to consolidate all majority-owned subsidiaries in which it has a controlling financial interest as well as variable interest entities where the Company is deemed to be the primary beneficiary. All intercompany transactions and balances have been eliminated.

The combined/consolidated financial statements of the Company are comprised of the consolidation of Evercore LP, EGH and its general partner, GP Holdings, Evercore LP s wholly-owned subsidiaries, Protego and Braveheart and, prior to the Reorganization, the combination of its general partners of the Private Equity Funds and Founders, entities that are wholly-owned or controlled by the Company.

The current period financials reflect each financial statement category including the activity as the Company stood prior to the Reorganization through August 9, 2006. For the remainder of the period beginning August 10, 2006, the results of just those entities contributed to Evercore LP under the Reorganization are reflected in the combined/consolidated financial statements.

The Company accounted for the Formation Transaction as an exchange between entities under common control and recorded the net assets and members equity of the contributed entities at historical cost.

Subsequent to the IPO, the Company became the sole general partner of Evercore LP. The Company s interest in Evercore LP is within the scope of the Emerging Issues Task Force Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5). Although the Company has a minority economic interest in Evercore LP, it has a majority voting interest and controls the management of Evercore LP. Additionally, although the limited partners have an economic majority of Evercore LP, they do not have the right to dissolve the partnership or substantive kick-out rights or participating rights, and, therefore, lack the ability to control Evercore LP. Accordingly, the Company consolidates Evercore LP and records minority interest for the economic interest in Evercore LP held directly by the Members and Founding Members.

Investments in non-majority-owned companies in which the Company has significant influence are accounted for by the Company using the equity method.

The following accounting policies apply to both the Predecessor Company and Successor Company unless otherwise specified.

Reclassifications Pursuant to Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes* (SFAS 109), beginning in 2006, the Company began to separately disclose deferred tax assets and tax liabilities on the Combined/Consolidated Statement of Financial Condition.

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reclassifications were made to the December 31, 2005 Combined/Consolidated Statement of Financial Condition for comparative purposes.

During the fourth quarter of 2006, the Company began reporting balances related to Restricted Cash as part of Other Assets, whereas in prior periods these balances were reported as Restricted Cash as part of current assets. All prior periods have been reclassified to conform to this presentation.

Minority Interest Minority interest recorded on the combined financial statements of the Predecessor Company relates to the minority interest of an unrelated third-party in EVM, the general partner of EVP. EVM is owned by the Founding Members, an unrelated third-party, which owns approximately 53%, and Evercore Venture Partners L.L.C., which owns approximately 47%. Evercore Venture Partners L.L.C. is under common ownership of the Company and is the managing member of EVM. As a result, the Company included in its Combined Statements of Income all of the net income of EVM with an appropriate minority interest of approximately 53%. Minority interest recorded on the consolidated financial statements of the Successor Company relates to the minority interest of the Members in Evercore LP and the portion of PCB not owned by the Company.

Use of Estimates The preparation of the combined/consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined/consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to the valuation of portfolio investments in companies owned by the Private Equity Funds (the Portfolio Companies), financial instruments owned, the allowance for doubtful accounts for accounts receivables, compensation liabilities, tax liabilities, deferred tax assets and liabilities, goodwill, intangible assets and other matters that affect reported amounts of assets and liabilities. Actual amounts could differ from those estimates and such differences could be material to the combined/consolidated financial statements.

Cash and Cash Equivalents Cash and cash equivalents consist of short-term highly liquid investments with remaining maturities of three months or less.

Trading Securities The Company invests in readily marketable equity securities that are managed by EAM. Trading Securities are valued using quoted market prices on applicable exchanges or markets. The realized and unrealized gains and losses on Trading Securities are included in the Combined/Consolidated Statements of Income in Investment Management Revenue.

Restricted Cash The Company was required to maintain compensating balances of $1,519 at December 31, 2005 and 2006 as collateral for letters of credit issued by a third party in lieu of a cash security deposit, as required by the Company s lease for certain of its New York office space. Additionally, the Successor Company has $547 of cash being held in escrow related to carried interest received from the Private Equity Funds. These balances are included in Other Assets on the Combined/Consolidated Statements of Financial Condition. These funds are not considered as Cash and Cash Equivalents for purposes of the Combined/Consolidated Statements of Cash Flows.

Financial Instruments Owned and Pledged as Collateral at Fair Value The Successor Company s financial instruments owned and pledged as collateral at fair value consist principally of foreign government obligations, which are recorded on a trade date basis and are stated at quoted market values. Related gains and losses are reflected in Interest Income and Other Revenue on the Combined/Consolidated Statements of Income. The Successor Company pledges the financial instruments owned and pledged as collateral at fair value to collateralize certain financing arrangements which permits the counterparty to pledge the securities.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase The Successor Company has securities purchased under agreements to resell of $10,266 at December 31, 2006, for which it received collateral with a fair value of $10,267 at December 31, 2006. Additionally, the Successor Company has securities sold under agreements to repurchase of $84,135 at December 31, 2006, for which it pledged collateral with a fair value of $84,115 at December 31, 2006. Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions. The agreements provide that the transferor will receive substantially the same securities in return at the maturity of the agreement and the transferor will obtain from the transferee sufficient cash or collateral to purchase such securities during the term of the agreement. These transactions are carried at the amounts at which the related securities will be subsequently resold or repurchased, plus accrued interest payables or receivable. As these transactions are short-term in nature, their carrying amounts are a reasonable estimate of fair value.

Accounts Receivable Accounts receivable consists primarily of advisory fees and expense reimbursements charged to the Company s clients. Accounts receivable as of December 31, 2005 and 2006 include unbilled client expense receivables in the amount of $1,451 and $2,630, respectively.

Accounts receivable are reported net of any allowance for doubtful accounts. Management of the Company derives the estimate through specific identification for the allowance for doubtful accounts by utilizing past client transaction history and an assessment of the client s creditworthiness, and has determined that an allowance for doubtful accounts of $256 as of December 31, 2005 and $208 as of December 31, 2006 was required.

Fair Value of Financial Instruments The majority of the Company s assets and liabilities are recorded at fair value or at amounts that approximate fair value. Such assets and liabilities include cash and cash equivalents, investments, securities, financial instruments, receivables and payables, and accruals.

Investments The Company s investments, which are accounted for under the equity method of accounting, consist of investments in Private Equity Funds, the Company s equity investment in EAM managed funds and the Company s equity interest in EAM.

The Private Equity Funds consist primarily of investments in marketable and non-marketable securities of the Portfolio Companies. The underlying investments held by the Private Equity Funds are valued based on quoted market prices or estimated fair value if there is no public market. The fair value of the Private Equity Funds investments in non-marketable securities is ultimately determined by the Company. The Company determines fair value of non-marketable securities by giving consideration to a range of factors, including but not limited to market conditions, operating performance (current and projected) and subsequent financing transactions. Due to the inherent uncertainty in the valuation of these non-marketable securities, estimated values may materially differ from the values that would have been used had a ready market existed for these investments. Investments in publicly traded securities held by the Private Equity Funds are valued using quoted market prices.

The equity investment in funds managed by EAM consists primarily of readily marketable equity securities that are valued using quoted market prices on applicable exchanges or markets.

The Company reflects its pro rata share of realized and unrealized gains and losses from changes in the values associated with the private equity investments and the funds managed by EAM. Such gains and losses are included in the Combined/Consolidated Statements of Income in Investment Management Revenue.

The Company holds a 41.7% interest in EAM that is accounted for under the equity method. The Company records its pro rata share of net income or losses in Investment Management Revenue on the Combined/

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated Statements of Income. Capital contributions made and distributions from EAM are reflected as an increase or decrease in basis, respectively.

The Company annually assesses its Equity Method Investments for Impairment per Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*.

Business Combinations The Company accounts for acquisitions using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. The purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date.

Goodwill and Intangible Assets SFAS No. 142, *Goodwill and Other Intangible Assets* does not permit the amortization of goodwill and indefinite-lived assets. Instead, these assets must be reviewed annually (or more frequently under certain conditions) for impairment. Finite life intangible assets are amortized over their estimated useful lives, which are periodically reevaluated and are also reviewed annually for impairment.

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

The Company capitalizes certain costs of computer software obtained for internal use and amortizes the amounts over the estimated useful life of the software, generally not exceeding three years. Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software. Capitalization of these costs ceases no later than the point at which software development projects are substantially complete and ready for their intended purposes.

Upon retirement or disposition of assets, the cost and related accumulated depreciation or amortization is removed from the accounts and the resulting gain or loss, if any, is recognized as a gain or loss on disposition of assets in other operating income or expense. Expenditures for maintenance and repairs are expensed as incurred.

Leases Leases are accounted for in accordance with SFAS No. 13, *Accounting for Leases*. Leases are classified as either capital or operating as appropriate. For capital leases, the present value of the future minimum lease payments is recorded as a liability. Amortization of capitalized leased assets is computed on the straight-line method over the lesser of the lease term or useful life of the asset. For operating leases the Company reflects lease expense over the term of the lease on a straight-line basis.

Revenue Total Revenues reflect revenues from advisory and investment management that includes transaction related client reimbursements plus Interest Income and Other Revenue. Net Revenues reflect Total Revenues less interest expense principally related to repurchase and reverse repurchase agreements.

Advisory Revenue The Company earns advisory revenue through: 1) success fees based on the occurrence of certain events which may include announcements or completion of various types of financial transactions; 2) retainer arrangements and 3) fairness opinions.

The Company recognizes advisory revenue when: 1) there is evidence of an arrangement with a client; 2) agreed upon services have been provided; 3) fees are fixed or determinable and 4) collection is reasonably assured.

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fees paid in advance of services rendered are initially recorded as deferred revenue and recognized as advisory revenue ratably over the period in which the related service is rendered.

Investment Management Revenue Our investment management business generates revenues from the management of the Private Equity Funds and traditional asset management products.

Private Equity Revenue Private equity revenue sources include the following: 1) management fees; 2) Portfolio Company fees; 3) carried interest and 4) gains (or losses) on investments in the Private Equity Funds the Company manages.

Management Fees Management fees are contractually based and are derived from investment management services provided in originating, recommending and consummating investment opportunities to the Private Equity Funds. Management fees are payable semi-annually in advance on committed capital during the Private Equity Funds investment period, and on invested capital, thereafter. Management fees are initially recorded as deferred revenue and revenue is recognized ratably, thereafter, over the period during which services are provided.

The Private Equity Funds partnership agreements provide for a reduction of management fees for certain Portfolio Company fees earned by the Company. Portfolio Company fees are recorded as revenue when earned and are offset, in whole or in part, against future management fees. Such offsets amounted to $742, $2,004, $1,452 and $3,295 for the twelve months ended December 31, 2004 and 2005 and the periods January 1, 2006 to August 9, 2006 and August 10, 2006 to December 31, 2006, respectively.

The ECP II partnership agreement also provides that placement fees paid by its limited partners are offset against future management fees. Such offsets amounted to $2,487, $2,487, $0 and $0 for the twelve months ended December 31, 2004 and 2005 and the periods January 1, 2006 to August 9, 2006 and August 10, 2006 to December 31, 2006, respectively.

Portfolio Company Fees Portfolio Company fees include monitoring, director and transaction fees associated with services provided to the Portfolio Companies of the Private Equity Funds the Company manages.

Monitoring fees are earned by the Company for services provided to the Portfolio Companies with respect to the development and implementation of strategies for improving operating, marketing and financial performance. Monitoring fee revenue is recognized ratably over the period for which services are provided.

Director fees are earned by the Company for the services provided by Members who serve on the Board of Directors of Portfolio Companies. Director fees are recorded as revenue when payment is received. This policy does not yield results that are materially different compared to recording revenue when services are provided, as required by GAAP.

Transaction fees are earned by the Company for providing advisory services to Portfolio Companies. These fees are earned and recognized on the same basis as advisory revenue.

Gains (Losses) on Investments in the Private Equity Funds Prior to the IPO, the Company s investments in the Private Equity Funds consisted of general partnership interest and related commitments in ECP I, ECP II and EVP. Subsequent to the IPO, the Company s investments in the Private Equity Funds consisted of its equity interest in ECP II and the Discovery Fund. Investments in the Private Equity Funds are accounted for under the Equity Method whereby the Company recognizes its allocable share of the fair value of the Private Equity Funds underlying investments as realized and unrealized gains (or losses), which are reflected as revenue in the Combined/Consolidated Statements of Income.

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Carried Interest The Company records incentive fee revenue from the Private Equity Funds when the returns on the Private Equity Funds investments exceed certain threshold minimums. These incentive fees, or carried interest are computed in accordance with the underlying Private Equity Funds partnership agreements and are based on investment performance over the life of each investment partnership. Prior to the IPO, all of the carried interest earned from ECP I, ECP II and EVP was included in revenues. For the period subsequent to the IPO, the Company recognizes as revenue, through its equity interest in the general partner of ECP II and the Discovery Fund, its pro rata share of any realized and unrealized carried interest.

Future investment underperformance of the Private Equity Funds may require amounts of carried interest previously distributed to the general partners of the funds to be returned. The Members, in their capacity as members of the general partner of ECP I, have severally but not jointly guaranteed their pro rata share of the ECP I general partner s obligation (which may arise due to investment underperformance) to refund to outside investors in ECP I amounts of carried interest previously distributed to the ECP I general partner. The Members, in their capacity as members of the general partner of ECP II, including the Company for the period after the IPO, have jointly and severally guaranteed their pro rata share of the ECP II general partner s obligation (which may arise due to investment underperformance) to refund to outside investors in ECP II amounts of carried interest previously distributed to the ECP II general partner, however each Member s obligation pursuant to such guarantee is capped at 125% of such Member s pro rata share of such amount.

As required by the ECP I and ECP II partnership agreements, the general partner of each of ECP I and ECP II has established third party escrow accounts and deposited a portion of carried interest in such accounts to satisfy any obligation of such general partner, including the obligation to return all or a portion of carried interest previously distributed to such general partner due to investment underperformance of the related fund. Prior to the IPO, these escrowed amounts were not included in the Company s accounts, as these funds were the property of members of the general partner. Subsequent to the IPO, the Company became a member of the general partner of ECP II and reflects its pro rata share of ECP II carried interest held in escrow on its balance sheet. The amount escrowed as of December 31, 2006 was $547 and this restricted cash is included in Other Assets on the Consolidated Statement of Financial Condition.

Traditional Asset Management Revenue PCB s revenue sources include the following: 1) management fees; 2) performance fees; 3) dealer spreads on client transactions and 4) net interest revenue earned by PCB in collateralized financing transactions.

Management Fees Management fees are contractually based and are derived from investment management services provided in originating, recommending and consummating investment opportunities to clients of PCB. PCB receives fixed management fees that are recognized ratably over the relevant contract period.

Performance Fees Performance fees, that are also referred to as incentive fees, are paid to the portfolio managers in an amount that depends on the managers performance relative to an associated benchmark. Performance fees are recorded as revenue pursuant to the client agreements.

Dealer Spreads Dealer spreads are earned when PCB acts as an agent in securities transactions on behalf of its clients. Dealer spreads are recognized as revenue when transactions on behalf of clients are consummated.

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

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Client Expense Reimbursement In the conduct of its financial advisory service engagements and in the pursuit of successful Portfolio Company investments for the Private Equity Funds, the Company receives reimbursement for certain transaction-related expenses incurred by the Company on behalf of its clients. Such reimbursements are classified as either advisory or investment management revenues, as applicable. Transaction-related expenses, which are billable to clients, are recognized as revenue in accordance with EITF 01-14, *Income Statement Characterization of Reimbursement Received for Out of Pocket Expenses Incurred* , and recorded in accounts receivable on the later of: 1) the date of an executed engagement letter or 2) the date the expense is incurred. The Company reported such expense reimbursement as revenue on the Combined/Consolidated Statements of Income in the amount of $2,355, $3,374, $2,463 and $2,260 for the twelve months ended December 31, 2004 and 2005 and the periods January 1, 2006 to August 9, 2006 and August 10, 2006 to December 31, 2006, respectively.

Share-Based Payment On December 16, 2004, the Financial Accounting Standards Board, (FASB), issued SFAS 123(R) *Share-Based Payment* which is a revision of SFAS No. 123, *Accounting for Stock Based Compensation* . SFAS 123(R) supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* , (APB No, 25) and amends SFAS No. 95, *Statement of Cash Flows* (SFAS 95). Prio to the IPO, the Predecessor Company operated as a series of partnerships, limited liability companies and Subchapter S corporations and did not historically issue stock-based compensation awards. The Company adopted SFAS 123(R) on January 1, 2006 and the impact on the Company s Combined/Consolidated Statement of Financial Condition and Statements of Income subsequent to the IPO is discussed in Note 14 Stock Based Compensation.

Compensation and Benefits Compensation includes salaries, bonuses (discretionary awards and guaranteed amounts) and severance but historically excluded any compensatory payments made to Members. After the Company s IPO, compensatory payments made to these individuals are included in compensation expense. Bonuses are accrued over the service period to which they relate. Benefits includes both Member and employee benefit expense.

Foreign Currency Translation Foreign currency assets and liabilities have been translated at rates of exchange prevailing at the end of the periods presented. Income and expenses transacted in foreign currency have been translated at average monthly exchange rates during the period. Translation gains and losses are included in the foreign currency translation adjustment as a component of Other Comprehensive Income in the Combined/Consolidated Statement of Changes in Members and Stockholders Equity.

Income Taxes Prior to August 10, 2006, the Company had not been subject U.S. federal income tax, but had been subject to the New York City unincorporated business tax (UBT) and New York City general corporate tax on its U.S. earnings, including certain non-income tax fees in other jurisdictions where the Company had registered offices and conducted business. The Company s operations were historically organized as a series of partnerships, limited liability companies and Subchapter S corporations. Taxes related to income earned by these entities represent obligations of the individual Members, partners or shareholders and have not historically been reflected in the accompanying combined/consolidated financial statements. Commencing August 10, 2006, the Company became subject to U.S. corporate federal income tax on its allocable share of the results of operations of the Company. The Company accounts for income taxes in accordance with SFAS 109, which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities, as disclosed in Note 17 Income Taxes.

Deferred income taxes reflect the net tax effects of temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. Such temporary differences are reflected on the Company s Combined/Consolidated Statements of Financial Condition as deferred tax assets and liabilities.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net Income Per Share Subsequent to the IPO, the Company computes net income per share in accordance with SFAS No. 128, *Earnings Per Share*. Basic Net Income per Share is computed by dividing income available to common shareholders by the weighted average of common shares outstanding for the period. Diluted Net Income per Share reflects the assumed conversion of all dilutive securities. See Note 13 Net Income Per Share. Prior to the Reorganization, the Company historically operated as a series of related partnerships, limited liability companies and Subchapter S corporations under the common control of the Founding Members. There was no single capital structure upon which to calculate historical earnings per share information. Accordingly, earnings per share information has not been presented for the Predecessor Company.

Comprehensive Income Comprehensive income consists of net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, gains and losses that are included in Accumulated Other Comprehensive Income as a separate component of Members and Stockholders Equity but are excluded from net income. The Company s other comprehensive income is comprised of unrealized gains on Available-for-Sale Securities and foreign currency translation.

Net Income As a result of the Company operating as a series of partnerships, limited liability companies and Subchapter S corporations, payment for services rendered by the Members has historically been accounted for as a distribution from Members capital rather than as compensation and benefits expense. As a result, the Company s operating income historically has not reflected payments for services rendered by its Members. These compensatory payments that occur after the Company s IPO are included in Compensation and Benefits on the Combined/Consolidated Statements of Income.

The Members have historically received periodic distributions of operating proceeds, which are reported in the Statements of Changes in Members Equity as distributions. The amount of cash distributions received by the Members was $107,214 for the period January 1, 2006 through August 9, 2006.

Note 3 Recently Issued Accounting Pronouncements

SFAS 154 In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (SFAS 154), which replaces APB Opinion No. 20 and SFAS No. 3, and changes the requirements for the accounting for and reporting of a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, although early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date SFAS 154 was issued. The adoption of SFAS 154 did not have a material effect on the Company s financial condition, results of operations and cash flows.

SFAS 155 In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140* (SFAS 155). SFAS 155 permits an entity to measure at fair value any financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS 155 is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. The adoption of SFAS 155 is not expected to have a material impact on the financial condition, results of operations and cash flows of the Company.

SFAS 156 In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140* (SFAS 156) which requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable, and for subsequent measurements, permits an entity to choose either the amortization method or the fair value measurement method for each class of separately recognized servicing assets and servicing liabilities. SFAS 156 also requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial condition and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS 156 is effective in fiscal years beginning after September 15, 2006. The adoption of SFAS 156 is not expected to have a material impact on the financial condition, results of operations and cash flows of the Company.

FSP FIN 46(R)-6 In April 2006, the FASB issued FASB Staff Position No. FIN 46(R)-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)* (FSP FIN 46(R)-6). FSP FIN 46(R)-6 requires that the determination of the variability to be considered in applying FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* (FIN 46R), be based on an analysis of the design of the entity. In evaluating whether an interest with a variable interest entity creates or absorbs variability, FSP FIN 46(R)-6 focuses on the role of a contract or arrangement in the design of an entity, regardless of its legal form or accounting classification. The Company adopted the guidance in FSP FIN 46(R)-6 prospectively on October 1, 2006 to all entities that the Company first became involved with and to all entities previously required to be analyzed under FIN 46R when a reconsideration event has occurred under paragraph 7 of FIN 46R. The adoption of FSP FIN 46(R)-6 did not have a material impact on the Company s financial condition, results of operations and cash flows.

FIN 48 In July 2006, the FASB issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48) which clarifies the criteria that must be met prior to recognition of the financial statement benefit of a position taken in a tax return. FIN 48 provides a benefit recognition model with a two-step approach consisting of a more-likely-than-not recognition criteria, and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. FIN 48 also requires the recognition of liabilities created by differences between tax positions taken in a tax return and amounts recognized in the financial statements. FIN 48 is effective as of the beginning of the first annual period beginning after December 15, 2006. The adoption of FIN 48 is not expected to have a material impact on the financial condition, results of operations and cash flows of the Company.

SFAS 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective in fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of adopting SFAS 157 on the financial condition, results of operations and cash flows of the Company.

SFAS 158 In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158) which requires an employer to recognize the overfunded or underfunded status of a defined benefit post-retirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial condition and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 is effective in fiscal years beginning after December 15, 2008. The adoption of SFAS 158 is not expected to have a material impact on the financial condition, results of operations and cash flows of the Company.

SAB 108 In September 2006, the Securities and Exchange Commission (the SEC) released Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 permits the Company to adjust for the cumulative effect of immaterial errors relating to prior years in the carrying amount of assets and liabilities as of the beginning of the current fiscal year, with an offsetting adjustment to the opening balance of retained earnings in the year of adoption. SAB 108 also requires the adjustment of any prior quarterly financial statements within the fiscal year of adoption for the effects of such errors on the quarters when the information is

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NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

next presented. Such adjustments do not require previously filed reports with the SEC to be amended. The adoption of SAB 108 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

SFAS 159 In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company is currently assessing the impact of adopting SFAS 159 on the financial condition, results of operations and cash flows of the Company.

Note 4 Business Changes and Developments

Business Combination with Protego The Company combined its business with that of Protego and its subsidiaries and Protego SI, an investment banking boutique in Mexico that provides advisory and investment management services to a wide array of clients in Latin America.

The combination with Protego happened prior to but in conjunction with the Formation Transaction and the closing of the IPO on August 16, 2006. Pursuant to the executed contribution and sales agreement, which is referred to collectively as the Protego Combination :

Evercore LP acquired all of Protego and its subsidiaries (including a 70% interest in PCB, Protego s asset management subsidiary) and Protego SI in exchange for $7,000 aggregate principal amount of non-interest bearing notes; and

The Protego Directors became Senior Managing Directors of the Predecessor Company and subscribed, collectively with certain companies they control, certain trusts benefiting their families and a trust benefiting certain Directors and employees of Protego, for 1,760,187 vested and 351,362 unvested partnership units of Evercore LP.

Of the $7,000 in notes issued in consideration for the Protego Combination, $6,050 was paid in cash and $950 was issued in shares of Class A common stock valued at the IPO price of $21.00 per share. The Company issued 45,238 shares of Class A common stock upon the repayment of such notes. In addition, Protego distributed to its Directors cash and interests in certain accounts receivables, so as to distribute to its Directors all earnings for the period from January 1, 2005 through the closing date of August 9, 2006.

The Company accounted for the vested partnership units of Evercore LP issued in the Protego Combination as a component of the estimated purchase price pursuant to SFAS No. 141, *Business Combinations* (SFAS 141). The estimated value of the vested Evercore LP partnership units was determined by management.

The Company accounted for the unvested partnership units issued in the Protego Combination as future compensation expense and not as part of the purchase consideration. In accordance with SFAS 123(R), the unvested partnership units of Evercore LP will be charged to expense at the time a vesting event occurs or, if earlier, at the time a vesting event becomes probable. The expense will be based on the grant date fair value of the partnership units of Evercore LP, which will be the IPO price of the Class A common stock into which these partnership units are exchangeable.

The results of operations for Protego subsequent to the combination are reflected in the December 31, 2006 combined/consolidated financial statements of Evercore Partners Inc.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Acquisition of Braveheart On July 31, 2006, the Company entered into a sale and purchase agreement to acquire Braveheart. On December 19, 2006, the Company completed this acquisition pursuant to this agreement. Braveheart was organized to provide corporate finance and private equity advisory services, subject to its receipt of applicable regulatory approvals. In exchange for 100% of the outstanding share capital of Braveheart, the Company paid initial consideration, deferred consideration and earn-out consideration, with a total value of $27,803. The initial consideration was comprised of 1,771,820 shares of Evercore Partners Inc. Class A common stock. The deferred consideration, payable at the Company s sole discretion, is comprised of 590,607 additional shares of Class A common stock. If any portion of the payment of the deferred consideration becomes probable and the amount can be estimated, the Company will record deferred consideration payable in accordance with SFAS 141. The Braveheart shareholders also received earn-out consideration based on gross revenues generated by Braveheart. The amount of earn-out consideration was earned at the point of acquisition and accordingly, the Company issued to the Braveheart shareholders, collectively, $3,000 of loan notes due 2010, which bear interest at LIBOR plus 100 basis points and which are redeemable by the holder at any time after October 31, 2007. Additionally, the Company paid $392 in cash as part of the acquisition. As stated in Note 5 Related Parties, pursuant to a co-operation agreement, EGL paid Braveheart a retainer fee in the amount of $933 and the Company earned from Braveheart a retainer fee of $500.

If the Protego Combination and Braveheart acquisition were effective as of January 1, 2005 or January 1, 2006, respectively, the operating results of the Company, on a pro forma basis, would have been:

	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2006
	(unaudited)	
Net Revenues	$ 146,294	$ 216,389
Net Income	5,293	9,385
Net Income Per Share	1.10	1.43

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Pursuant to the executed contribution and sales agreement, the purchase price of the combination had been allocated to the assets acquired and liabilities assumed using the fair values as determined by management as of the acquisition date. The computation of the purchase price to net assets of Protego and Braveheart based on their respective fair values as of August 9, 2006 and December 19, 2006, respectively and resulting goodwill are presented below.

	Protego August 9, 2006	Braveheart December 19, 2006	Total
Purchase Price			
Non-Interest-Bearing Evercore LP Notes	$ 7,000	$	
Interest-Bearing Evercore Partners Inc. Notes		3,000	
Evercore LP Partnership Units	27,510		
Evercore Class A Common Stock		21,882	
Acquisition Costs	3,571	2,529	
Cash Paid		392	
Total Purchase Price	38,081	27,803	
Fair Value of Assets Acquired and Liabilities Assumed			
Cash	3,972	1,762	
Accounts Receivable	6,582	656	
Financial Instruments Owned and Pledged as Collateral at Fair Value	198,511		
Securities Purchased Under Agreements to Resell	207,596		
Investments	1,670		
Fixed Assets	990	183	
Intangible Assets	3,480	22,254	
Other Assets	483	675	
Securities Sold Under Agreements to Repurchase	(406,150)		
Dividend Payable	(6,375)		
Other Current Liabilities	(2,756)	(4,556)	
Minority Interest	(1,059)		
Identifiable Net Assets	6,944	20,974	
Goodwill Resulting from the Business Combination	$ 31,137	$ 6,829	$ 37,966

In connection with the Protego and Braveheart acquisitions the Company recorded intangible assets of $25,734. The intangible assets were valued at the date of acquisition at their fair value, as determined by management. The assets will be amortized over their useful lives on a straight line basis, ranging from 0.5 years to 6 years. As of December 31, 2006 intangible assets, net of amortization, associated with these acquisitions were $23,080.

During the fourth quarter of 2006, an additional expense was incurred related to the Protego acquisition which increased the amount of goodwill recognized for the Protego acquisition by $151.

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In conjunction with the Protego and Braveheart acquisitions, the intangible assets amounts assigned by asset class are presented below.

	As of December 31, 2006					
	Gross Carrying Amount			Accumulated Amortization		
	Protego	Braveheart	Total	Protego	Braveheart	Total
Client Backlog	$ 2,710	$ 12,840	$ 15,550	$ 2,106	$ 422	$ 2,528
Client Relationships	80	9,330	9,410	21	50	71
Broker Dealer License	240		240	19		19
Financial Services Authority License		84	84		1	1
Non-compete/Non-solicit Agreements	450		450	35		35
Total	$ 3,480	$ 22,254	$ 25,734	$ 2,181	$ 473	$ 2,654

Expense associated with amortization of intangibles was $0, $0, $0 and $2,654 for the years ended December 31, 2004 and 2005 and for the periods January 1, 2006 to August 9, 2006 and August 10, 2006 through December 31, 2006, respectively.

Based on the intangible assets as of December 31, 2006, annual amortization of intangibles for each of the next five years is as follows:

2007	$ 14,785
2008	1,716
2009	1,710
2010	1,710
2011	1,656

The amounts of goodwill acquired in the Protego and Braveheart acquisitions and changes to the carrying value of Protego are presented below:

	Evercore Partners Inc.
Balance as of January 1, 2006	$
Goodwill acquired in Protego Combination	30,986
Changes in Carrying Value of Goodwill Protego	151
Goodwill Acquired in Braveheart Acquisition	6,829
Balance as of December 31, 2006	$ 37,966

The Company has assessed whether there was any impairment of its goodwill or intangible asset balances at December 31, 2006. No adjustment was deemed necessary.

Note 5 Related Parties

The Company remits payment for expenses on behalf of the Private Equity Funds and is reimbursed accordingly. During the twelve months ended December 31, 2005 and 2006, the Company disbursed $794 and $938, respectively, on behalf of these entities. Included in Receivable from Affiliates on the Statements of Financial Condition as of December 31, 2005 and 2006 are accrued and unpaid management fees, reimbursable expenses relating to the Private Equity Funds, transaction and monitoring fees charged to Portfolio Companies and investment advances made to an affiliate in the amounts of $1,255 and $1,189, respectively. Payables to

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NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Affiliates amounted to $440 and $306 as of December 31, 2005 and 2006, respectively. At December 31, 2005, the payables represented obligations of the general partner pursuant to the respective partnership agreements of the Private Equity Funds and are payable to the Private Equity Funds. At December 31, 2006, the payables primarily represent net fees owed to EAM pursuant to a service level agreement discussed below.

Included in income from related parties are investment management revenues earned from our private equity funds for portfolio company fees, management fees, carried interest and realized and unrealized gains and losses of private equity fund investments. Total investment management revenues amounted to $16,967, $14,584, $16,860 and $6,400 for the years ended December 31, 2004, 2005, and for the periods from January 1, 2006 through August 9, 2006 and August 10, 2006 through December 31, 2006, respectively.

Effective October 28, 2005, EGH acquired (indirectly through a wholly-owned subsidiary) the right to invest in EAM, an entity engaged in the asset management business. The Company s investment in EAM is accounted for under the equity method. Although EAM is considered a variable interest entity, the Company is not the primary beneficiary, and thus, not required to consolidate EAM. In addition, EAM and East are parties to a service level agreement whereby East provides certain administrative services to EAM. EAM provides certain investment and sales related consulting services that benefit the investment management segment of the Company.

Included in Receivable from Members, Employees and Related Parties on the Combined/Consolidated Statements of Financial Condition are loans to employees and former employees of the Company. These loans are collateralized by employees or former employees respective investments in the Private Equity Funds, are carried at face value and bear interest at the prime rate. The amount of such loans outstanding as of December 31, 2005 and 2006 were $83 and $0, respectively. Interest on these loans was $12, $4 and $4 for the twelve months ended December 31, 2004, 2005 and 2006, respectively. This interest revenue is included in Interest Income and Other Revenue on the Combined/Consolidated Statements of Income. Advances in the amount of $61 and $410 made to individuals who had accepted employment offers with the Company are also included in Receivable from Members, Employees and Related Parties on the Combined/Consolidated Statements of Financial Condition as of December 31, 2005 and 2006, respectively.

Also included in Receivable from Members, Employees and Related Parties are advances made by the Company on behalf of such individuals in connection with their general partner obligation to the Private Equity Funds. These advances are non-interest bearing and the amounts outstanding as of December 31, 2005 and 2006 were $1,540 and $0, respectively.

Amounts due in connection with personal expenses paid by the Company on behalf of Members, employees and related parties totaled $51 and $66 as of December 31, 2005 and 2006, respectively, and are included in Receivable from Members and Employees and Related Parties. These receivables are non-interest bearing and are repaid to the Company on a periodic basis.

Also included in Receivable from Members, Employees and Related Parties are reimbursable expenses due from portfolio companies of our Private Equity Funds of $213 and $967 at December 31, 2005 and 2006, respectively.

The general partner investment interests of one of the Members and the general partner and Founder interests of one of the Founding Members serve to collateralize their personal loans with a third party financial institution.

Payable to Members and Employees at December 31, 2005 and 2006 is $659 and $338, respectively. For 2005, the amount is related to payables due to Members and employees for Private Equity Funds distributions.

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NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 2006 amount relates to the assignment of certain accounts receivable that Protego has recorded as payable to shareholders of Protego as a part of Protego s distribution of pre-combination profits.

Pursuant to the acquisition of Braveheart, the Company issued $3,000 of interest-bearing notes to Braveheart s shareholders. These notes bear interest at LIBOR plus 100 basis points and are due in 2010 but may be called by the holders beginning in October 2007. These notes are reflected in Notes Payable to Related Parties on the Combined/Consolidated Statement of Financial Condition.

As discussed in Note 2, Investment Management Revenue is primarily earned from related parties.

During the year ended December 31, 2005 and for the period of January 1, 2006 through August 9, 2006, the Company paid commissions in the amount of $1,710 and $250, respectively to a former employee and senior advisor, or an affiliate of such, for services provided in connection with obtaining an advisory engagement. This commission is included in Professional Fees on the Combined Statements of Income.

Co-Operation Agreement with Braveheart On April 19, 2006, EGL entered into a co-operation agreement with Braveheart. The arrangement under the co-operation agreement was intended to generate incremental fee income for each of EGL and Braveheart through mutual business referrals for financial advisory work and the sourcing and execution of private equity fundraising and investment opportunities. Pursuant to the co-operation agreement, Braveheart was to refer matters in North America to EGL and EGL was to refer matters in Europe, the Middle East or Africa to Braveheart. Each of the parties was obligated to pay fees to the other party for services provided under the co-operation agreement. On July 20, 2006, EGL paid Braveheart a retainer fee in the amount of $933. During the fourth quarter of 2006, the Company earned $500 from Braveheart under the agreement. The co-operation agreement was terminated upon completion of the Company s acquisition of Braveheart.

Note 6 Deferred Offering and Acquisition Costs

The Company completed an IPO of its Class A common stock on August 16, 2006. The Company consummated a number of internal reorganization transactions to transition the Company to a corporate structure form. Costs of $7,318 directly attributable to the Company s IPO were deferred and charged against the proceeds of the IPO.

The Company also executed a definitive agreement to acquire all the outstanding capital stock of Protego, a foreign investment bank based in Mexico, in exchange for both cash and equity consideration. The transaction was consummated prior to but in conjunction with the IPO referred to above. The direct costs of $3,571 incurred in connection with the acquisition were allocated to the purchase price.

The Company entered into a sale and purchase agreement to acquire Braveheart, an investment banking firm based in the United Kingdom on July 31, 2006. In exchange for all of the outstanding share capital of Braveheart, the Company paid cash and equity consideration. The direct costs of $2,529 incurred in connection with the acquisition were allocated to the purchase price upon the completion of the acquisition on December 19, 2006.

As of December 31, 2005 and 2006, $5,138 and $0, respectively, of costs incurred in connection with the IPO and the acquisitions, described above, were deferred and are shown on the Combined/Consolidated Statements of Financial Condition in Deferred Offering and Acquisition Costs.

Note 7 Trading Securities

During the twelve months ended December 31, 2006, the Company invested $4,000 in securities managed by EAM, of which $140 remains in cash. These investments managed by EAM are reflected as Securities on the

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Combined/Consolidated Statement of Financial Condition and are stated at quoted market value. For the period January 1, 2006 through August 9, 2006, and August 10, 2006 through December 31, 2006, these investments resulted in net unrealized and realized gains/(losses) and dividend income of $(160) and $515, respectively, and are included on the Combined/Consolidated Statements of Income in net investment management revenue.

Note 8 Financial Instruments Owned and Pledged as Collateral at Fair Value

The Successor Company s financial instruments owned and pledged as collateral, which consist principally of foreign government obligations, are recorded on a trade date basis and are stated at quoted market values. Related gains and losses are reflected in Interest Income and Other Revenue on the Combined/Consolidated Statements of Income. The Successor Company pledges financial instruments owned to collateralize certain financing agreements and permits the counterparty to pledge the securities. At December 31, 2006, the Company had $73,847 included on the Combined/Consolidated Statement of Financial Condition as Financial Instruments Owned and Pledged as Collateral at Fair Value.

Note 9 Investments

The Company s investments reported in the Combined/Consolidated Statements of Financial Condition consist of investments in Private Equity Funds, the Successor Company s equity investment in an EAM managed fund and the Successor Company s equity interest in EAM. These investments are accounted for under the equity method.

Prior to the IPO, investments in the Private Equity Funds primarily include the general partner and Founders entities investments in the Private Equity Funds. Subsequent to the IPO, the investments primarily include investments in ECP II and the Discovery Fund. Portfolio holdings of the Private Equity Funds are fair valued as discussed in Note 2 Significant Accounting Policies. Accordingly, the Company will reflect its pro rata share of unrealized gains, losses and carried interest of those fair values. Additionally, the Company will reflect its pro rata share of unrealized gains, losses and carried interest associated with any investment realizations.

As of December 31, 2005, the Company s investment in ECP I represented 3.8% of the Private Equity Funds capital. The Company s investments in ECP II and EVP were less than 5.0% of the Private Equity Funds capital as of December 31, 2005.

Net realized and unrealized gains and losses on Private Equity Fund investments, including carried interest and gains and losses on investments, were $3,122, $(998), $4,943 and $1,887 for the twelve months ended December 31, 2004 and 2005 and the periods January 1, 2006 through August 9, 2006 and August 10, 2006 through December 31, 2006, respectively, and are included on the Combined/Consolidated Statements of Income in Investment Management Revenue.

On January 5, 2006, the Company invested $1,137 in EAM. The Company holds a 41.7% interest in EAM, which is accounted for under the equity method. As of December 31, 2006, EAM had a carrying value of $426. For the periods January 1, 2006 to August 9, 2006 and August 10, 2006 to December 31, 2006, the investment resulted in an unrealized loss of $299 and $412, respectively, which are included on the Combined/Consolidated Statements of Income in Investment Management Revenue.

The Company invested in EAM managed funds. The funds principally hold readily marketable investment securities. The Company s investment of $6,000 had a market value of $5,998 as of December 31, 2006, with a net unrealized loss of $2 for the period August 10, 2006 through December 31, 2006.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2005	December 31, 2006
Investments, equity method:		
ECP I	$ 3,717	$
ECP II	11,997	7,274
EVP	625	
Discovery Fund		2,311
Total Private Equity Funds	16,339	9,585
EAM		426
Fund Investments		5,998
Total Investments, equity method	$ 16,339	$ 16,009

See Note 15 Commitments and Contingencies for commitments of future capital contributions to the Private Equity Funds.

At December 31, 2005, Investments reflects Available-for-Sale Securities that include options for the purchase of additional shares of common stock of a former Portfolio Company. The options were received at various dates, in lieu of cash payment for services rendered. The options as of December 31, 2005 were valued at $416. The options were transferred to an uncombined affiliate prior to the Company s IPO pursuant to the Reorganization. The Company s investments in available-for-sale-securities are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2005				
Options	$ 191	$ 225	$	$ 416

Note 10 Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements, net, consisted of the following:

	December 31, 2005	December 31, 2006
Furniture and Office Equipment	$ 1,867	$ 2,777
Leasehold Improvements	878	2,354
Computer and Computer-related Equipment	1,093	1,995
Software	406	1,600
Total	4,244	8,726
Less: Accumulated Depreciation and Amortization	(1,981)	(4,353)
Furniture, Equipment and Leasehold Improvements, Net	$ 2,263	$ 4,373

Depreciation and amortization expense totaled $667 for the twelve months ended December 31, 2004, $778 for the twelve months ended December 31, 2005, $666 for the period January 1, 2006 through August 9, 2006, and $580 for the period August 10, 2006 through

December 31, 2006.

Purchases of furniture, equipment and leasehold improvements totaled $1,148 for the twelve months ended December 31, 2005, $1,272 for the period January 1, 2006 through August 9, 2006, and $912 for the period August 10, 2006 through December 31, 2006.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Employee Benefit Plans

Defined Contribution Retirement Plan The Company, through a subsidiary, provides certain retirement benefits to employees through a qualified retirement plan. The Evercore Partners Services East L.L.C. Retirement Plan (the Plan) is a discretionary profit sharing plan with a salary deferral feature under Section 401(k) of the Internal Revenue Code. The Plan was formed on February 1, 1996 and amended February 1, 1999, February 1, 2000, February 1, 2001, January 1, 2002 and June 1, 2002. The Plan year ends on January 31 of each year. The Company, at its sole discretion, determines the amount, if any, of profit to be contributed to the Plan.

The Plan costs for the twelve months ended December 31, 2004, 2005 and 2006 totaled $501, $603 and $0, respectively. Plan administration expenses incurred related to the Plan totaled $100, $97 and $96 for the twelve months ended December 31, 2004, 2005 and 2006, respectively.

Note 12 Short Term Borrowings

On December 30, 2005, the Company executed a $30,000 credit agreement with a syndicated group of lenders that matured on the earlier of the consummation of the IPO or December 30, 2006 (the Line of Credit). The Line of Credit was a 364-day revolving facility that bore interest at a rate of either: 1) LIBOR plus 200 basis points (the Eurodollar Loan) or 2) the greater of: a) the Prime Rate or b) Federal Funds Effective Rate plus 100 basis points (the Base Rate Loan) for any amount drawn. The Company could elect either the Eurodollar Loan or the Base Rate Loan and either election included a commitment fee of 50 basis points for any unused portion. The Company was required to maintain liquid assets as a percentage of any amounts drawn on the facility based on the following schedule: from March 30, 2006 through June 30, 2006: 30%; from July 1, 2006 through September 30, 2006: 50%; and from October 1, 2006 through the termination date: 75%. The Members also pledged their beneficial interests in the Company as collateral for the Line of Credit. The Company maintained compliance with all covenants under the Line of Credit.

The Line of Credit was used for additional working capital purposes including, but not limited to, funding of the Company s ongoing investment programs. Costs incurred in 2005 in connection with obtaining this credit facility totaled $607, and such costs are included in Debt Issuance Costs on the Combined/Consolidated Statement of Financial Condition. The Company amortized all of these costs for the twelve months ended December 31, 2006, which is reflected in Financing Costs on the Combined/Consolidated Statement of Income.

On January 12, 2006, the Company drew down $25,000 on the Line of Credit for additional working capital purposes at an interest rate of 6.6%. On June 22, 2006, the Company drew down an additional $5,000 at an effective interest rate of 7.48%. For the period of January 1, 2006 through August 9, 2006 and the period of August 10, 2006 through December 31, 2006, the Company incurred $16 and $0, respectively, for the commitment fee expense, and $1,083 and $11, respectively, for the interest expense.

The Line of Credit was terminated on August 16, 2006 and repaid in full subsequent to the IPO.

PCB 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 $20,000, secured with trading securities and interest is charged at the Inter-Bank Balance Interest Rate plus 10 basis points, while the overnight facility is approximately $1,000, unsecured and interest is charged at two times the Inter-Bank Balance Interest Rate. There have been no drawdowns on PCB s line of credit since August 10, 2006.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13 Net Income Per Share

The Company s net income and weighted average shares outstanding for the period August 10, 2006 through December 31, 2006 consists of the following:

		For the Period August 10, 2006 through December 31, 2006
Net income	$	3,786
Net income available for Class A common stockholders	$	3,786
Weighted average shares outstanding:		
Basic		4,955,929
Diluted		4,955,929

Net income per share information is not applicable for reporting periods prior to August 10, 2006. The calculations of basic and diluted net income per share amounts for the period August 10, 2006 through December 31, 2006 are described and presented below.

Basic Net Income Per Share

Numerator utilizes net income available for Class A common stockholders for the period August 10, 2006 through December 31, 2006.

Denominator utilizes the weighted average shares of Class A common stock, including vested restricted stock units (RSUs), for the period August 10, 2006 through December 31, 2006 including 207,116 RSUs that have vested and whose issuance is no longer contingent.

Diluted Net Income Per Share

Numerator utilizes net income available for Class A common stockholders for the period August 10, 2006 through December 31, 2006 as in the basic net income per share calculation described above.

Denominator utilizes the weighted average number of shares of Class A common stock, including vested RSUs, for the period August 10, 2006 through December 31, 2006 as in the basic net income per share calculation described above.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		For the Period August 10, 2006 through December 31, 2006
Basic Net Income Per Share of Class A Common Stock		
Numerator:		
Net income available for Class A common stockholders	$	3,786
Denominator:		
Weighted average number of shares of Class A common stock outstanding		4,955,929
Basic net income per share of Class A common stock	$	0.76
Diluted Net Income Per Share of Class A Common Stock		
Numerator:		
Net income available for Class A common stockholders	$	3,786
Add (deduct) dilutive effect of:		
Amounts applicable to Evercore LP s share of Evercore Partners Inc. net income		(a)
Additional corporate tax		(a)
Diluted net income available for Class A common stockholders	$	3,786
Denominator:		
Basic weighted average number of shares of Class A common stock outstanding		4,955,929
Add dilutive effect of:		
Shares issuable relating to Evercore LP exchangeable interests		(a)
Diluted weighted average number of shares of Class A common stock outstanding		4,955,929
Diluted net income per share of Class A common stock	$	0.76

(a) During the period August 10, 2006 through December 31, 2006, the Evercore LP exchangeable interests (which, as of December 31, 2006, represent the right to receive shares of Class A common stock upon exchange) were antidilutive and consequently the effect of their conversion into shares of Class A common stock has been excluded from the calculation of diluted net income per share of Class A common stock. These interests included 13,430,500 vested Evercore LP partnership units. The vested Evercore LP partnership units that could potentially dilute basic net income per share were not included in the computation of diluted net income per share because to do so would have been antidilutive for the periods presented. The increase in net income available to holders of shares of Class A common stock due to the elimination of the minority interest associated with vested Evercore LP partnership units (offset by the associated tax effect) that is implied in calculating diluted net income per share assuming the exchange of Evercore LP partnership units for shares of Class A common stock is antidilutive notwithstanding the corresponding increase in weighted average shares of Class A common stock outstanding. Antidilution is the result of the vested Evercore LP partnership units bearing a portion of income allocable to vested RSUs. Management does not expect dilution to result from the exchange of Evercore LP partnership units for shares of Class A common stock.

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.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 14 Stock Based Compensation

Effective January 1, 2006, the Company adopted SFAS 123R. SFAS 123R requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors including employee stock options and other forms of equity compensation based on estimated fair values.

Pursuant to the Evercore Partners 2006 Stock Incentive Plan, the Company granted 2,286,055 RSUs to the Company s employees at the time of the IPO. 207,116 of the RSUs are fully vested and, as a result, the Company recorded compensation expense at the time of the IPO equal to the value of these fully vested RSUs. The remaining 2,078,939 of these RSUs will vest only if certain conditions, described below, occur.

Compensation expense was recognized based on the fair value of RSUs as determined at the market value on the date of grant and is being expensed when certain vesting events occur. In addition to the grant of 207,116 vested RSUs granted at the consummation of the IPO, approximately 45% of RSUs granted will vest if and when our Founding Members and the chairman of Protego, and trusts benefiting their families and permitted transferees, collectively, cease to beneficially own at least 90% of the aggregate Evercore LP partnership units owned by them on the date the Reorganization was effected. The remaining unvested RSUs will vest upon the earliest to occur of the following events:

- when the Founding Members and chairman of Protego, and trusts benefiting their families and permitted transferees, collectively, cease to beneficially own at least 50% of the aggregate Evercore LP partnership units owned by them at the time of the Reorganization;
- a change of control of the Company; or
- the Founding Members and the chairman of Protego are not employed by, or do not serve as directors of, Evercore Partners Inc. or one of its affiliates within a 10-year period following the IPO.

In addition, 100% of the unvested RSUs held by an employee will vest if such employee dies or becomes disabled while in our employ. Our Equity Committee, which is comprised of the Founding Members and the chairman of Protego, may also accelerate vesting of unvested RSUs at any time. Management has concluded that at the current time it is not probable that the conditions relating to the vesting of unvested partnership units or RSUs will be achieved or satisfied. If all the unvested partnership units and RSUs were deemed to vest at some point in the future, the total amount of compensation expense that the Company would record in connection with the vesting would be $203,842 and $43,658, respectively, based upon the grant price of $21.00 per share.

The Company recorded stock compensation expense of approximately $4,349 during the period August 10, 2006 through December 31, 2006 related to the grant of 207,116 vested RSUs granted to employees at the date of the IPO and valued at the IPO price of $21.00 per share. Stock compensation expense is included in Employee Compensation and Benefits in the Combined/Consolidated Statement of Income. The total income tax benefit related to stock-based compensation arrangements recognized in the Company s Combined/Consolidated Statement of Income for the period August 10, 2006 through December 31, 2006 was $583.

Each non-management director received a one-time award of RSUs with a value of $50 upon their initial appointment to the Board. These RSUs will vest over two years. The Company recorded $50 of stock compensation expense related to these grants in the period August 10, 2006 through December 31, 2006.

There were no other grants, forfeitures or conversions of stock-based awards during the twelve months ended December 31, 2006.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15 Commitments and Contingencies

Operating Leases The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2023. The Company reflects lease expense over the lease term 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 Combined/Consolidated Statements of Income for the twelve months ended December 31, 2004 includes $2,315, for the twelve months ended December 31, 2005 includes $2,151, for the period of January 1, 2006 through August 9, 2006 includes $1,747, and for the period of August 10, 2006 through December 31, 2006 includes $1,398 of rental expense relating to operating leases. As of December 31, 2006, the Company maintains, as part of the leases for office space in New York, irrevocable standby letters of credit as security in the amount of $1,446. With respect to such letters of credit, $627 expires in 2007 and $819 expires each December 31, resetting annually through 2012. The Company maintained compensating balances of $1,519 as of December 31, 2004, December 31, 2005 and December 31, 2006. No amounts have been drawn down under the respective letters of credit.

The Company has entered into various operating leases for the use of certain office equipment and furniture. For the years ended December 31, 2004 and 2005 and the periods January 1, 2006 to August 9, 2006 and August 10, 2006 through December 31, 2006, rental expense for office equipment and furniture is included in Occupancy and Equipment Rental on the Combined/Consolidated Statements of Income and totaled $102, $165, $74 and $46, respectively.

The Company has entered into an operating lease for a fractional interest of a private corporate aircraft. For the years ended December 31, 2004 and 2005 and the periods January 1, 2006 to August 9, 2006 and August 10, 2006 through December 31, 2006, rental expense for the fractional lease of the aircraft is included in Travel and Related Expenses on the Combined/Consolidated Statements of Income and totaled $105, $105, $17 and $0, respectively.

The Company has agreed to lease an additional 124,000 square feet of office space at the Company s principal executive offices at 55 East 52nd Street, New York, New York. The rental payment obligations under the sublease are as follows: $9,578 per year for years one through five of the lease term; $10,200 per year for years six through ten of the lease term; $10,822 per year for years 11 through 15 of the lease term; and $11,444 per year for year 16 through the expiration of the lease term. Evercore intends to sublease a portion of this additional space to a third party. The Company s current annual lease expense is $3,162. In connection with the execution of the lease, the Company delivered a security deposit in the form of an unsecured letter of credit in the amount of $4,789. If the Company does not meet certain covenants of the unsecured letter of credit agreement, the Company may be required to secure the letter of credit. The Company began to take possession of this additional space on February 1, 2007. The term of the lease expires on April 29, 2023.

As of December 31, 2006, the approximate aggregate minimum future payments required on the operating leases are as follows:

2007	$ 12,964
2008	12,991
2009	12,999
2010	12,850
2011	12,641
Thereafter	122,426
Total	$ 186,871

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital Leases The Company has entered into various capital leases for office equipment. As of December 31, 2006, the leases had an aggregate outstanding balance of $226 with $132 classified as current. Interest expense on capital leases for the twelve months ended December 31, 2004, 2005 and 2006 was $30, $29 and $20, respectively.

The Company s net investment in these leases, which is included in Furniture, Equipment and Leasehold Improvements, Net, as of December 31, 2005 and 2006, was $393 and $207, respectively.

	December 31, 2005	December 31, 2006
Capitalized Office Equipment Leases	$ 729	$ 718
Accumulated Depreciation	(336)	(511)
Net Investment	$ 393	$ 207

As of December 31, 2006, the approximate aggregate minimum future payments required on the capital leases are as follows:

2007	$ 140
2008	95
2009	2
2010	
2011	
Total Future Minimum Lease Payments	237
Less Interest Discount	(11)
Total Present Value of Future Minimum Lease Payments	226
Less Current Portion	(132)
Long-term Portion	$ 94

Other Commitments At December 31, 2006, the Company has commitments for capital contributions of $1,861 to the Private Equity Funds. These commitments primarily will be funded as required through the end of each Private Equity Funds 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.

Legal In the past, the Company or its present personnel have been named as a defendant in civil litigation matters involving present or former clients.

In re High Voltage Engineering Corp. (High Voltage) in the U.S. Bankruptcy Court for the District of Massachusetts and Stephen S. Gray, Trustee (Trustee) of The High Voltage Engineering Liquidating Trust. v. Evercore Restructuring L.P. Evercore Restructuring L.L.C (collectively, Evercore Restructuring) et al., in the United States District Court of Massachusetts.

In 2003, High Voltage engaged Evercore Restructuring to assist in its restructuring efforts. During the engagement, Evercore Restructuring assisted High Voltage in negotiating a restructuring plan and related financing. During the period of engagement, which ended in August 2004, High Voltage filed for Chapter 11 bankruptcy protection and later emerged from bankruptcy with new financing. However, in February 2005, High Voltage again filed for Chapter 11 bankruptcy protection. In July 2006, as part of the second bankruptcy

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

proceeding, High Voltage s businesses were sold and its creditors were repaid in full out of the proceeds of the sale. In addition, the Trustee conducted an informal investigation into the causes of the second bankruptcy and the knowledge of professionals who assisted High Voltage in its first bankruptcy.

On August 15, 2006, Stephen S. Gray, as trustee of the High Voltage Engineering Liquidating Trust (the Plaintiff), filed a motion in the bankruptcy court seeking to undo an order entered in November 2004 approving $2,341 in fees and expenses for Evercore Restructuring s services, alleging, among other matters, that Evercore Restructuring should have known that the projections prepared by High Voltage in connection with the first bankruptcy proceedings were inaccurate. On September 8, 2006, Evercore Restructuring responded in the bankruptcy court denying the factual allegations and asserting a variety of legal bases to deny the request. The motion was fully briefed and the bankruptcy court heard arguments. In a decision issued January 19, 2007, the bankruptcy court decided in favor of Evercore and denied the Plaintiff s motion. On January 29, 2007, Plaintiff filed a notice of appeal of the January 19, 2007 decision. On March 28, 2007, Evercore Restructuring moved to dismiss that appeal. No further appellate activity has occurred to date.

In addition, on August 15, 2006, the same Plaintiff filed a complaint against Evercore and Jefferies & Company, Inc. in the United States District Court of Massachusetts. The Plaintiff s complaint asserts claims against Evercore for gross negligence and breach of fiduciary duty in connection with a 2003 client engagement. Evercore has filed a motion for judgment on the pleadings, briefing on the motion was completed by January 16, 2007, and a hearing on the motion occurred January 23, 2007. No ruling on the motion has been issued at this time. Although it is not possible to predict with a reasonable degree of certainty the likely outcome of this action, Evercore has substantial meritorious defenses to the Plaintiff s allegations and plans vigorously to contest the allegations.

General. In addition to the proceedings set forth above, from time to time the Company may be involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, and U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States and Mexican Financial Authorities, conduct periodic examinations and initiate administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees. When those circumstances arise, management will make what it believes are adequate provisions in the financial statements for any expected liabilities which may result, although the Company determined that no provisions were required to be accrued at December 31, 2005 or 2006. Nevertheless, such proceedings are subject to inherent uncertainties and unfavorable events could occur. If unfavorable events were to occur, there exists the possibility of a material adverse impact to the Company s operating results, financial condition or liquidity as of and for the period in which such events occur.

The Company has determined that as of December 31, 2005 and 2006 there was no SFAS 5, *Accounting for Contingencies* accrual.

Note 16 Regulatory Authorities

EGL is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of $5 or 6 $^{2}/3$% of aggregate indebtedness, as defined. EGL s regulatory net capital at December 31, 2005 and 2006 was $6,773 and $11,229, respectively, which exceeded the minimum net capital requirement by $6,603 and $10,874, 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.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 17 Income Taxes

Prior to August 10, 2006, the Company had not been subject to U.S. federal income tax, but had been subject to the New York City UBT and New York City general corporate tax on its U.S. earnings, including certain non-income tax fees in other jurisdictions where the Company had registered offices and conducted business. As a result of the IPO, the operating business entities of the Company were restructured and a portion of the Company s income will be subject to U.S. federal, state, local and foreign income taxes and taxed at the prevailing corporate tax rates.

Taxes payable as of December 31, 2005 and 2006 in the amount of $1,730 and $6,535, respectively, include a reserve for taxes payable in the amount of $964 and $713, respectively, for any future tax liability related to these periods.

The components of the provision for income taxes reflected on the Combined/Consolidated Statements of Income for the twelve months ended December 31, 2004 and 2005 and the periods January 1, 2006 through August 9, 2006 and August 10, 2006 through December 31, 2006 consist of:

	Combined For the Twelve Months Ended December 31, 2004 PREDECESSOR	Combined For the Twelve Months Ended December 31, 2005 PREDECESSOR	Combined For the Period January 1, 2006 through August 9, 2006 PREDECESSOR	Consolidated For the Period August 10, 2006 through December 31, 2006 SUCCESSOR
Current:				
Federal	$	$	$	$ 1,954
Foreign				3,409
State and Local	2,101	3,444	2,351	2,173
Total Current	2,101	3,444	2,351	7,536
Deferred:				
Federal				(624)
Foreign				(467)
State and Local	13	(72)	17	(415)
Total Deferred	13	(72)	17	(1,506)
Total	$ 2,114	$ 3,372	$ 2,368	$ 6,030

For the period August 10, 2006 through December 31, 2006, an effective tax rate of 42.6% was used to compute the tax provision of $6,030 on the portion of the Company s income subject to corporate level federal, state and local income taxes. For the periods January 1, 2006 through August 9, 2006, taxes related to New York City UBT and general corporation tax expense for Evercore LP totaled $2,368.

The Company s effective tax rate includes a rate benefit attributable to the fact the Company operates as a series of limited liability companies and flow-through entities whereby a portion of the Company s earnings are not subject to corporate level taxes, thereby reducing the 42.6% to 23.4%.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The effective tax rates for the period January 1, 2006 through August 9 was 3.5% and for the period August 10, 2006 through December 31, 2006 was 23.4%, compared to 5.1% for the calendar year ended 2005, and 4.1% for the corresponding period in 2004. A reconciliation between the statutory federal income tax rate and the Company s effective tax rate for the twelve months ended December 31, 2004 and 2005 and the periods January 1, 2006 through August 9, 2006 and August 10, 2006 through December 31, 2006 is as follows:

	2004	2005	January 1, 2006 through August 9, 2006	August 10, 2006 through December 31, 2006
Reconciliation of Federal Statutory Tax Rates				
U.S. Statutory Tax Rate	35.0%	35.0%	35.0%	35.0%
Increase Due to State and Local Taxes	4.1%	5.1%	3.5%	6.8%
Rate Benefits as a Limited Liability company	(35.0)%	(35.0)%	(35.0)%	(29.8)%
Foreign Taxes	0.0%	0.0%	0.0%	11.4%
Effective Income Tax Rate	4.1%	5.1%	3.5%	23.4%

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

	December 31, 2005	December 31, 2006
Deferred Tax Assets:		
Depreciation & Amortization	$ 193	$ 494
Compensation & Benefits		907
Unrealized Loss on Investments		177
Deferred Professional Fees		75
Other	12	121
Total Deferred Tax Assets	205	1,774
Deferred Tax Liabilities:		
Depreciation & Amortization	25	107
Total Deferred Tax Liabilities	25	107
Net Deferred Tax Assets	$ 180	$ 1,667

At December 31, 2005 and 2006, the Company recognized deferred tax assets related to differences between the financial reporting basis and the tax basis of the net assets of the Company, which totaled $205 and $1,774, respectively. The increase in gross deferred tax assets of $1,569 was primarily attributable to the tax effect of a $907 increase in compensation deductions for financial reporting purposes associated with RSUs that vested during the year and the $336 amortization of intangible assets associated with the Braveheart and Protego acquisitions. The deferred tax assets were also increased by $119 in unrealized losses from private equity interests and a $58 net operating loss from the Company s controlled foreign subsidiary.

The $82 increase in deferred tax liabilities was due to the goodwill amortization associated with the Braveheart and Protego acquisitions during the year.

Based on the Company s historical taxable income and its expected future earnings, management has evaluated the uncertainty associated with booking tax benefits and has determined that the deferred tax assets will be realized as offsets to deferred tax liabilities and future taxable income.

EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 18 Concentrations of Credit Risk

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

Revenues: For the year ended December 31, 2004, one client accounted for 26.6% of the Company s combined revenues. For the year ended December 31, 2005, three separate clients each individually accounted for 16.5%, 12.2% and 10.2%, respectively, of the Company s combined revenues. For the period of January 1, 2006 to August 9, 2006, three separate clients each individually accounted for 15.4%, 8.8% and 5.8%, respectively, of the Company s consolidated revenues. For the period of August 10, 2006 to December 31, 2006, three separate clients each individually accounted for 21.6%, 21.6% and 6.4% of the Company s consolidated revenues.

Accounts Receivable: As of December 31, 2005 one client accounted for 37.4% of the Company s combined Accounts Receivable balance. As of December 31, 2006, three separate clients each individually accounted for 37.6%, 35.3% and 5.4%, respectively, of the Company s consolidated Accounts Receivable balance.

Note 19 Segment Operating Results

Business Segments The Company s business results are categorized into the following two segments: advisory and investment management. Advisory includes providing advice on mergers, acquisitions, divestitures, leveraged buyouts, restructurings, and similar corporate finance matters. Investment management includes the management of outside capital invested in the Private Equity Funds, the management of outside capital by PCB, the Company s principal investments in the Private Equity Funds and the Company s share of the results of EAM and related investments. The accounting policies of the segments are consistent with those described in Note 2 Significant Accounting Policies.

The Company s segment information for the twelve months ended December 31, 2004, 2005 and 2006 is prepared using the following methodology:

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

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

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

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

Each segment s operating expenses include: a) employee compensation and benefits expenses that are incurred directly in support of the segments and b) other operating expenses, which include expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services,

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

The Company evaluates segment results based on net revenue and operating income.

Corporate-level activity represents operating expenses not specifically attributable to a segment. These expenses primarily include professional fees relating to the preparation of the Company s historical financial statements that were not directly attributable to the IPO, costs associated with the Line of Credit and costs of operating as a public entity.

The Company believes that the following information provides a reasonable representation of each segment s contribution to net revenue, operating expenses, operating income and total assets.

		Combined	Combined	Combined For the Period January 1, 2006 through August 9, 2006	Consolidated For the Period August 10, 2006 through December 31, 2006
		For the Twelve Months Ended December 31, 2004 PREDECESSOR	For the Twelve Months Ended December 31, 2005 PREDECESSOR	PREDECESSOR	SUCCESSOR
Advisory	Net Revenues(1)	$ 69,315	$ 111,012	$ 96,582	$ 88,703
	Operating Expenses(2)	24,502	36,605	29,812	58,629
	Segment Operating Income	$ 44,813	$ 74,407	$ 66,770	$ 30,074
	Identifiable Segment Assets(3)	$ 45,555	$ 61,181	$ 84,926	$ 182,120
Investment Management	Net Revenues(1)	$ 17,078	$ 14,623	$ 17,043	$ 7,386
	Operating Expenses(2)	9,971	12,165	10,810	8,930
	Segment Operating Income	$ 7,107	$ 2,458	$ 6,233	$ (1,544)
	Identifiable Segment Assets(3)	$ 26,331	$ 20,275	$ 420,703	$ 119,383
Corporate	Operating Expenses(2)	$	$ 10,333	$ 4,678	$ 2,723
Total	Net Revenues(1)	$ 86,393	$ 125,635	$ 113,625	$ 96,089
	Operating Expenses(2)	34,473	59,103	45,300	70,282
	Segment Operating Income	$ 51,920	$ 66,532	$ 68,325	$ 25,807
	Identifiable Segment Assets(3)	$ 71,886	$ 81,456	$ 505,629	$ 301,503

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Net revenues include Interest Income and Other Revenue and Interest Expense as set forth in the table below:

	Combined	Combined	Combined	Consolidated
			For the Period	
	For the Twelve Months Ended December 31, 2004 PREDECESSOR	For the Twelve Months Ended December 31, 2005 PREDECESSOR	January 1, 2006 through August 9, 2006 PREDECESSOR	August 10, 2006 through December 31, 2006 SUCCESSOR
Segment Interest Income and Other Revenue and Interest Expense				
Advisory	$ 110	$ 170	$ 460	$ 1,044
Investment Management	111	39	183	7,769
Total Interest and Other Revenue	221	209	643	8,813
Less Investment Management Interest Expense				6,783
Net Revenues	$ 221	$ 209	$ 643	$ 2,030

(2) Operating expenses include Depreciation and Amortization as set forth in the table below:

	Combined	Combined	Combined	Consolidated
			For the Period	
	For the Twelve Months Ended December 31, 2004 PREDECESSOR	For the Twelve Months Ended December 31, 2005 PREDECESSOR	January 1, 2006 through August 9, 2006 PREDECESSOR	August 10, 2006 through December 31, 2006 SUCCESSOR
Segment Depreciation and Amortization				
Advisory	$ 504	$ 615	$ 550	$ 3,050
Investment Management	163	163	116	184
Total	$ 667	$ 778	$ 666	$ 3,234

(3) Goodwill has been included in the Advisory Segment only since at the date of the acquisitions Braveheart and Protego were principally Advisory businesses.

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

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s net revenues were derived from clients and Private Equity Funds located in the following geographical areas:

	Combined For the Twelve Months Ended December 31, 2004 PREDECESSOR	Combined For the Twelve Months Ended December 31, 2005 PREDECESSOR	Combined For the Period January 1, 2006 through August 9, 2006 PREDECESSOR	Consolidated For the Period August 10, 2006 through December 31, 2006 SUCCESSOR
Net Revenues:(1)				
United States	$ 80,019	$ 127,513	$ 93,234	$ 63,267
Europe		2,900	18,236	22,928
Latin America	1,142	968		7,317
Other	5,011	(5,955)	1,512	547
Total	$ 86,172	$ 125,426	$ 112,982	$ 94,059

(1) Excludes interest and other income

The Company earned revenue in the following geographic areas:

	Combined For the Twelve Months Ended December 31, 2004 PREDECESSOR	Combined For the Twelve Months Ended December 31, 2005 PREDECESSOR	Combined For the Period January 1, 2006 through August 9, 2006 PREDECESSOR	Consolidated For the Period August 10, 2006 through December 31, 2006 SUCCESSOR
Net Revenues:(1)				
United States	$ 86,172	$ 125,426	$ 112,982	$ 65,943
Europe				20,799
Latin America				7,317
Total	$ 86,172	$ 125,426	$ 112,982	$ 94,059

(1) Excludes interest and other income

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 20 Evercore Partners Inc. (Parent Company Only) Financial Statements

EVERCORE PARTNERS INC.

(parent company only)

CONDENSED STATEMENT OF FINANCIAL CONDITION

(in thousands)

	December 31, 2006
ASSETS	
Equity Investment in Subsidiary	$ 118,396
TOTAL ASSETS	$ 118,396
LIABILITIES AND STOCKHOLDERS EQUITY	
Current Liabilities	
Payable to Related Party	$ 815
Taxes Payable	2,104
Notes Payable to Related Parties	3,000
Total Current Liabilities	5,919
TOTAL LIABILITIES	5,919
Stockholders Equity	
Common Stock:	
Class A, par value $0.01 per share (1,000,000,000 shares authorized, 6,359,558 issued and outstanding)	64
Class B, par value $0.01 per share (1,000,000 shares authorized, 51 issued and outstanding)	
Additional Paid-In-Capital	108,564
Retained Earnings	3,786
Accumulated Other Comprehensive Income	63
TOTAL STOCKHOLDERS EQUITY	112,477
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 118,396

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

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

EVERCORE PARTNERS INC.

(parent company only)

CONDENSED STATEMENT OF INCOME

(in thousands)

	For the Period August 10, 2006 (date of inception) through December 31, 2006 SUCCESSOR	
REVENUES		
NET REVENUES	$	
EXPENSES		
TOTAL EXPENSES		
OPERATING INCOME		
Equity in Income of Subsidiary		6,705
Provision for Income Taxes		2,919
NET INCOME	$	3,786

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

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

EVERCORE PARTNERS INC.

(parent company only)

CONDENSED STATEMENT OF CASH FLOWS

(in thousands)

	For the Period August 10, 2006 (date of inception) through December 31, 2006 SUCCESSOR
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 3,786
Undistributed Income of Subsidiary	(6,705)
(Increase) in Operating Assets:	
Increase in Operating Liabilities:	
Payable to Uncombined Affiliates	815
Taxes Payable	2,104
Net Cash From Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in Subsidiary	(88,590)
Net Cash Used in Investing Activities	(88,590)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Proceeds from IPO	88,590
Net Cash Provided by Financing Activities	88,590
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS-Beginning of Period	
CASH AND CASH EQUIVALENTS-End of Period	$

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

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

EVERCORE PARTNERS INC.

(parent company only)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Note A Organization

Evercore Partners Inc. (the Company) was incorporated as a Delaware corporation on July 21, 2005. The Company did not begin meaningful preparations until the reorganization discussed below. Therefore no financial statements are presented for periods before 2006. Pursuant to a reorganization into a holding company structure, the Company became a holding company and its sole asset is a controlling equity interest in Evercore LP. As the sole general partner of Evercore LP, the Company operates and controls all of the business and affairs of Evercore LP and, through Evercore LP and its subsidiaries, continues to conduct the business now conducted by these subsidiaries.

Note B Significant Accounting Policies

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

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

Note C Stockholders Equity

The Company is authorized to issue 1,000,000,000 shares of Class A common stock, par value $0.01 per share, and 1,000,000 shares of Class B common stock, par value $0.01 per share. All shares of Class A common stock and Class B common stock are identical. The Company has issued 6,359,558 shares of Class A common stock. The Company has issued 51 shares of Class B common stock in exchange for $1.00, all of which were held by Evercore LP at December 31, 2006.

Note 21 Subsequent Events

Bonus Payments In the first quarter of 2007, the Company made $44,841 in cash payments for bonuses accrued in 2006.

Tax Distributions The Company s subsidiary, Evercore LP, made tax distributions to Members and Evercore Partners Inc. during the first quarter of 2007 of $12,922, of which $449 remains to be paid.

Stock Based Compensation Subsequent to April 2, 2007, the Company filed a Registration Statement on Form S-1 relating to a proposed public offering of shares of the Company s Class A common stock. If this offering is successful, certain Senior Managing Directors intend to convert their Evercore LP units into Evercore Partners Inc. Class A common stock, and sell a portion or all of these shares. As a result, approximately 50% of the unvested partnership units and unvested RSUs, as discussed in Note 14, will vest if this offering, which is subject to market conditions, is successfully completed. If this vesting occurs, it will result in the Company recording a non-cash equity based compensation charge at the completion of this offering of $127,035.

Dividends The Company s Board of Directors declared on May 14, 2007 a quarterly cash dividend of $0.10 per share to the holders of Class A common stock as of June 1, 2007 which will be paid to holders of Class A common stock on June 15, 2007.

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EVERCORE PARTNERS INC.

NOTES TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SUPPLEMENTAL FINANCIAL INFORMATION

Combined/Consolidated Quarterly Results of Operations (unaudited)

The following represents the Company s unaudited quarterly results for the years ended December 31, 2005 and 2006. These quarterly results were prepared in accordance with GAAP and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results.

	Three Months Ended			
	March 31, 2005 Predecessor	June 30, 2005 Predecessor	September 30, 2005 Predecessor	December 31, 2005 Predecessor
Net Revenues	$ 22,434	$ 14,274	$ 46,439	$ 42,488
Operating Expense	10,586	12,014	18,751	17,752
Income Before Tax and Minority Interest	11,848	2,260	27,688	24,736
Provision for Income Taxes	670	377	776	1,549
Minority Interest	2	8	(7)	5
Net Income	$ 11,176	$ 1,875	$ 26,919	$ 23,182
Net Income Per Share				
Basic	N/A	N/A	N/A	N/A
Diluted	N/A	N/A	N/A	N/A
Dividends Declared Per Common Share	N/A	N/A	N/A	N/A

	Three Months Ended March 31, 2006 Predecessor	Three Months Ended June 30, 2006 Predecessor	For the Period July 1, 2006 through August 9, 2006(a) Predecessor	For the Period August 10, 2006 through September 30, 2006(a) Successor	Three Months Ended December 31, 2006 Successor
Net Revenues	$ 45,626	$ 43,490	$ 24,509	$ 17,226	$ 78,863(b)
Operating Expense	18,706	17,926	8,668	15,214	55,068(c)
Income Before Tax and Minority Interest	26,920	25,564	15,841	2,012	23,795
Provision for Income Taxes	979	905	484	297	5,733(d)
Minority Interest	(7)	6	(1)	1,417	14,575(e)
Net Income	$ 25,948	$ 24,653	$ 15,358	$ 298	$ 3,487
Net Income Per Share					

Basic	N/A	N/A	N/A	$	0.06	$	0.69
Diluted	N/A	N/A	N/A	$	0.06	$	0.69
Dividends Declared Per Common Share	N/A	N/A	N/A	$		$	

(a) See Note 1 for a discussion of the Company s Reorganization.

(b) Increase in revenue largely due to the impact of the Company s acquisitions. See Note 4 for a discussion of business developments.

(c) Includes compensation payments to Senior Managing Directors that had not been included in compensation prior to the Company s IPO. See Note 2 for a discussion associated with compensation and benefits.

(d) See Note 17 for a discussion of income taxes.

(e) Post-IPO minority interest represents the interest of the Members of Evercore LP and the portion of PCB not owned by the Company. See Note 2 for a discussion on minority interest.

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