

Evercore Partners Inc.
Form DEFA14A
May 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

Evercore Partners Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Beginning on May 14, 2013, Evercore Partners Inc. sent the following communication and presentation to certain stockholders of the Company:

Dear Stockholder:

By now you should have received a copy of our proxy statement, annual report to stockholders and your proxy or voting instruction card. I urge you to read the materials, and in particular, I want to highlight Proposal No. 2, our Board's proposed amendment to our equity incentive plan to increase the number shares available under the plan by 5 million shares. In conjunction with this proposal, we have agreed to use our recently expanded stock repurchase program to ensure that our outstanding shares do not increase due to our annual bonus equity awards over the next three years. We also have committed to maintain our average three year burn rate at or below 2.5%, all of which will be used to attract new professionals to the firm, subject to our ability to reserve the necessary flexibility to address unusual circumstances that may arise. Please review the accompanying presentation which has important data in support of Proposal No. 2.

Our goal at Evercore is to create the premier global independent investment banking advisory firm delivering superior returns to our stockholders. We have made significant progress toward this goal, but in order to continue delivering superior returns we need to continue to attract, retain and motivate the best talent in the business. Sustaining the compensation strategies that have served us well is fundamental to our continued success in attracting and retaining such talent and to our overall continued progress.

Below is a summary of the reasoning behind our Board's decision to recommend that you approve Proposal No. 2:

The ability to issue equity is fundamental to our compensation strategy. For the last five years, over 95% of our annual bonus equity awards were granted to employees who had direct revenue generating responsibilities, enhancing retention and aligning their interests with our stockholders. Equity awards are also a key element of recruiting new Senior Managing Directors – a fundamental driver of our growth. Annual bonus equity awards are delivered as a component of an employee's annual incentive compensation amount and always are based on services already performed and revenue already generated.

Recruitment and retention of employees has driven our success and is necessary for our continued success. Equity compensation is critical in aligning the interests of our employees with those of our stockholders. By making equity a meaningful portion of our employees compensation with vesting and transfer restrictions, we are compensating our employees for their individual performance, and our employees are therefore motivated to conduct the business in a manner that produces superior returns for our stockholders over the long-term. We believe this, in part, has resulted in the long-term value we have created for our stockholders, as evidenced by our total shareholder return over the last five years, which has significantly outperformed our peers and the market.

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We are focused on mitigating the dilutive effect of annual bonus equity awards and are disciplined in granting equity awards.

Annual bonus equity awards are made as part of an appropriate compensation package for each of our employees. They are not in any way incremental to our annual compensation awards. Moreover, in the past three years, we have offset more than 100% of the dilutive effect of our annual bonus equity awards through stock repurchases. Our three year average net dilution for 2012, 2011 and 2010, which takes into account shares issued to attract new employees, annual bonus awards and stock repurchases, is less than 1%. Furthermore, in 2012, we adopted an expanded stock buyback program allowing for the repurchase of up to 5 million shares. This expanded program will position us to continue to execute our goal of offsetting 100% of the dilutive effect of annual bonus equity grants. We are committed to sustaining these buybacks.

A reduction in our use of equity-based compensation would require a corresponding increase in our use of alternative deferred compensation programs. If the amendment is not approved, we would be compelled to alter our compensation program to implement alternative deferred compensation programs. These programs do not provide the same benefits as equity, such as alignment with stockholder interests, and would likely involve increased administrative costs.

Our Board recommends that you vote FOR Proposal No. 2. Please take a few minutes to vote your shares today. Your vote is very important.

We value your input on this topic. If you have any questions, please contact our CFO, Bob Walsh or our General Counsel, Adam Frankel. Thank you for your consideration on this important matter.

/s/ Ralph Schlosstein
Ralph Schlosstein
President and Chief Executive Officer

Equity Compensation
May 2013

1
44
48
54
67
67
40
45
50

55

60

65

70

\$0

\$100,000

\$200,000

\$300,000

\$400,000

\$500,000

\$600,000

\$700,000

FY2008

FY2009

FY2010

FY2011

FY2012

Revenue (000's)

Number of SMD's

(end of year)

Our Growth in Senior Talent Drives the Company's Growth

Our full year net revenues from 2008-2012 grew from \$195 million to \$642 million. During this same period, our population of SMDs grew from 44 to 67.

Growth of Net Revenue and Senior Managing Directors

We
use
equity
awards
to
foster
an
ownership
culture

by
providing
a
direct
economic
link
between
employees and
stockholders.

We believe that RSUs are a better form of compensation because:

They encourage our employees to think like stockholders, and

In
contrast
to
options,
for
which
the
recipient
is
unaffected
by
stock-price
drops
below
the
strike
price, RSU

recipients, like shareholders, are exposed to both the downside and the upside of share performance. RSUs are delivered as a component of the agreed upon annual bonus compensation, and not in addition to that compensation.

In
other
words,
the
amount
of
compensation
always
is
determined
first,
with
the
mix
of
cash
and

RSUs determined subsequently. They are also a critical element in recruiting new SMDs.

We offset 100% of the dilutive effect of bonus equity awards through share repurchases, and opportunistically offset new hire equity awards through share repurchases.

Our
proposed
5
million
share
increase
will
enable
us
to
continue
this
element
of
our
strategy
for
2-3
years.
2

Equity awards are a fundamental element of the growth strategy of the firm, both for recruiting new employees and incenting and retaining our existing team.

Equity Compensation is a Fundamental Element of our Strategy

3
(1)
The
Stock
Performance
graph
and
related
table

compares
the
performance
of
an
investment
in
our
Class
A
common
stock
from
December
31,
2007
through
March
28,
2013,
with
Greenhill
&
Co.,
Lazard
and
the
S&P
500
Index.
The
graph
assumes
\$100
was
invested
at
the
opening
of
business
on
December
31,
2007
in
each
of
our
Class

A
common
stock,
Greenhill
&
Co.'s
common
stock,
Lazard's
common
stock
and
the
S&P
500
Index.
It
also
assumes
that
dividends
were
reinvested
on
the
date
of
payment
without
payment
of
any
commissions.
The
performance
shown
in
the
graph
represents
past
performance
and
should
not
be
considered
an
indication
of

future
performance.

(includes reinvestment of dividends)

Equity Compensation Aligns Employee and Stockholder Interests

We believe our equity compensation practices have contributed to the value we have created for our stockholders, as evidenced by our total shareholder returns over the last five years, which have significantly outperformed our peers and the market.

\$250

200

150

50

100

Dec 31,

Dec 31,

Dec 31,

Dec 31,

Dec 30,

Dec 31,

Mar 28,

Company / Index

2007

2008

2009

2010

2011

2012

2013

Evercore Partners Inc.

\$100

\$60

\$150

\$171

\$137

\$161

\$223

S&P 500 Index

\$100

62

76

86

86

97

107

Greenhill & Co.

\$100

108

127

132

62

92

95

Lazard

\$100

74

96

101

68

81

93

Unless Proposal No. 2 is approved, we won't have sufficient shares under the plan to support annual bonuses and grants to new hires required to continue attracting and incentivizing our employees to achieve our objectives.

We
have
consistently
recognized
the
potentially
dilutive

aspects
of
equity
grants
and,
as
our
grant
and
stock
buyback
history

indicates, have worked assiduously to mitigate such dilution. (See Annex A).

In connection with our request to increase the number of shares under the plan, we have agreed (subject to unusual circumstances

that
may
arise)

to
use
our
recently
expanded
stock
repurchase
program
to:

offset 100% of the dilutive effect of our annual bonus equity awards over the next three years, and

maintain our average three year burn rate at or below 2.5%.

4

Evercore is requesting that stockholders vote to approve Proposal No. 2, which authorizes an additional 5 million shares under the Plan, and which we believe is necessary for Evercore to continue delivering value to you.

Proposal No. 2 - Amendment to the Plan and Our Commitment to Offset Dilutive Effects

5

The ability to issue equity is fundamental to our compensation strategy.

Equity awards were granted to employees who had direct revenue generating and client-facing responsibilities, enhancing retention and aligning their interests with our stockholders. Equity awards are also a key element of recruiting new Senior Managing Directors and driving a portion of our growth. Annual bonus RSUs are delivered as a component of an employee's annual incentive compensation amount (and are based on services already performed and, for award recipients who have client facing responsibilities, revenue already generated rather than on potential performance), and is not in addition to annual incentive compensation. Equity-based compensation is tied directly to an employee's contribution to the business, and not to seniority or role.

Recruitment and retention of employees has driven our success and is necessary for our continued success.

Equity compensation is critical in aligning the interests of our employees with those of our stockholders. By making equity a significant portion of our employees' compensation with vesting and transfer restrictions, we are linking our employees' compensation to the performance of Evercore, and our employees are therefore motivated to conduct the business in a manner that produces superior returns for our stockholders over the long-term. We believe this, in part, has resulted in the long-term value we have created for our stockholders, as evidenced by our total shareholder return over the last five years, which has significantly outperformed our peers in the market.

We are focused on mitigating the dilutive effect of annual bonus equity awards and are disciplined in granting equity awards. In the past three years, we have offset all of the dilutive effect of our annual bonus equity awards through stock repurchases. Our three year average net dilution for 2012, 2011 and 2010, which takes into account annual share bonus awards to employees, share awards for new employees and stock repurchases, is less than 1%. Furthermore, in 2012, we adopted an expanded buyback program allowing for the repurchase of up to 5 million shares. This expanded program will position us to execute our strategy of offsetting the dilutive effect of annual bonus equity grants, and to keeping total dilution from the plan to under 2.5%.

A reduction in our use of equity-based compensation would require a corresponding increase in our use of alternative deferred compensation program. These programs do not provide the same benefits as equity, such as alignment with stockholder interests, and would likely involve increased administrative costs.

alternative deferred compensation programs.

The ability to issue equity is fundamental to our compensation strategy.

We are focused on mitigating the dilutive effect of annual bonus equity awards and are disciplined in granting equity awards.

A reduction in our use of equity-based compensation would require a corresponding increase in our use of alternative deferred compensation programs.

For the last five years, over 95% of our annual bonus

Reasons why Our Board Recommends that You Vote to Approve Proposal No. 2

If the amendment is not approved, we would be compelled to alter our

2010
2011
2012
Three Year
Average
Equity Grants:
Bonus Equity
1,088
1,464

2,420
 1,657
 New Hire Equity
 386
 745
 743
 625
 Forfeitures
 (307)
 (121)
 (366)
 (265)
 Net Equity Grants
 1,167
 2,088
 2,797
 2,017
 Shares Repurchased
 1,357
 1,587
 2,616
 1,853
 Net Issuance Equity Grants Without New Hires
 (586)
 (244)
 (562)
 (461)
 Net Issuance Equity Grants With New Hires
 (190)
 501
 181
 164
 Percentage of Net Equity Grants Repurchased Without New Hires
 174%
 118%
 127%
 133%
 Percentage of Net Equity Grants Repurchased With New Hires
 116%
 76%
 94%
 92%
 Weighted Common Shares Outstanding and Vested Evercore LP
 Partnership Units
 (1)
 29,436
 33,837
 36,514
 33,262
 Burn Rate (Taking into Account Vested Evercore LP Partnership

Units and Forfeitures)

4.0%

6.2%

7.7%

5.9%

Burn Rate (Taking into Account Vested Evercore LP Partnership

Units, Share Repurchases and Forfeitures)

(0.6%)

1.5%

0.5%

0.5%

(shares in thousands)

6

(1)

Includes

vested

Evercore

LP

partnership

units

outstanding

for

each

period

totaling

9,781,

7,818,

7,239

thousand

for

fiscal

years

2010,

2011

and

2012,

respectively

Annex A Equity Grant and Stock Buyback History Overview

The dilution from equity grants (taking into account vested Evercore LP partnership units, share repurchases and forfeited shares) has averaged less than 1% over the past three years, and, excluding share repurchases, 5.9%.