

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**Amendment No. 1  
to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Silvercrest Asset Management Group Inc.**

(Exact name of each registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**6282**  
(Primary Standard Industrial  
Classification Code Number)

**45-5146560**  
(I.R.S. Employer  
Identification Number)

**Silvercrest Asset Management Group Inc.  
1330 Avenue of the Americas, 38th Floor  
New York, New York 10019  
(212) 649-0600**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**David J. Campbell  
General Counsel  
Silvercrest Asset Management Group Inc.  
1330 Avenue of the Americas, 38th Floor  
New York, New York 10019  
(212) 649-0600**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Floyd I. Wittlin  
Christina E. Melendi  
Bingham McCutchen LLP  
399 Park Avenue  
New York, New York 10022  
(212) 705-7000**

**Robert D. Goldbaum  
David S. Huntington  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, New York 10019  
(212) 373-3000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

---

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 9, 2012

PRELIMINARY PROSPECTUS

Shares



SILVERCREST  
ASSET MANAGEMENT GROUP

Silvercrest Asset Management Group Inc.

Class A Common Stock

This is an initial public offering of shares of Class A common stock of Silvercrest Asset Management Group Inc. We are offering shares of Class A common stock.

Prior to this offering, there has been no public market for our Class A common stock. We expect the initial public offering price of our Class A common stock will be between \$ and \$ per share. We will apply to list our Class A common stock on The Nasdaq Global Market under the symbol "SAMG."

We intend to use a portion of the net proceeds of this offering to purchase limited partnership units of Silvercrest L.P. from certain of its limited partners and will not retain any of these proceeds.

The underwriters have the option to purchase up to an additional shares of our Class A common stock from us within 30 days of the date of this prospectus at the initial public offering price, less the underwriting discounts and commissions.

Concurrently with the consummation of this offering, we will issue shares of our Class B common stock, each share of which initially entitles the holder to one vote per share, to the continuing limited partners of our subsidiary, Silvercrest L.P. These Class B stockholders, who will hold approximately % of the combined voting power of our common stock immediately after this offering, will enter into a stockholders' agreement pursuant to which they will agree to vote their shares of common stock together, as determined by the Executive Committee of Silvercrest L.P., on all matters submitted to a vote of our common stockholders.

We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements. Investing in our Class A common stock involves risks. See "Risk Factors" on page 15.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions <sup>(1)</sup>	\$	\$
Proceeds, before expenses, to Silvercrest Asset Management Group Inc.	\$	\$

<sup>(1)</sup> See "Underwriting" beginning on page 156.

Sandler O'Neill + Partners, L.P., on behalf of the underwriters, expects to deliver the shares of Class A common stock on or about , 2012, subject to customary closing conditions.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

SANDLER O'NEILL + PARTNERS, L.P.

RAYMOND JAMES

The date of this prospectus is , 2012.

---

[Table of Contents](#)

TABLE OF CONTENTS

	<u>Page</u>
<a href="#">PROSPECTUS SUMMARY</a>	1
<a href="#">RISK FACTORS</a>	15
<a href="#">THE REORGANIZATION AND OUR HOLDING COMPANY STRUCTURE</a>	41
<a href="#">USE OF PROCEEDS</a>	54
<a href="#">DIVIDEND POLICY</a>	55
<a href="#">CAPITALIZATION</a>	56
<a href="#">DILUTION</a>	57
<a href="#">SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA</a>	58
<a href="#">UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION</a>	63
<a href="#">MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	73
<a href="#">BUSINESS</a>	98
<a href="#">REGULATORY ENVIRONMENT</a>	114
<a href="#">MANAGEMENT</a>	117
<a href="#">COMPENSATION DISCUSSION AND ANALYSIS</a>	123
<a href="#">CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</a>	139
<a href="#">SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</a>	141
<a href="#">DESCRIPTION OF CAPITAL STOCK</a>	143
<a href="#">SHARES ELIGIBLE FOR FUTURE SALE</a>	149
<a href="#">MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF CLASS A COMMON STOCK</a>	151
<a href="#">UNDERWRITING</a>	156
<a href="#">LEGAL MATTERS</a>	159
<a href="#">EXPERTS</a>	159
<a href="#">WHERE YOU CAN FIND MORE INFORMATION</a>	159
<a href="#">INDEX TO FINANCIAL STATEMENTS</a>	F-1

---

**You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. When you make a decision about whether to participate in this offering, you should not rely on any information other than the information contained in this prospectus or any such free writing prospectus. This document may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate as of the date of this prospectus.**

## PROSPECTUS SUMMARY

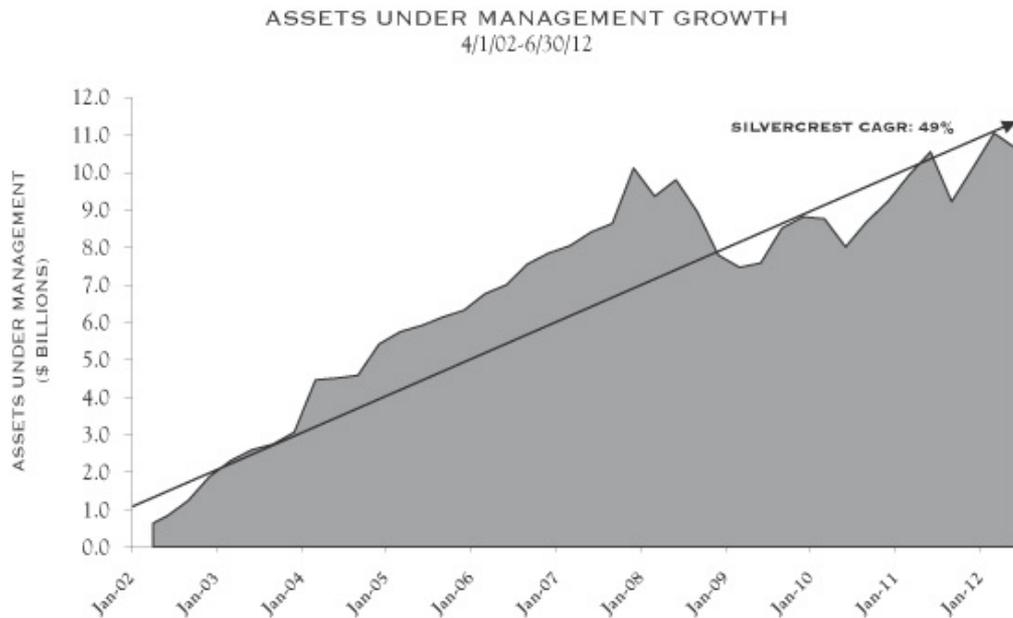
*This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information you need to consider in making your decision to invest in our Class A common stock. This summary is qualified in its entirety by the more detailed information, and the consolidated financial statements and notes thereto, included elsewhere in this prospectus. You should read carefully this entire prospectus and should consider, among other things, the matters set forth in the section entitled “Risk Factors” before deciding to invest in our Class A common stock. Unless otherwise indicated, “Silvercrest” refers solely to Silvercrest Asset Management Group Inc. The terms “we,” “us” and “our” refer to Silvercrest L.P. and its consolidated subsidiaries when referring to events occurring prior to this offering, and these terms refer to Silvercrest Asset Management Group Inc. and its consolidated subsidiaries when referring to events occurring after this offering.*

### Our Company

We are a premier, full-service wealth management firm focused on providing financial advisory and related family office services to ultra-high net worth individuals and institutional investors. In addition to a wide range of investment capabilities, we offer a full suite of complementary and customized family office services for families seeking comprehensive oversight of their financial affairs. As of June 30, 2012, our assets under management were \$10.7 billion, which we believe makes us the largest investment adviser in the United States that is focused on high net worth clients and is principally owned by its employees. Our clients are among the wealthiest and most sophisticated in the world.

We were founded ten years ago on the premise that if we staffed and organized our business to deliver a combination of excellent investment performance and high-touch client service, we would quickly differentiate our business from a crowded field of firms nominally in the wealth management business. We seek to attract and serve a base of individuals and families with \$10 million or more of investable assets, and we believe we are particularly well-positioned to offer comprehensive investment and family office service solutions to families with over \$25 million of investable assets. As of June 30, 2012, our top 375 client relationships had an average size of \$28 million and represented approximately 98% of our assets under management. Our top 50 relationships averaged \$151 million in size as of June 30, 2012.

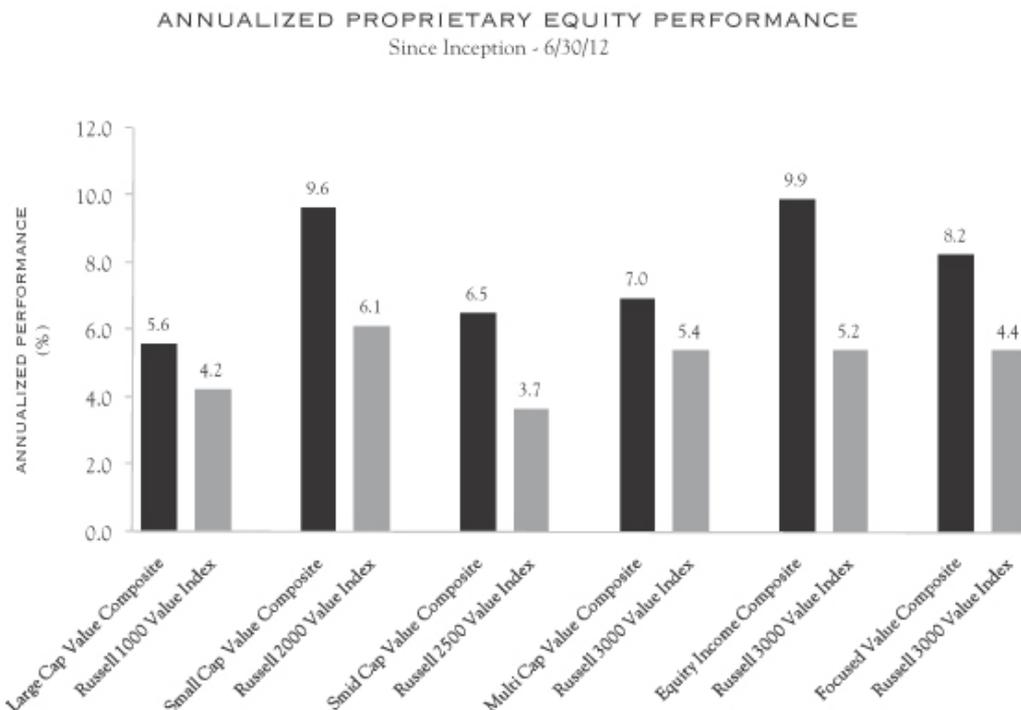
We have grown during a time of extraordinary financial turmoil during which the value of a full-service, independent, client-focused firm has become ever-more apparent. Our growth and success at attracting ultra-high net worth clients, primarily by taking market share from our competitors, validates our original premise. Our organic growth has been complemented by selective hiring and by four completed acquisitions, which have expanded not only our assets under management, but also our professional ranks, geographic footprint and service capabilities. Our annual client retention rate has averaged 98% since 2006 and, as shown below, the compound annual growth rate in assets under management since inception is 49%.



Our clients engage us to advise them on traditional and alternative investment strategies. Our clients receive a full menu of proprietary investment capabilities together with a focused array of complementary non-proprietary capabilities offered by unaffiliated firms selected by us. In addition to our investment advisory capabilities, we also provide our clients with family office services and related administrative services, which include financial planning, tax planning and preparation, partnership accounting and fund administration and consolidated wealth reporting.

Our fees for our investment advisory services, non-proprietary services and family office and related administrative services are structured to align our financial incentives with those of our clients to ensure they receive unconflicted advice. The vast majority of our fees are for discretionary asset management, and are based on the value of the assets we manage for our clients. These fee revenues increase if our clients' assets grow in value; these fee revenues decrease if our clients' assets decline in value. Unlike our discretionary asset management fees, our fees for family office services and related administrative services are generally not based on or correlated to market values of our clients' assets. For these services, we generally charge our clients a negotiated fee based on the scope of work requested. These services create strong client relationships and contribute meaningfully to our record of client retention.

As of June 30, 2012, approximately 94% of our assets under management were held for our individual clients and 6% for our institutional clients. Based on the strong investment results of our proprietary equity strategies, we have begun to attract a significant amount of institutional investor interest. The following chart summarizes the performance of each of our principal equity strategies relative to their appropriate benchmarks since inception.



Our headquarters are located in New York City with additional offices in Boston, Massachusetts and Charlottesville, Virginia. We believe our track record of superior performance and our trusted reputation within the wealth management industry and among our clients is solely attributable to the talent and pedigree of our employees. As of June 30, 2012, we had 87 employees, including 37 employee-owners.

**Our Market Opportunity**

We operate in the multi-family office (MFO)/registered investment adviser (RIA) channel of private wealth management, the fastest growing sector of the market according to Cerulli Associates. The aggregate assets of managers in this channel have doubled from 2005 to 2010, largely due to market share gains primarily from large financial institutions. Our client relationships with ultra-high net worth individuals currently represent less than 1% of U.S. families with investable assets over \$25 million. The Spectrem Group estimates there were 1.1 million households in the United States with a net worth of over \$5 million in 2011 and 107,000 with a net worth in excess of \$25 million. Even modest improvements in our penetration of this market will lead to significant further growth.

The 2008 financial crisis created an ongoing opportunity for independent smaller firms to attract assets from their larger competitors. The press has documented the erosion of client trust that has occurred at large financial institutions due to inherent conflicts of interest and lack of transparency. In delivering conflict-free advice within a completely transparent fee relationship, we are well-positioned to achieve further market share gains.

**Key Competitive Strengths**

- **Independent, Unconflicted Advice.** We are an independent registered investment adviser and are not affiliated with a broker/dealer or a commercial bank. We employ a partnership culture and mindset with 37 of our employees owning equity in our company. We do not receive commissions, rebates, spreads or any other indirect or undisclosed forms of compensation. We are not controlled by any client or family

## Table of Contents

and all of our investment decisions are made in the best interests of our clients. All of our fees are fully disclosed and transparent to our clients who have an unrestricted right to accept or reject them.

- ***Demonstrated Track Record of Growing Assets Under Management.*** We have expanded our business through a combination of organic growth and acquired growth. Our value proposition to clients has enabled us to win market share from competitors. Since 2004, we have completed four strategic acquisitions of separate registered investment advisers and we have integrated and rebranded their operations into our company. These factors, combined with strong investment returns, have produced a compound annual growth rate in total client assets of 49% since our inception.
- ***Long-Term Track Record of Superior Investment Performance.*** We have a proven ability to generate excellent investment performance through both our asset allocation work on behalf of clients as well as through security selection. We have a team-based approach that utilizes the same body of research to manage all of our proprietary equity strategies, which we believe generates superior, more consistent returns over time. Through June 30, 2012, each of our proprietary equity strategies has outperformed its respective benchmark since inception.
- ***Loyal, Diverse Base of Clients.*** As a result of our focus on delivering outstanding investment performance combined with highly personalized client service, we have developed significant long-term relationships with a large majority of our clients. Since 2006, our annual client retention rate has averaged 98%. As of June 30, 2012, our clients were represented in 43 states and the District of Columbia and no single client represented more than 5% of our total revenue.
- ***Dedicated, Proven Senior Management.*** Our entire business is overseen by an Executive Committee comprising our Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer and General Counsel. At present, no one on the Executive Committee has direct client or investment responsibility and, as a result, each member of the Executive Committee commits his full resources to managing the business and executing our growth strategy.

### **Our Growth Strategy**

- ***Continuing To Support Our Organic Growth.*** We have a proven ability to identify, attract and retain ultra-high net worth clients who seek a firm that can deliver excellent investment performance and excellent client service. Our organizational model of separate and distinct business functions has proven scalable and our company's assets under management have grown on average in excess of \$1 billion per year, consisting of the market appreciation of our assets under management as well as an increase in the amount of assets we manage for both new and existing clients, without a commensurate increase in headcount. Going forward, we will continue to execute our proven business plan for attracting ultra-high net worth clients through client referrals, as well as through our recently created business development team charged with identifying and then creating customized solicitations for newly formed wealth.
- ***Continuing Our Successful Track Record of Acquired Growth.*** From our inception, our organic growth has been complemented by selective hiring and strategic acquisitions. We expect to continue to acquire compatible wealth management companies, and recruit and hire senior portfolio managers with significant client relationships as well as successful investment professionals with capabilities currently not available internally to us. We currently intend to establish offices in major wealth centers on the West Coast, in the Southwest and in the Midwest to be closer to both our clients and to prospective clients.
- ***Continuing To Accelerate Our Institutional Growth.*** After four years of effort focused on cultivating relationships with institutional investment consultants, we are now regularly making new business presentations to institutional investors, including public pension funds, endowments, foundations, and their consultants. We are now on the "approved" lists of certain prominent institutional investment

consultants and we have begun to win mandates in our equity strategies. In addition, we have been hired to manage a new equity mutual fund which is presently in the early stages of its national marketing campaign. We expect this trend to continue once it is publicly known that these and other institutions have engaged us to manage significant portfolios for them and we will actively pursue new business opportunities in this channel.

- ***Continuing to Uphold And Increase Our Brand Awareness.*** We have invested heavily to build, maintain and extend our brand. With limited resources, we have created a focused national advertising campaign and have invested in efforts to receive media coverage in some of the nation's most prestigious national publications as well as in industry journals and newsletters. Following this offering we expect to increase our spending in both advertising and public relations as part of our effort to further build our brand and to increase the market's awareness of our company, particularly in geographic markets that we expect to enter.

### **Risks Facing our Company**

Our business is subject to numerous risks that are described more fully in the section entitled "Risk Factors" on page 15.

We derive a substantial portion of our revenues from a limited number of our strategies. As a result, a portion of our operating results depends upon the performance of those strategies and our ability to retain client assets. If a significant portion of the investors in our larger strategies decide to withdraw their investments or terminate their investment management agreements for any reason, our revenues from those strategies would decline, which would have a material adverse effect on our results of operations and financial condition.

We face additional challenges that may impact our growth strategy and our ability to compete. A significant portion of our assets under management are or may be derived from a small number of clients. If any such clients withdraw all or a portion of their assets under management, our business would be significantly affected, which would negatively impact our advisory fees and could have a material adverse effect on our results of operations and financial condition.

Further, volatile market conditions could adversely affect our business in many ways, including reducing the value of our assets under management and causing clients to withdraw funds, either of which could materially reduce our revenues and adversely affect our financial condition.

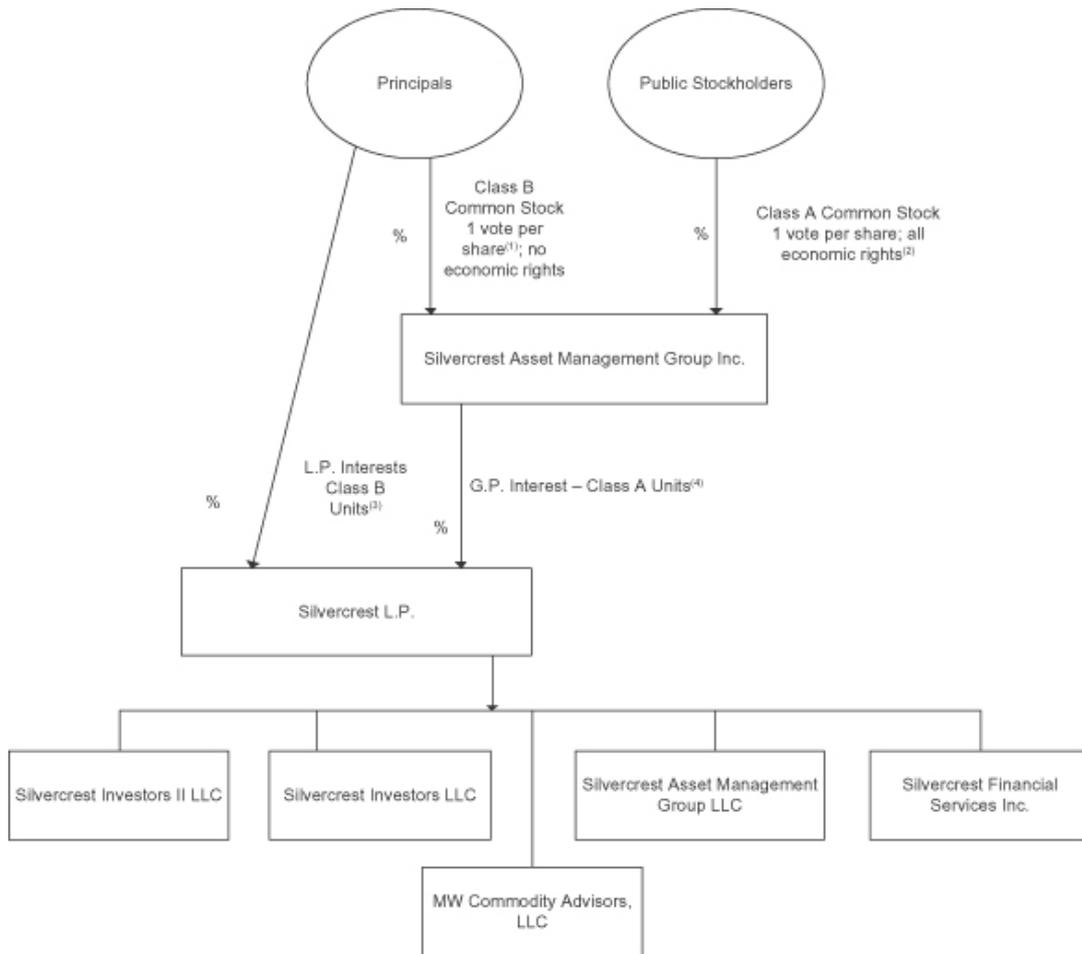
### **Our Structure and Reorganization**

On July 11, 2011, Silvercrest was incorporated as a Delaware corporation. Silvercrest GP LLC is currently the general partner of Silvercrest L.P., which is the managing member of the operating subsidiary, Silvercrest Asset Management Group LLC. See "The Reorganization and Our Holding Company Structure—Overview" for a description of the reorganization and the structure of our company. Immediately prior to the consummation of this offering, the members of Silvercrest GP LLC will receive a distribution of the general partner interests of Silvercrest L.P. owned by Silvercrest GP LLC as part of the reorganization. Once acquired, these interests that were distributed to the members of Silvercrest GP LLC will be automatically converted into limited partnership interests. Subsequent to the distribution of the general partner interests of Silvercrest L.P. to its members and the conversion of those interests into limited partnership interests, Silvercrest GP LLC will transfer its rights as general partner to Silvercrest and will be dissolved. Thereafter, Silvercrest will become the general partner of Silvercrest L.P. As part of the reorganization, the partnership agreement of Silvercrest L.P. will be amended to provide that the limited partnership interests will be converted to Class B units and the general partnership interests will be converted to Class A units.

[Table of Contents](#)

Immediately following the reorganization, our only material asset will be the general partnership interests in Silvercrest L.P. We will use approximately \$ \_\_\_\_\_ million of the net proceeds from this offering to purchase Class B units of Silvercrest L.P. from its current limited partners, including all Class B units held by third-party investors in Silvercrest L.P., and such Class B units acquired by us will be immediately converted into Class A units. These third-party investors will therefore no longer hold any portion of Silvercrest L.P.’s Class B units or any of our Class B common stock subsequent to the reorganization. Following the reorganization and this offering, we will own all of the Class A units, which represent the general partnership interest in Silvercrest L.P., or approximately \_\_\_\_\_ % of the partnership units of Silvercrest L.P. (or approximately \_\_\_\_\_ % of the partnership units if the underwriters exercise in full their option to purchase additional shares of Class A common stock). The remaining approximately \_\_\_\_\_ % of the partnership units in Silvercrest L.P. (or \_\_\_\_\_ % of the partnership units if the underwriters exercise in full their option to purchase additional shares of Class A common stock) will be held by 37 of our principals. See “The Reorganization and Our Holding Company Structure” for a description of the reorganization and the structure of our company.

Set forth below is our holding company structure and anticipated ownership immediately after the consummation of the reorganization and this offering (assuming no exercise of the over-allotment option).



---

## Table of Contents

- (1) Each share of class B common stock is entitled to one vote per share. Class B stockholders will have the right to receive the par value of the Class B common stock upon our liquidation, dissolution or winding-up.
- (2) Each share of Class A common stock is entitled to one vote per share. Class A common stockholders will have 100% of the rights of all classes of our capital stock to receive distributions, except that Class B common stockholders will have the right to receive the par value of the Class B common stock upon our liquidation, dissolution or winding-up.
- (3) Each Class B unit is exchangeable for one share of Class A common stock. The principals will collectively hold            Class B units, which will represent the right to receive approximately    % of the distributions made by Silvercrest L.P. and            deferred equity units exercisable for Class B units, which represent the right to receive approximately    % of the distributions made by Silvercrest L.P. (or approximately    % and    %, respectively, of the distributions made by Silvercrest L.P. if the underwriters exercise their option to purchase additional shares of Class A common stock in full).
- (4) We will hold            Class A units (or            Class A units if the underwriters exercise their option to purchase additional shares of Class A common stock in full), which will represent the right to receive approximately    % of the distributions made by Silvercrest L.P. (or approximately    % of the distributions made by Silvercrest L.P. if the underwriters exercise their option to purchase additional shares of Class A common stock in full).

---

We are a Delaware corporation and the address of our principal executive offices is 1330 Avenue of the Americas, 38th Floor, New York, New York 10019. Our telephone number is (212) 649-0600 and our website is [www.silvercrestgroup.com](http://www.silvercrestgroup.com). Our website and the information included therein are not part of this prospectus.

[Table of Contents](#)

**The Offering**

Class A common stock offered by us	shares of Class A common stock, or shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares.
Class A common stock to be outstanding immediately after this offering	shares of Class A common stock, or shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares. If all Class B units of Silvercrest L.P. were to be exchanged for shares of our Class A common stock, shares of Class A common stock would be outstanding immediately after this offering.
Class B common stock to be outstanding immediately after this offering	shares of Class B common stock. Shares of our Class B common stock have voting rights but no economic rights (including no rights to dividends or distribution upon liquidation) and will be issued to our principals in an amount equal to the number of Class B units of Silvercrest L.P. that our principals hold following the reorganization. When a Class B unit is exchanged for a share of Class A common stock, the corresponding share of Class B common stock will be cancelled. See “The Reorganization and Our Holding Company Structure—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Coordination of Silvercrest Asset Management Group Inc. and Silvercrest L.P.”
Use of proceeds	<p>We will receive net proceeds from our sale of Class A common stock in this offering of approximately \$ million (or approximately \$ million if the underwriters exercise in full their option to purchase additional shares), based on an assumed initial public offering price of \$ per share (the midpoint in the price range set forth on the cover of this prospectus), in each case after deducting assumed underwriting discounts and estimated offering expenses payable by us. We intend to use approximately \$ million of the net proceeds from this offering to purchase Class B units of Silvercrest L.P. from its current limited partners. The purchase price for the Class B Units will be determined by the public offering price of our Class A common stock in this offering, less the amount of offering expenses incurred by us on a per share basis. We intend to use the remaining net proceeds of this offering, including any proceeds from the exercise of the underwriters’ option to purchase additional shares, for general corporate purposes, which may include business operations, investments in our business, the development of new investment strategies and strategic acquisitions.</p>
Voting rights and stockholders’ agreement	One vote per share for Class A common stock and Class B common stock. Our principals who hold shares of Class B common stock will enter into a stockholders’ agreement pursuant to which they will agree to vote, while employed by us, the shares of Class A common stock and Class B common stock that they hold in accordance with

## Table of Contents

	<p>the decision of the Executive Committee of Silvercrest L.P., consisting initially of G. Moffett Cochran, Richard R. Hough III, Scott A. Gerard and David J. Campbell. The vote of each member of the Executive Committee will be weighted based on the number of Class B units owned by the member relative to the number of Class B units held by all members of the Executive Committee at the time of a vote. See “The Reorganization and Our Holding Company Structure—Voting Rights of Class A and Class B Stockholders” and “The Reorganization and Our Holding Company Structure—Stockholders’ Agreement Among Class B Stockholders.”</p>
Class B unit exchange	<p>Pursuant to the terms of the second amended and restated limited partnership agreement of Silvercrest L.P. and an exchange agreement to be entered into between us and the holders of the Class B units, each Class B unit will be exchangeable for a share of our Class A common stock, subject to the exchange timing and volume limitations described under “The Reorganization and Our Holding Company Structure—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.” All Class B units held by a principal will be exchanged automatically for shares of our Class A common stock upon the termination of employment of such principal, other than in the case of retirement, subject to certain limitations described under “The Reorganization and Our Holding Company Structure—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.”</p>
Resale and registration rights	<p>Pursuant to a resale and registration rights agreement that we will enter into with the holders of Class B units, we will agree to use our best efforts to file a registration statement for the sale of the shares of our Class A common stock that are issuable upon exchange of Class B units as soon as practicable after we become eligible to file a registration statement on Form S-3, which we expect to be one year after the consummation of this offering. We expect to cause that registration statement to be declared effective by the Securities and Exchange Commission, or the SEC, as soon as practicable thereafter. See “The Reorganization and Our Holding Company Structure—Resale and Registration Rights Agreement” for a description of the timing and manner limitations on resales of these shares of our Class A common stock.</p>
Dividend policy	<p>Upon completion of this offering, we will have no material assets other than our ownership of Class A units of Silvercrest L.P. Accordingly, our ability to pay dividends will depend on distributions from Silvercrest L.P. We intend to cause Silvercrest L.P. to make distributions to us with available cash generated from its subsidiaries’ operations in an amount sufficient to cover dividends. If Silvercrest L.P. makes such distributions, the holders of its Class B units will be entitled to receive equivalent distributions on a pro rata basis.</p> <p>The declaration and payment of all future dividends, if any, will be at the sole discretion of our board of directors and may be discontinued at any time. In determining the amount of any future dividends, our</p>

## Table of Contents

	<p>board of directors will take into account any legal or contractual limitations, our actual and anticipated future earnings, cash flow, debt service and capital requirements and the amount of distributions to us from Silvercrest L.P.</p> <p>Following this offering, we intend to pay quarterly cash dividends. See “Dividend Policy.”</p>
Tax Receivable Agreement	<p>We will enter into a tax receivable agreement with the current partners of Silvercrest L.P., and any future holders of Class B units, that will require us to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination payment by us, or a change in control) as a result of the increases in tax basis and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This will be our obligation and not the obligation of Silvercrest L.P. We expect to benefit from the remaining 15% of cash savings, if any, realized.</p> <p>The tax receivable agreement will commence upon consummation of this offering and will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on an agreed upon value of payments remaining to be made under the agreement. The tax receivable agreement will automatically terminate with respect to our obligations to a principal if a principal (i) is terminated for cause, (ii) breaches his or her non-solicitation covenants with our company or (iii) voluntarily resigns or retires and competes with our company in the 12-month period following resignation of employment or retirement, and no further payments will be made to such principal under the tax receivable agreement. See “The Reorganization and Our Holding Company Structure—Tax Receivable Agreement.”</p>
Listing symbol	“SAMG.”
	<p>Unless otherwise noted, the number of shares of Class A common stock outstanding after this offering and other information based thereon in this prospectus excludes:</p> <ul style="list-style-type: none"><li>• shares of Class A common stock, which may be issued upon the exercise of the underwriters’ option to purchase additional shares;</li><li>• shares of Class A common stock reserved for issuance upon exchange of the Class B units that will be outstanding immediately after this offering;</li><li>• shares of Class A common stock reserved for issuance upon exchange of the corresponding number of Class B units reserved for issuance upon the exercise of deferred equity units and performance units that have been granted as of the date of this prospectus; and</li><li>• shares of Class A common stock reserved for issuance under our new 2012 Equity Incentive Plan.</li></ul>
	<p style="text-align: center;"><b>Risk Factors</b></p> <p>You should consider carefully the information set forth in the section entitled “Risk Factors” beginning on page 15 and all other information contained in this prospectus before investing in our Class A common stock.</p>

**Summary Selected Historical and Pro Forma Consolidated Financial Data**

The following table sets forth the summary selected historical consolidated financial data of Silvercrest L.P., which is deemed to be our predecessor for accounting purposes, as of the dates and for the periods indicated. The historical selected consolidated statement of operations data for the years ended December 31, 2011, 2010 and 2009, and the consolidated statements of financial position data as of December 31, 2011 and 2010 of Silvercrest L.P. have been derived from, and are qualified in their entirety by, the historical audited consolidated financial statements of Silvercrest L.P. included elsewhere in this prospectus. The consolidated statements of financial position data as of December 31, 2009 have been derived from financial statements not included in this prospectus. The summary selected consolidated statements of operations data for the six months ended June 30, 2012 and the summary selected consolidated statement of financial condition data as of June 30, 2012 and 2011 have been derived from the Silvercrest L.P. unaudited condensed consolidated financial statements included elsewhere in this prospectus. The summary selected consolidated statement of financial condition data as of June 30, 2011 have been derived from the Silvercrest L.P. unaudited condensed consolidated statement of financial condition as of June 30, 2011, not included in this prospectus. These unaudited condensed consolidated financial statements have been prepared on substantially the same basis as our audited consolidated financial statements and include all adjustments that we consider necessary for a fair presentation of our results of operations and financial condition for the periods and as of the dates presented. Our results for the six months ended June 30, 2012 are not necessarily indicative of our results for a full fiscal year.

The unaudited pro forma consolidated financial data for Silvercrest Asset Management Group Inc. give effect to all transactions described under “Unaudited Pro Forma Consolidated Financial Information,” including the reorganization and this offering.

You should read the following summary selected historical consolidated financial data of Silvercrest L.P. and the unaudited pro forma financial information of Silvercrest, together with “Business,” “Selected Historical Consolidated Financial Data,” “Unaudited Pro forma Consolidated Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements and related notes of Silvercrest L.P. and subsidiaries appearing elsewhere in this prospectus. In the following tables (including the footnotes thereto), dollars are in thousands, except as otherwise indicated.

[Table of Contents](#)

	Historical Silvercrest L.P.					Pro Forma Silvercrest	
	Year Ended December 31,			Six Months Ended June 30,		Year Ended December 31,	Six Months Ended June 30,
	2011	2010	2009	2012	2011	2011	2012
<b>Statements of operations data:</b>							
<b>Revenue:</b>							
Management and advisory fees	\$ 37,869	\$ 32,442	\$ 29,341	\$ 22,327	\$ 18,539	\$	\$
Performance fees and allocations	85	548	96	16	31		
Family office services	4,833	3,841	3,097	2,444	2,209		
Total revenue	42,787	36,831	32,534	24,787	20,779		
<b>Expenses:</b>							
Compensation and benefits	17,492	16,528	15,630	9,600	8,474		
General and administrative	10,849	9,459	13,006	5,208	4,424		
Impairment charges	—	—	1,691	—	—		
Total expenses	28,341	25,987	30,327	14,808	12,898		
Income before net loss from investment activities of Silvercrest Funds and other income (expenses)	14,446	10,844	2,207	9,979	7,881		
<b>Other income (expense):</b>							
Gain on extinguishment of debt	—	—	3,934	—	—		
Gain on settlement with former LongChamp shareholder	—	—	1,470	—	—		
Loss on forgiveness of notes receivable	(34)	(508)	—	—	—		
Change in value of options granted to equity holders	—	2	134	—	—		
Interest income	187	231	213	86	92		
Interest expense	(164)	(241)	(467)	(206)	(75)		
Other (expense) income	(210)	30	—	61	(176)		
Equity income (loss) from investments	950	1,241	274	—	—		
Total other income (expense)	729	755	5,558	(59)	(159)		
Income (loss) before non-controlling interests in income of consolidated entities and (provision) benefit for income taxes:	15,175	11,599	7,765	9,920	7,722		
Income before provision for income taxes	15,175	11,599	7,765	9,920	7,722		
(Provision) benefit for income taxes	(566)	(657)	321	(516)	(178)		
Net income	\$ 14,609	\$ 10,942	\$ 8,086	\$ 9,404	\$ 7,544		
Net income attributable to non-controlling interests							
Net income attributable to Silvercrest						\$	\$
<b>Selected statements of financial position data:</b>							
Total assets	\$ 45,262	\$ 33,079	\$ 29,964	\$ 40,419	\$ 29,867		\$
Notes payable	4,809	2,957	7,120	4,414	2,284		
Total liabilities	15,751	12,490	14,893	12,741	8,970		
Redeemable partners' capital	85,177	45,619	34,220	91,092	70,173		
Partners' deficit/Stockholders' equity	(55,666)	(25,030)	(19,148)	(63,414)	(49,278)		
Non-controlling interests	—	—	—	—	—		
<b>Selected unaudited operating data:</b>							
Assets under management (billions of dollars) (1)	\$ 10.1	\$ 9.2	\$ 8.8	\$ 10.7	\$ 10.6		
Adjusted EBITDA (2)	\$ 10,839	\$ 9,068	\$ 6,449	\$ 6,776	\$ 5,580		
Adjusted EBITDA margin (3)	25.3%	24.6%	19.8%	27.3%	26.9%		

## Table of Contents

- (1) Reflected as of the last day of the period.
- (2) To provide investors with additional insight, promote transparency and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, we supplement our consolidated financial statements presented on a basis consistent with U.S. generally accepted accounting principles, or GAAP, with Adjusted EBITDA, a non-GAAP financial measure of earnings. EBITDA represents net income before income tax expense, interest income, interest expense, depreciation and amortization. We define Adjusted EBITDA as EBITDA without giving effect to professional fees associated with acquisitions or financing transactions, losses on forgiveness of notes receivable from our principals, gains on extinguishment of debt or other obligations related to acquisitions, impairment charges and losses on disposals or abandonment of assets and leaseholds, client reimbursements and fund redemption costs, severance and other similar expenses, but including partner incentive allocations as an expense. Our management uses Adjusted EBITDA as a financial measure to evaluate the profitability and efficiency of our business model. We use this non-GAAP financial measure to assess the strength of the underlying operations of our business. These adjustments, and the non-GAAP financial measure that is derived from them, provide supplemental information to analyze our operations between periods and over time. Investors should consider our non-GAAP financial measure in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

The following table contains a reconciliation of net income to Adjusted EBITDA (amounts in thousands).

	Year Ended December 31,			Six Months Ended June 30,	
	2011	2010	2009	2012	2011
<b>Reconciliation of non-GAAP financial measures:</b>					
Net income	\$14,609	\$10,942	\$ 8,086	\$ 9,404	\$ 7,544
Provision (benefit) for income taxes	566	657	(321)	516	178
Interest expense	164	241	467	206	75
Interest income	(187)	(231)	(213)	(86)	(92)
Partner incentive allocations (A)	(8,775)	(5,173)	(2,591)	(4,448)	(3,449)
Depreciation and amortization	1,469	1,379	1,531	955	645
Equity-based compensation	1,060	583	—	806	496
Other adjustments (B)	1,933	670	(460)	(577)	183
Adjusted EBITDA	<u>\$10,839</u>	<u>\$ 9,068</u>	<u>\$ 6,499</u>	<u>\$ 6,776</u>	<u>\$ 5,580</u>

- (A) Partner incentive allocations have historically been treated as distributions of net income and recorded when paid. Upon the completion of the reorganization and this offering, we will account for partner incentive payments as an expense in our statement of operations and have reflected the related adjustments in our pro forma financial information. Accordingly, this will have the effect of increasing compensation expense relative to the amounts that have been recorded historically in our financial statements. See “Unaudited Pro Forma Financial Information.”
- (B) Other adjustments consist of the following:

	Year Ended December 31,			Six Months Ended June 30,	
	2011	2010	2009	2012	2011
Loss on forgiveness of notes receivable (a)	\$ 34	\$508	\$ —	\$ —	\$ —
Gain on extinguishment of debt (b)	—	—	(3,934)	—	—
Gain on settlement with former LongChamp shareholders (b)	—	—	(926)	—	—
Write-off of LongChamp revenue (b)	—	64	557	—	—
Loss on sub-lease (c)	150	—	—	(42)	192
Lease abandonment charge (d)	—	—	1,154	(662)	—
Goodwill, intangible, and fixed asset impairment charge (e)	—	—	1,691	—	—

[Table of Contents](#)

	Year Ended December 31,			Six Months Ended June 30,	
	2011	2010	2009	2012	2011
Client reimbursement	\$ —	\$—	\$1,132	\$ —	\$ —
Fund redemption costs (f)	827	—	—	9	—
IPO professional fees	578	—	—	103	—
Milbank acquisition costs (g)	222	—	—	15	—
Severance	69	100	—	—	—
Change in value of options granted to equity holders (h)	—	(2)	(134)	—	—
Other (i)	53	—	—	—	(9)
Total other adjustments	<u>\$1,933</u>	<u>\$670</u>	<u>\$ (460)</u>	<u>\$ (577)</u>	<u>\$ 183</u>

- (a) Represents remaining balance on notes originally issued in connection with the issuance of equity that were forgiven in connection with the termination of principals.
- (b) In 2009, we entered into a settlement agreement with the former owners of the LongChamp Group, Inc., or LGI, to close the business of LGI, which was acquired by us in 2007. All agreements between us and the former owners of LGI were terminated. LGI was ultimately wound down in 2009. For further explanation of the closing of the LGI business, see Note 10 to the audited consolidated financial statements of Silvercrest L.P. and subsidiaries included elsewhere in this prospectus.
- (c) Reflects a charge taken for the difference, on a present value basis, between the per square foot rental rate for our company's primary lease and a sub-lease that we signed in 2011 with a sub-tenant for our headquarters in New York.
- (d) Reflects a charge and subsequent reversal for the remaining rent expense on a portion of our unutilized space at our headquarters that we abandoned in 2009 and reoccupied in May 2012. A portion of this space is subleased through September 29, 2017.
- (e) Includes goodwill and intangibles impairment charges related to the closing of our LGI business. Also reflects an impairment charge related to the write-off of leasehold improvements in the abandoned space in 2009.
- (f) Includes the costs associated with the reimbursement to one of our funds for the difference between the value of certain investor redemptions and the actual proceeds of the underlying securities in 2011.
- (g) Reflects the legal and accounting fees associated with the closing of the Milbank Winthrop & Co., Inc. acquisition that were expensed in 2011. Also reflects expenses related to relocating Milbank personnel and operations to our headquarters that were incurred during the six months ended June 30, 2012.
- (h) Reflects the change in fair value of options that were granted to previous equity holders to purchase membership in Silvercrest Asset Management Group LLC. The options expired on April 30, 2010.
- (i) Represents professional fees related to the Milbank acquisition and a Silvercrest fund.

(3) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by total revenue.

## RISK FACTORS

*You should carefully consider the following risk factors in addition to the other information presented in this prospectus before investing in our Class A common stock. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations or cash flow. If any of the following risks and uncertainties actually occur, you may lose all or part of your original investment.*

### **Risks Related to our Investment Performance and the Financial Markets**

*Volatile market conditions could adversely affect our business in many ways, including by reducing the value of our assets under management and causing clients to withdraw funds, either of which could materially reduce our revenues and adversely affect our financial condition.*

The fees we earn under our investment management agreements with clients are based on the value of our assets under management. The prices of the securities held in the portfolios we manage and, therefore, our assets under management, may decline due to any number of factors beyond our control, including, among others, a declining stock or bond market, general economic downturn, political uncertainty or acts of terrorism. In connection with the severe market dislocations of 2008 and early 2009, the value of our assets under management declined substantially due primarily to the significant decline in stock prices worldwide. In future periods of difficult market conditions we may experience accelerated client redemptions or withdrawals if clients move assets to investments they perceive as offering greater opportunity or lower risk, which could further reduce our assets under management in addition to market depreciation. The economic outlook remains uncertain and we continue to operate in a challenging business environment. If market conditions, or actions taken by clients in response to market conditions, cause a decline in our assets under management, it would result in lower investment management fees and other revenue. If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced and our business will be negatively affected.

If market conditions improve greatly, driving the prices of the securities in our clients' accounts higher, it may lead to withdrawals or redemptions. In many cases, we advise only a portion of our clients' complete financial portfolio. This is because many clients prefer to diversify their portfolio among more than one asset manager or investment type. As to those clients, if the portion of their portfolio held by us increases significantly, it may become too large a percentage of their overall portfolio, and they may withdraw assets from our management and invest it elsewhere, thereby rebalancing their overall portfolio and returning their allocation to us to its prior level.

*If our investment strategies perform poorly, clients could withdraw their assets and we could suffer a decline in our assets under management and/or become the subject of litigation, either of which would reduce our earnings.*

The performance of our investment strategies is critical in retaining existing client assets as well as attracting new client assets. If our investment strategies perform poorly for any reason on an absolute basis or relative to other investment advisers, or the rankings of mutual funds we sub-advise decline, our earnings could decline because:

- our existing clients may withdraw funds from our investment strategies or terminate their relationships with us, or investors in the mutual funds we sub-advise may redeem their investments, which would cause the revenues that we generate from investment management and other fees to decline; or
- third-party financial intermediaries, advisers or consultants may rate our investment products poorly, which may lead our existing clients to withdraw funds from our investment strategies or reduce asset inflows from these third parties or their clients.

Our investment strategies can perform poorly for a number of reasons, including general market conditions, investment decisions that we make and the performance of the companies in which we invest on behalf of our

---

## Table of Contents

clients. In addition, while we seek to deliver long-term value to our clients, volatility may lead to under-performance in the near term, which could adversely affect our results of operations.

While clients do not generally have legal recourse against us solely on the basis of poor investment results, if our investment strategies perform poorly, we are more likely to become subject to litigation brought by dissatisfied clients. In addition, to the extent clients are successful in claiming that their losses resulted from fraud, gross negligence, willful misconduct, breach of contract or other similar misconduct, these clients may have remedies against us and/or our investment professionals under the federal securities laws and/or state law.

***The historical returns of our existing investment strategies may not be indicative of their future results or of the future results of investment strategies we may develop in the future.***

We have presented the historical returns of our existing investment strategies under “Business—Our Business Model.” The historical returns of our strategies should not be considered indicative of the future results of these strategies or of the results of any other strategies that we may develop in the future. The investment performance we achieve for our clients varies over time and the variance can be wide. The historical performance presented herein is as of June 30, 2012 and for periods then ended. The performance we achieve as of a subsequent date and for a subsequent period may be higher or lower and the difference may be material. Our strategies’ returns have benefited during some periods from investment opportunities and positive economic and market conditions. In other periods, such as in 2008, the first quarter of 2009 and the second quarter of 2010, general economic and market conditions have negatively affected investment opportunities and our strategies’ returns. These negative conditions may occur again, and in the future, we may not be able to identify and invest in profitable investment opportunities within our current or future strategies.

***We derive a substantial portion of our revenues from a limited number of our strategies.***

As of June 30, 2012, \$6.8 billion of our assets under management were concentrated in discretionary managed accounts, representing approximately 81% of our investment management fees for the six months ended June 30, 2012. In addition, \$0.9 billion of our assets under management were invested in private partnerships, as of June 30, 2012, representing approximately 19% of our investment management fees for the six months ended June 30, 2012. As a result, a substantial portion of our operating results depends upon the performance of a limited number of investment strategies used to manage those discretionary managed accounts and private partnerships, and our ability to retain client assets. If a significant portion of the investors in our larger strategies decided to withdraw their investments or terminate their investment management agreements for any reason, including poor investment performance or adverse market conditions, our revenues from those strategies would decline, which would have a material adverse effect on our results of operations and financial condition.

***A significant portion of our assets under management are or may be derived from a small number of clients, the loss of which could significantly reduce our management fees and have a material adverse effect on our results of operations.***

Certain of our strategies are or may derive a significant portion of their total assets under management from assets of a single client or a small number of clients. If any such clients withdraw all or a portion of their assets under management, our business would be significantly affected, which would negatively impact our management fees and could have a material adverse effect on our results of operations and financial condition.

***We may not be able to maintain our current fee structure as a result of poor investment performance, competitive pressures or as a result of changes in our business mix, which could have a material adverse effect on our profit margins and results of operations.***

We may not be able to maintain our current fee structure for any number of reasons, including as a result of poor investment performance, competitive pressures or changes in our business mix. In recent years, there has

---

## Table of Contents

been a general trend toward lower fees in the investment management industry, and some of our investment strategies, because they tend to invest in larger-capitalization companies and were designed to have larger capacity and to appeal to larger clients, have lower fee schedules. In order to maintain our fee structure in a competitive environment, we must be able to continue to provide clients with investment returns and service that our clients believe justify our fees. We may not succeed in providing the investment returns and service that will allow us to maintain our current fee structure. If our investment strategies perform poorly, we may be forced to lower our fees in order to retain current, and attract additional, assets to manage. Furthermore, if a larger part of our assets under management are invested in our larger capacity, lower fee strategies, our revenue could be adversely affected.

***We derive most of our revenues from assets under management that may be reduced at any time by our clients.***

We derive our revenues principally from our assets under management, which may be reduced by our clients, or investors in the mutual funds we sub-advise, at any time. A client may reduce his assets under management with us by re-allocating all or any portion of the assets that we manage away from us at any time with little or no notice. In addition, investors in the mutual funds we advise can redeem their investments in those funds at any time without prior notice. A client may also reduce his assets under management with us through the termination of his investment advisory agreement with us. Our investment advisory agreements are terminable by our clients upon short notice or no notice. These investment management agreements and client relationships may be terminated or not renewed for any number of reasons. The decrease in revenues that could result from a reduction in assets under management or the termination of a material client relationship or group of client relationships could have a material adverse effect on our business.

***The long-only, equity investment focus of the majority of our strategies exposes us to greater risk than certain of our competitors whose investment strategies may also include non-equity securities or hedged positions.***

Our largest equity investment strategies hold long positions in publicly-traded equity securities of companies across a wide range of market capitalizations, geographies and industries. Accordingly, under market conditions in which there is a general decline in the value of equity securities, each of our equity strategies is likely to perform poorly on an absolute basis. Aside from our privately managed funds and funds of funds, we do not have strategies that invest in privately-held companies or take short positions in equity securities, which could offset some of the poor performance of our long-only, equity strategies under such market conditions. Even if our investment performance remains strong during such market conditions relative to other long-only, equity strategies, investors may choose to withdraw assets from our management or allocate a larger portion of their assets to non-long-only or non-equity strategies. In addition, the prices of equity securities may fluctuate more widely than the prices of other types of securities, making the level of our assets under management and related revenues more volatile.

***The performance of our investment strategies or the growth of our assets under management may be constrained by the unavailability of appropriate investment opportunities or if we close certain of our investment strategies.***

The ability of our investment teams to deliver strong investment performance depends in large part on their ability to identify appropriate investment opportunities in which to invest client assets. If the investment team for any of our strategies is unable to identify sufficiently appropriate investment opportunities for existing and new client assets on a timely basis, the investment performance of the strategy could be adversely affected. In addition, if we determine that there are insufficient investment opportunities available for a strategy, we may choose to limit the growth of the strategy by limiting the rate at which we accept additional client assets for management under the strategy, closing the strategy to all or substantially all new investors or otherwise taking action to limit the flow of assets into the strategy. If we misjudge the point at which it would be optimal to limit access to or close a strategy, the investment performance of the strategy could be negatively impacted. The risk

---

## [Table of Contents](#)

that sufficiently appropriate investment opportunities may be unavailable is influenced by a number of factors, including general market conditions, but is particularly acute with respect to our Small Cap and SMID Cap strategies that focus on small-cap investments, and is likely to increase as our assets under management increase, particularly if these increases occur very rapidly. If we are unable to identify appropriate investment opportunities in which to invest client assets, our growth and results of operations may be negatively affected.

***Our investment strategies may not obtain attractive returns in the short-term or during certain market periods.***

Our products are best suited for investors with long-term investment horizons. In order for our classic value investment approach to yield attractive returns, we must typically hold securities for an average of over three years. Therefore, our investment strategies may not perform well during short periods of time. In addition, our strategies may not perform well during points in the economic cycle when value-oriented stocks are relatively less attractive. For instance, during the late stages of an economic cycle, investors may purchase relatively expensive stocks in order to obtain access to above average growth, as was the case in the late 1990s. Value-oriented strategies may also experience weakness during periods when the markets are focused on one investment thesis or sector. For example, in the past two years, the markets have deemed many businesses producing commodities and basic materials to be sound investments, regardless of their prices, based on the thesis that the rapid growth of such large economies as China and India means that there will be constant shortfalls in the supply of the goods produced by these companies. We would not invest in these companies if their stocks were not inexpensively priced, thus foregoing potentially attractive returns during the periods when these companies' stock prices are continuing to advance.

***Our investment approach may underperform other investment approaches, which may result in significant withdrawals of client assets or client departures or a reduction in our assets under management.***

Even when securities prices are rising generally, portfolio performance may be affected by our investment approach. We employ a long-term investment approach in all of our investment strategies. This investment approach has outperformed the market in some economic and market environments and underperformed it in others. In particular, a prolonged period in which the growth style of investing outperforms the value style may cause our investment strategy to go out of favor with some clients, consultants or third-party intermediaries. Poor performance relative to peers, coupled with changes in personnel, extensive periods in particular market environments or other difficulties may result in significant withdrawals of client assets, client departures or a reduction in our assets under management.

***Our investment process requires us to conduct extensive fundamental research on any company before investing in it, which may result in missed investment opportunities and reduce the performance of our investment strategies.***

We take a considerable amount of time to complete the in-depth research projects that our investment process requires before adding any security to our portfolio. Our process requires that we take this time in order to understand the company and the business well enough to make an informed decision whether we are willing to own a significant position in a company whose current earnings are below its historic norms and that does not yet have earnings visibility. However, the time we take to make this judgment may cause us to miss the opportunity to invest in a company that has a sharp and rapid earnings recovery. Any such missed investment opportunities could adversely impact the performance of our investment strategies.

***Our Core International Equity Strategy invests principally in the securities of non-U.S. companies, which involve foreign currency exchange, tax, political, social and economic uncertainties and risks.***

As of June 30, 2012, our Core International Equity Strategy, which invests in companies domiciled outside of the United States, accounted for approximately 0.6% of our assets under management. In addition, some of our other strategies also invest on a more limited basis in securities of non-U.S. companies. Fluctuations in foreign

---

## Table of Contents

currency exchange rates could negatively affect the returns of our clients who are invested in these strategies. In addition, an increase in the value of the U.S. dollar relative to non-U.S. currencies is likely to result in a decrease in the U.S. dollar value of our assets under management, which, in turn, could result in lower revenue since we report our financial results in U.S. dollars.

Investments in non-U.S. issuers may also be affected by tax positions taken in countries or regions in which we are invested, as well as political, social and economic uncertainty, particularly as a result of the recent decline in economic conditions. Declining tax revenues may cause governments to assert their ability to tax the local gains and/or income of foreign investors (including our clients), which could adversely affect clients' interests in investing outside the United States. Many financial markets are not as developed, or as efficient, as the U.S. financial markets, and, as a result, those markets may have limited liquidity and higher price volatility. Liquidity also may be adversely affected by political or economic events within a particular country, and our ability to dispose of an investment also may be adversely affected if we increase the size of our investments in smaller non-U.S. issuers. Non-U.S. legal and regulatory environments, including financial accounting standards and practices, also may be different, and there may be less publicly available information about such companies. These risks could adversely affect the performance of our Core International Equity Strategy and may be particularly acute in the emerging or less developed markets in which we invest.

### **Risks Related to our Key Professionals**

*The loss of key investment professionals or members of our senior management team could have a material adverse effect on our business.*

We depend on the skills and expertise of our investment professionals and our success depends on our ability to retain the key members of our senior management and investment teams, who possess substantial experience in investing and have been primarily responsible for the historically strong investment performance we have achieved. In particular, we depend on the portfolio managers. As of June 30, 2012, \$3.5 billion, representing 33% of our assets under management, were managed using one of our proprietary equity strategies. Our five largest strategies as of June 30, 2012 were Large Cap, Multi Cap, Small Cap, Equity Income and Focused Value which represented 12%, 7%, 6%, 5% and 1% of assets under management, respectively. Each of these five strategies has been managed by its current portfolio manager since its inception at Silvercrest.

Because of the long tenure and stable track record of our portfolio managers, our clients may attribute the investment performance we have achieved to these individuals. While we have generally experienced very few departures among our portfolio managers, there can be no assurance that this stability will continue in the future. The departure of one of a strategy's portfolio managers could cause clients to withdraw funds from the strategy, which would reduce our assets under management, our investment management and other fees and, if we were not able to reduce our expenses sufficiently, our net income, and these reductions could be material to our business. The departure of one of a strategy's portfolio managers also could cause clients to refrain from allocating additional funds to the strategy or delay such allocation of additional funds until a sufficient track record under a new portfolio manager or managers has been established. This would have a negative effect on the future growth of our assets under management and, therefore, our results of operations.

We also depend on the contributions of our senior management team led by G. Moffett Cochran, our Chairman and Chief Executive Officer, who co-founded our company and has been the primary architect of our business strategy, as well as other members of our senior management team. Mr. Cochran is 61 years old and has no current plans to retire. In 2002, he had an islet cell tumor removed from his pancreas and in 2005, he was found to have neuroendocrine tumors on his liver. Since 2005, Mr. Cochran has been under the treatment of a physician and has continuously performed his duties as Chief Executive Officer of our company on a full-time basis. There can be no assurance, however, that Mr. Cochran will not reduce his responsibilities or retire earlier than expected if his health condition were to worsen in the future. In addition, our senior marketing and client service personnel have direct contact with our clients and their consultants and advisors and other key individuals

---

## Table of Contents

within each of our distribution channels. The loss of any of these key professionals could limit our ability to successfully execute our business strategy, prevent us from sustaining the historically strong investment performance and adversely affect our ability to retain or attract client assets.

***If any member of our senior management or a key investment professional were to join a competitor or form a competing company, some of our current clients or other prominent members of the investing community could choose to invest with that competitor rather than us.***

Any of our investment or management professionals may resign at any time, join our competitors or form a competing company. Although the unvested shares of Class A common stock and Class B units held by our principals are subject to forfeiture, and the vested shares of Class A common stock and Class B units held by our principals are subject to repurchase, if the principal voluntarily resigns or retires and competes with us while employed or during the 12-month period following termination of employment, these forfeiture and repurchase provisions may not be enforceable or may not be enforceable to their full extent. We do not carry “key man” insurance on any of our key investment professionals that would provide us with proceeds in the event of the death or disability of any of the key members of our investment or management teams.

The professional reputations, expertise in investing and client relationships of our senior management and key investment professionals are critical elements to executing our business strategy and attracting and retaining clients. Accordingly, the retention of our senior management and key investment professionals is crucial to our future success. There is no guarantee that they will not resign, join our competitors or form a competing company. The terms of the second amended and restated limited partnership agreement of Silvercrest L.P. restrict each of the principals of Silvercrest L.P. from soliciting our clients or other employees during the term of their employment with us and for 18 months thereafter. In addition to the legal rights and remedies available to us to enforce these restrictive covenants, the penalty for a breach of these restrictive covenants or, if a principal voluntarily resigns or retires from our company, for competing with us during the 12-month period following termination of employment, will be the forfeiture of all of the unvested shares of Class A common stock and Class B units of the offending party and his or her permitted transferees and, at the option of Silvercrest L.P., the required sale to Silvercrest L.P. of all of the vested Class B units of the offending party and his or her permitted transferees at a purchase price equal to the lesser of (i) the aggregate capital account balance of the offending party and his or her permitted transferees in Silvercrest L.P. and (ii) the purchase price paid by the offending party to first acquire the Class B units, and, at our option, the required sale to us of all of the Class A common stock collectively held by the offending party and his or her permitted transferees at a purchase price equal to the purchase price paid by the offending party to first acquire the Class B units for which such shares of Class A common stock had been exchanged. Although we also would seek specific performance of these restrictive covenants, there can be no assurance that we would be successful in obtaining this relief. Further, after this post-employment restrictive period, we will not be able to prohibit a departed professional from soliciting our clients or employees. If any of our principals were to join a competitor or form a competing company, some of our current clients or other prominent members of the investing community could choose to invest with that competitor rather than us which could have a negative impact on our results of operations.

***Competition for qualified investment, management and marketing and client service professionals is intense and we may fail to successfully attract and retain qualified personnel in the future.***

Competition for qualified investment, management and marketing and client service professionals is intense and we may fail to successfully attract and retain qualified personnel in the future. Our ability to attract and retain these personnel will depend heavily on the amount and structure of compensation and opportunities for equity ownership we offer. Historically we have offered key employees equity ownership through interests in Silvercrest L.P. and Silvercrest GP LLC. Those key employees who are currently limited partners of Silvercrest L.P. and Silvercrest GP LLC will hold these interests in the form of Class B units immediately following this offering. In connection with our transition to a public company, we expect to implement a new compensation structure that uses a combination of cash and equity-based incentives as appropriate. Although we intend for

---

## Table of Contents

overall compensation levels to remain commensurate with amounts paid to our key employees in the past, we may not be successful in designing and implementing an attractive compensation model. Any cost-reduction initiative or adjustments or reductions to compensation could negatively impact our ability to retain key personnel. In addition, changes to our management structure, corporate culture and corporate governance arrangements, including the changes associated with, and resulting from, our reorganization and on becoming a public company, could negatively impact our ability to retain key personnel. If we are unable to retain key personnel, our results of operations may be negatively affected.

### **Risks Related to the Regulatory Environment in which We Operate**

*We are subject to extensive regulation that imposes numerous obligations on our business.*

We are subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the Investment Advisers Act of 1940, as amended, or the Advisers Act, by the U.S. Department of Labor under the Employee Retirement Income Security Act of 1974, or ERISA, and Nasdaq. The Advisers Act imposes numerous obligations on investment advisers including advertising, recordkeeping and operating requirements, disclosure obligations and prohibitions on fraudulent activities. In addition, we regularly rely on exemptions from various requirements of the Securities Act of 1933, as amended, or the Securities Act, the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Investment Company Act of 1940, as amended, or the Investment Company Act, and ERISA. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to be revoked or challenged or otherwise become unavailable to us, we could be subject to regulatory action or third-party claims, and our business could be materially and adversely affected.

In the future, we may further expand our business outside of the United States in such a way or to such an extent that we may be required to register with additional foreign regulatory agencies or otherwise comply with additional non-U.S. laws and regulations that do not currently apply to us and with respect to which we do not have compliance experience. Our lack of experience in complying with any such non-U.S. laws and regulations may increase our risk of becoming party to litigation and subject to regulatory actions.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was signed into law on July 21, 2010. While we do not at this time believe that the Dodd-Frank Act will cause us to reconsider our business model, it does appear that certain provisions will, and other provisions may, increase regulatory burdens and reporting and related compliance costs. In addition, the scope of many provisions of the Dodd-Frank Act will be determined by implementing regulations, some of which will require lengthy proposal and promulgation periods. Moreover, the Dodd-Frank Act mandates many regulatory studies, some of which pertain directly to the investment management industry, which could lead to additional legislation or regulation. The SEC and the Commodity Futures Trading Commission, or CFTC, jointly issued final rules that require investment advisers registered with the SEC that advise one or more private funds, as well as commodity pool operators and commodity trading advisors registered with the CFTC, to provide certain information on Form PF about their funds and assets under management, including the amount of borrowings, concentration of ownership and other performance information, which will be used by the Financial Stability Oversight Council for purposes of assessing the systemic risk posed by private funds and by the SEC and CFTC for other purposes. In light of this rulemaking, we will have to file a Form PF, providing all necessary information. The Dodd-Frank Act will affect a broad range of market participants with whom we interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers. Regulatory changes that will affect other market participants are likely to change the way in which we conduct business with our counterparties. The uncertainty regarding implementation of the Dodd-Frank Act and its impact on the investment management industry and us cannot be predicted at this time but will continue to be a risk for our business.

Accordingly, we face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or

---

## Table of Contents

administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. The requirements imposed by our regulators, other than the Exchange Act and the Nasdaq rules, are generally designed to ensure the integrity of the financial markets and to protect clients and other third parties who deal with us, and are generally not designed to protect our stockholders. Moreover, recent extreme volatility events in the U.S. equities markets have led to heightened scrutiny of sophisticated trading technology and execution methods. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

***The regulatory environment in which we operate is subject to continual change, and regulatory developments designed to increase oversight may adversely affect our business.***

The legislative and regulatory environment in which we operate has undergone significant changes in the recent past. We believe that significant regulatory changes in our industry are likely to continue, which is likely to subject industry participants to additional, more costly and generally more detailed regulation. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and our clients may adversely affect our business. Our ability to function in this environment will depend on our ability to monitor and promptly react to legislative and regulatory changes. There have been a number of highly publicized regulatory inquiries that have focused on the investment management industry. These inquiries already have resulted in increased scrutiny of the industry and new rules and regulations for investment advisers. This regulatory scrutiny may limit our ability to engage in certain activities that might be beneficial to our stockholders.

In addition, as a result of the recent economic downturn, acts of serious fraud in the investment management industry and perceived lapses in regulatory oversight, U.S. and non-U.S. governmental and regulatory authorities may increase regulatory oversight of our businesses. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the CFTC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations, as well as by U.S. and non-U.S. courts. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed on us or the markets in which we trade, or whether any of the proposals will become law. Compliance with any new laws or regulations could add to our compliance burden and costs and affect the manner in which we conduct business.

***We could be subject to regulatory investigations, which could harm our reputation and cause our funds to lose existing investors or fail to attract new investors.***

The failure by us to comply with applicable laws or regulations could result in fines, suspensions of individual employees or other sanctions. Even if an investigation or proceeding did not result in a fine or sanction or the fine or sanction imposed against us or our employees by a regulator were small in monetary amount, the adverse publicity relating to an investigation, proceeding or imposition of these fines or sanctions could harm our reputation and cause our funds to lose existing investors or fail to attract new investors.

***Failure to comply with “pay to play” regulations implemented by the SEC and certain states, and changes to the “pay to play” regulatory regimes, could adversely affect our business.***

The SEC and several states have initiated investigations alleging that certain private equity firms and hedge funds or agents acting on their behalf have paid money to current or former government officials or their associates in exchange for improperly soliciting contracts with state pension funds. The SEC has also recently initiated a similar investigation into contracts awarded by sovereign wealth funds. The SEC approved Rule 206(4)-5 under the Advisers Act regarding “pay to play” practices by investment advisers involving campaign contributions and other payments to government officials able to exert influence on potential government entity clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for

---

## Table of Contents

compensation to a government entity for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities have made contributions to certain candidates and officials in a position to influence the hiring of an investment adviser by such government entity. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities (and political action committees controlled by such persons) and to keep certain records in order to enable the SEC to determine compliance with the rule. Additionally, California enacted legislation that requires placement agents (including in certain cases employees of investment managers) who solicit funds from California state retirement systems, such as the California Public Employees' Retirement System and the California State Teachers' Retirement System, to register as lobbyists, thereby becoming subject to increased reporting requirements and prohibited from receiving contingent compensation for soliciting investments from California state retirement systems. There also has been similar rulemaking in New York and other states. Such additional regulations may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations, thereby imposing additional expenses on us. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

### **Risks Related to Our Growth**

***Our efforts to establish new investment teams and strategies may be unsuccessful and could negatively impact our results of operations and our reputation.***

As part of our growth strategy, we may seek to take advantage of opportunities to add new investment teams that invest in a way that is consistent with our philosophy of offering high value-added investment strategies. To the extent we are unable to recruit and retain investment teams that will complement our existing business model, we may not be successful in further diversifying our investment strategies and client assets, any of which could have a material adverse effect on our business and future prospects. In addition, the costs associated with establishing a new team and investment strategy initially will exceed the revenues they generate. If any such new strategies perform poorly and fail to attract sufficient assets to manage, our results of operations will be negatively impacted. A new strategy's poor performance also may negatively impact our reputation and the reputation of our other investment strategies within the investment community.

***We may enter into new lines of business, make strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties for our business.***

The second amended and restated limited partnership agreement of Silvercrest L.P. permits us to enter into new lines of business, make future strategic investments or acquisitions and enter into joint ventures. As we have in the past, and subject to market conditions, we may grow our business through increasing assets under management in existing investment strategies, pursue new investment strategies, which may be similar or complementary to our existing strategies or be wholly new initiatives, consummating acquisitions of other investment advisers or entering into joint ventures.

To the extent we make strategic investments or acquisitions, enter into strategic relationships or joint ventures or enter into new lines of business, we will face numerous risks and uncertainties, including risks associated with the required investment of capital and other resources and with combining or integrating operational and management systems and controls and managing potential conflicts. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues, or produces investment losses, or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected, and our reputation and business may be harmed. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

---

## Table of Contents

***We may be unable to successfully execute strategic investments or acquisitions or enter into joint ventures, and we may fail to successfully integrate and operate new investment teams, which could limit our ability to grow assets under management and adversely affect our results of operations.***

We have not at this time entered into any binding agreements with respect to any strategic investments or acquisitions or any strategic relationships or joint ventures and we cannot assure you that we will actually make any additional acquisitions. Our ability to execute our acquisition strategy will depend on our ability to identify new lines of businesses or new investment teams that meet our investment criteria and to successfully negotiate with the owners/managers who may not wish to give up control of the target fund general partner or managing member, as the case may be. We cannot be certain that we will be successful in finding new investment teams or investing in new lines of business or that they will have favorable operating results following our acquisitions.

Moreover, our future acquisition strategies may focus on privately-held asset managers that pursue single strategy specialized investments. This approach presents challenges, including the lack of publicly available information, and greater risks than are generally associated with transactions with more traditional asset managers. The asset managers that we may acquire and their financial information may not be subject to the reporting requirements and other rules that govern public companies, including the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley. Moreover, such asset managers may not be subject to regulation under the Advisers Act at the time we acquire them. As a result, such asset managers could be more susceptible to irregular accounting or fraudulent practices. The targets we seek to acquire in the future may have shorter operating histories than us on which to estimate future performance and may not have significant or any operating revenues. They also may have a lower capitalization and fewer resources (including cash) and be more vulnerable to failure than traditional asset managers. We will be required to rely on the ability of the professionals employed by us to obtain adequate information to evaluate the manager affiliates we seek to acquire.

In addition, our ability to acquire asset managers on favorable terms and successfully integrate and operate them is subject to the following significant risks:

- we may acquire asset managers that are not accretive to our financial results upon acquisition, and we may not successfully manage acquired funds to meet our expectations;
- we may be unable to generate sufficient management fees from operations or obtain the necessary debt or equity financing to consummate an acquisition on favorable terms or at all;
- agreements for the acquisition of such asset managers will typically be subject to customary conditions to closing, including satisfactory completion of due diligence investigations and negotiation of ancillary documentation, and we may spend significant time and money on potential acquisitions that we do not consummate;
- the process of acquiring or pursuing the acquisition of such asset managers may divert the attention of our management team from the operations of our business and our initial funds;
- we will need to attract, hire, train, supervise and manage new employees as a result of the acquisitions of asset managers;
- we may acquire such asset managers without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as claims against the former owners of the asset managers and claims for indemnification by the asset managers, limited partners and others indemnified by the former owners of the managers of the funds; and
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations.

If we cannot complete acquisitions of such asset managers on favorable terms, or integrate or operate new investment teams to meet our goals or expectations, our financial condition, results of operations, cash flow, trading price of our common stock and ability to satisfy any debt service obligations and to pay distributions could be adversely affected. Additionally, any acquisitions that we make generally will not be subject to our stockholders' consent. These factors increase the risk of investing in our common stock.

---

## [Table of Contents](#)

***The due diligence process that we undertake in connection with strategic investments or acquisitions or entry into joint ventures may not reveal all facts that may be relevant in connection with an investment, which could subject us to unknown liabilities.***

In connection with strategic investments, acquisitions or entry into joint ventures, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to such investments, acquisitions or joint ventures and expect to use our resources and oversight to enhance the risk management functions and diligence of our business and any investments going forward. When conducting due diligence, we have been required and will be required to evaluate important and complex business, financial, tax, accounting and legal issues. Outside consultants, legal advisers, accountants and investment banks may be involved in the due diligence process in the future in varying degrees depending on the type of investment. When conducting due diligence and making an assessment regarding a strategic investment, acquisition or joint venture, we have and will continue to rely on the resources available to us, including information provided by the target of the strategic investment, acquisition or joint venture, in some circumstances, third-party investigations. The due diligence investigations that we have carried out or will carry out with respect to any strategic investment, acquisition or joint venture may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the strategic investment, acquisition or joint venture, which could subject us to unknown liabilities that could adversely affect our profitability, financial condition and results of operations. Moreover, such investigations will not necessarily result in the strategic investment, acquisition or joint venture being successful.

### **Risk Related Generally to our Business**

***Our failure to comply with investment guidelines set by our clients and limitations imposed by applicable law could result in damage awards against us and a loss of our assets under management, either of which could adversely affect our results of operations or financial condition.***

Certain clients who retain us to manage assets on their behalf specify guidelines regarding investment allocation and strategy that we are required to follow in managing their portfolios. In addition, the boards of mutual funds we sub-advise generally establish similar guidelines regarding the investment of assets in those funds. We are also required to invest the mutual funds' assets in accordance with limitations under the Investment Company Act, and applicable provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Our failure to comply with any of these guidelines and other limitations could result in losses to clients which, depending on the circumstances, could result in our obligation to make clients whole for such losses. If we believed that the circumstances did not justify a reimbursement, or clients believed the reimbursement we offered was insufficient, they could seek to recover damages from us, withdraw assets from our management or terminate their investment advisory agreement with us. Any of these events could harm our reputation and adversely affect our business.

***Operational risks, including the threat of cyber attacks, may disrupt our business, breach our clients' security, result in losses or limit our growth.***

We are heavily dependent on the capacity and reliability of the communications, information and technology systems supporting our operations, whether developed, owned and operated by us or by third parties. Operational risks, such as trading or operational errors or interruption of our financial, accounting, trading, compliance and other data processing systems, whether caused by the failure to prevent or mitigate data loss or other security breaches, or other cybersecurity threats or attacks, including breaches of our vendors' technology and systems, fire or other natural disaster, power or telecommunications failure, act of terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus have a material adverse effect on our business. Some types of operational risks, including, for example, trading errors, may be increased in periods of increased volatility, which can magnify the cost of an error. Cybersecurity risks relating to our business primarily involve the potential security breaches of our clients' personal and financial information and illegal use thereof through system-wide "hacking" or other means. While we have never had any cybersecurity threat or attack on our technology systems, this may occur in the future.

---

## **Table of Contents**

Although we have back-up systems and cyber security and consumer protection measures in place, our back-up procedures, cyber defenses and capabilities in the event of a failure, interruption, or breach of security may not be adequate. Insurance and other safeguards we use may not be available or may only partially reimburse us for our losses related to operational failures or cyber attacks. In addition, we may choose to reimburse a client in the event of a trading error or under other circumstances, even if we are not legally required to do so, and any such reimbursements could adversely affect our results of operations.

After we become a public company and as our client base, number of investment strategies and/or physical locations increase, developing and maintaining our operational systems and infrastructure and protecting our systems from cybersecurity attacks and threats may become increasingly challenging and costly, which could constrain our ability to expand our businesses. Any upgrades or expansions to our operations and/or technology to accommodate increased volumes of transactions or otherwise may require significant expenditures and may increase the probability that we will suffer system interruptions and failures. We also depend substantially on our New York office where a majority of our employees, administration and technology resources are located, for the continued operation of our business. Any significant disruption to that office could have a material adverse effect on us.

### ***Employee misconduct could expose us to significant legal liability and reputational harm.***

We are vulnerable to reputational harm because we operate in an industry in which personal relationships, integrity and the confidence of our clients are of critical importance. Our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, client relationships and ability to attract new clients.

Our business often requires that we deal with confidential information. If our employees were to improperly use or disclose this information, even if inadvertently, we could be subject to legal action and suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. In addition, the SEC has increased its scrutiny of the use of non-public information obtained from corporate insiders by professional investors. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in an adverse effect on our reputation and our business.

### ***Improper disclosure of personal data could result in liability and harm our reputation.***

We and our service providers store and process personal client information. It is possible that the security controls, training and other processes with respect to personal data may not prevent the improper disclosure of client information. Such disclosure could harm our reputation as well and subject us to liability, resulting in increased costs or loss of revenue.

### ***Failure to properly address conflicts of interest could harm our reputation, business and results of operations.***

As we expand the scope of our business and our client base, we must continue to monitor and address any conflicts between our interests and those of our clients. The SEC and other regulators have increased their scrutiny of potential conflicts of interest, and we have implemented procedures and controls that we believe are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex, and if we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face reputational damage, litigation or regulatory proceedings or penalties, any of which may adversely affect our results of operations.

---

## **Table of Contents**

### ***We provide a broad range of services to Silvercrest Funds and family office services, which may expose us to liability.***

We provide a broad range of administrative services to the management of certain of our company's funds of funds and other investment funds, or collectively, the Silvercrest Funds, including preparation or supervision of the preparation of some of the Silvercrest Funds' regulatory filings, provision of shareholder services and communications, accounting services including the supervision of the activities of Silvercrest Funds' accounting services providers in the calculation of the funds' net asset values, supervision of the preparation of Silvercrest Funds' financial statements and coordination of the audits of those financial statements, tax services, including supervision of tax return preparation and supervision of the work of Silvercrest Funds' other service providers. If it were determined that the Silvercrest Funds failed to comply with applicable regulatory requirements as a result of action or failure to act by our employees, we could be responsible for losses suffered or penalties imposed.

We also provide a range of family office services, in addition to investment management services, to some of our clients, including philanthropic, estate and wealth planning services, tax planning and preparation, financial statement, bill paying and record keeping services, bank loan arrangement and payment services and property and casualty insurance review. If we fail to perform these services properly, we could incur costs and reputational harm for which we might be liable. Further, we could have penalties imposed on us, be required to pay fines or be subject to private litigation, any of which could decrease our future income, or negatively affect our current business or our future growth prospects.

### ***The investment management industry faces substantial litigation risks which could have a material adverse effect on our business, financial condition or results of operations or cause significant reputational harm to us.***

We depend to a large extent on our network of relationships and on our reputation in order to attract and retain client assets. We make investment decisions on behalf of our clients that could result in substantial losses to them. If our clients suffer significant losses, or are otherwise dissatisfied with our services, we could be subject to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty, breach of contract, unjust enrichment and/or fraud. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time, even after an action has been commenced. We may incur significant legal expenses in defending against litigation commenced by a client or regulatory authority. Substantial legal liability or significant regulatory action against us could have a material adverse effect on our business, financial condition or results of operations or cause significant reputational harm to us.

### ***The investment management industry is intensely competitive.***

The investment management industry is intensely competitive, with competition based on a variety of factors, including investment performance, investment management fee rates, continuity of investment professionals and client relationships, the quality of services provided to clients, reputation, continuity of selling arrangements with intermediaries and differentiated products. A number of factors, including the following, serve to increase our competitive risks:

- a number of our competitors have greater financial, technical, marketing and other resources, more comprehensive name recognition and more personnel than we do;
- potential competitors have a relatively low cost of entering the investment management industry;
- the recent trend toward consolidation in the investment management industry and the securities business in general, has served to increase the size and strength of a number of our competitors;
- some investors may prefer to invest with an investment manager that is not publicly traded based on the perception that a publicly traded asset manager may focus on the manager's own growth to the detriment of investment performance for clients;

---

## Table of Contents

- some competitors may invest according to different investment styles or in alternative asset classes that the markets may perceive as more attractive than the investment strategies we offer;
- other industry participants, hedge funds and alternative asset managers may seek to recruit our investment professionals; and
- some competitors charge lower fees for their investment services than we do.

If we are unable to compete effectively, our results of operations may be materially adversely affected.

***Reductions in business sourced through third-party distribution channels, or their poor reviews of us or our products, could materially reduce our revenue and ability to attract new clients.***

New accounts sourced through consultant-led searches may be a major component of our future growth. We also have accessed the high-net-worth segment of the investing community through relationships with well-respected wealth advisers who use our investment strategies in investment programs they construct for their clients. If we fail to successfully maintain these third-party distribution and sub-investment advisory relationships, our business could be materially adversely affected. In addition, many of these parties review and evaluate our products and our organization. Poor reviews or evaluations of either the particular product or of us may result in client withdrawals or may impact our ability to attract new assets through such intermediaries.

***The significant growth we have experienced may be difficult to sustain.***

Our assets under management have increased from \$7.8 billion as of December 31, 2006 to \$10.7 billion as of June 30, 2012. The absolute measure of our assets under management represents a significant rate of growth that may be difficult to sustain. The growth of our business will depend on, among other things, our ability to retain key investment professionals, to devote sufficient resources to maintaining existing investment strategies and to selectively develop new investment strategies. Our business growth also will depend on our success in achieving superior investment performance from our investment strategies, as well as our ability to maintain and extend our distribution capabilities, to deal with changing market conditions, to maintain adequate financial and business controls and to comply with new legal and regulatory requirements arising in response to both the increased sophistication of the investment management industry and the significant market and economic events of the last few years. If we believe that in order to continue to produce attractive returns from some or all of our investment strategies we should limit the growth of those strategies, we have in the past chosen, and in the future may choose, to limit or close access to those strategies to some or most categories of new investors or otherwise take action to slow the flow of assets into those strategies.

In addition, we expect there to be significant demand on our infrastructure and investment teams and we may not be able to manage our growing business effectively or be able to sustain the level of growth we have achieved historically, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

***A change of control of us could result in termination of our sub-investment advisory and investment advisory agreements.***

Pursuant to the Advisers Act, each of our investment advisory agreements for the separate accounts we manage may not be “assigned” without the consent of the client. In addition, under the Investment Company Act, each of the investment advisory agreements with SEC registered mutual funds that we sub-advise automatically terminates in the event of its assignment. A sale of a controlling block of our voting securities and certain other transactions would be deemed an “assignment” pursuant to the Advisers Act and the Investment Company Act. Such an assignment may be deemed to occur in the event that the holders of the Class B units of Silvercrest L.P. exchange enough of their Class B units for shares of our Class A common stock and dispose of such shares of Class A common stock such that they no longer own a controlling interest in us, even if no other person or group

---

## Table of Contents

acquires a controlling interest. If such a deemed assignment occurs, there can be no assurance that we will be able to obtain the necessary consents from our clients and, unless the necessary approvals and consents are obtained, the deemed assignment could adversely affect our ability to continue managing client accounts, resulting in the loss of assets under management and a corresponding loss of revenue.

***If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.***

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design, implementation or insufficient scope, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition or operating results. Additionally, we could be subject to litigation, particularly from our clients, and sanctions or fines from regulators. Our techniques for managing risks in client portfolios may not fully mitigate the risk exposure in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate.

***The cost of insuring our business is substantial and may increase.***

Our insurance costs are substantial and can fluctuate significantly from year to year and rate increases in the future are possible. In addition, certain insurance coverage may not be available or may only be available at prohibitive costs. As we renew our insurance policies, we may be subject to additional costs resulting from rising premiums, the assumption of higher deductibles and/or co-insurance liability. In addition, we intend to obtain additional liability insurance for our directors and officers in connection with this offering. Higher insurance costs and increased deductibles would negatively impact our net income.

***Our reliance on prime brokers, custodians, administrators and other agents subjects us to certain risks relating to their execution of transactions and their solvency, and the failure by or insolvency of, any such person could adversely affect our business and financial performance.***

Our business generally depends on the services of prime brokers, custodians, administrators and other agents to carry out securities transactions. For example, in the event of the insolvency of a prime broker and/or custodian, our funds might not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or a custodian borrows, lends or otherwise uses. In addition, our funds' cash held with a prime broker or a custodian will not be segregated from the prime broker's or custodian's own cash, and our funds will therefore rank as unsecured creditors in relation thereto.

***The historical consolidated and unaudited pro forma financial information included in this prospectus is not necessarily indicative of our future financial results after the reorganization and as a public company.***

The historical consolidated financial information included in this prospectus may not be indicative of our future financial results after the reorganization and as a public company. Our assets under management have increased 29% in the past five years. We do not expect our assets under management or revenue to grow at the same rate as they have grown in the past five years. In addition, the historical consolidated financial information included in this prospectus does not reflect the added costs that we expect to incur as a public company or the changes that will occur in our capital structure and operations in connection with our reorganization. For example, because we operated through a limited liability company prior to this offering and paid little or no taxes on our profits, our historical consolidated financial information does not reflect the tax impact of our adoption of a corporate holding company structure.

In preparing our unaudited pro forma financial information for the periods prior to this offering, we adjusted our historical financial information for the transactions described in "The Reorganization and Our Holding

---

## Table of Contents

Company Structure.” The estimates we used in this unaudited pro forma financial information are not intended to approximate our actual experience as a public company or be indicative in any way of our future performance. The results of future periods may be materially different than those of the past as a result of:

- the impact of the reorganization, in relation to our size, during the pro forma periods;
- future performance of our investment strategies, which differs from the historical performance reflected in the unaudited pro forma financial information;
- the pace of growth of our business in the future, including the formation of new investment strategies, which differs from the historical growth reflected in the unaudited pro forma financial information; and
- the additional costs of being a public company including compliance with Sarbanes-Oxley.

***If we incur indebtedness or issue senior equity securities, we will be exposed to additional risks, including the typical risks associated with leverage.***

The amount of leverage that we employ will depend on our board of directors’ assessment of market and other factors at the time of any proposed borrowing. We may also use leverage to make certain investments. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations that include the following:

- there is a likelihood of greater volatility of net asset value of our business and market price of our common stock than a comparable business without leverage;
- we will be exposed to increased risk of loss if we incur debt or issue senior equity securities to finance acquisitions or investments because a decrease in the value of our investments would have a greater negative impact on our returns, and therefore the value of our common stock than if we did not use leverage;
- it is likely that such debt or equity securities will be governed by instruments containing covenants restricting our operating flexibility. These covenants may impose asset coverage or investment composition requirements that are more stringent than those of our business plan and could require our business to liquidate investments at an inopportune time;
- if we are required to pledge a substantial portion of our assets in order to obtain debt financing, it may limit our ability to enter into subsequent financings at attractive terms;
- we, and indirectly our investors, will bear the cost of leverage, including issuance and servicing costs; and
- any preferred, convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our common stock. Any requirement that we sell assets at a loss to redeem or pay interest on any leverage or for other reasons would reduce our net asset value and also make it difficult for our net asset value to recover. Our board of directors, in its best judgment, nevertheless may determine to use leverage if it expects that the benefits to our common stockholders of maintaining the leveraged position will outweigh the risks. General interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities. In addition, an increase in interest rates would make it more expensive for us to use debt to finance these investments.

***Future financings could adversely affect us and our common stockholders by diluting existing stockholders or by placing restrictions on our ability to run our business, including making distributions to unitholders.***

Although we believe that the proceeds from this offering and future cash flow from operations will be sufficient to meet our working capital needs for normal operations pursuant to our business plan, these sources of capital may not fully fund our growth strategy in the immediate future. If we decide to pursue future acquisitions, we may use proceeds remaining from this offering and then raise additional capital through the incurrence of

---

## Table of Contents

long-term or short-term indebtedness or the issuance of additional equity securities in private or public transactions. This could result in dilution of existing common stockholders' equity positions, increased interest expense and decreased net income. In addition, significant capital requirements associated with such investments may impair our ability to make distributions to our common stockholders.

### **Risks Related to Our Structure**

#### ***Control by our principals of % of the combined voting power of our capital stock and the rights of holders of Class B units of Silvercrest L.P. may give rise to conflicts of interest.***

Immediately after the completion of this offering, our employee stockholders will collectively hold approximately % of the combined voting power of our capital stock (or approximately %, if the underwriters exercise in full their option to purchase additional shares of our Class A common stock). Concurrently with the completion of this offering, each of our principals (including directors who are principals) who hold shares of our common stock will enter into a stockholders' agreement with respect to all shares of our Class A common stock and Class B common stock then held by them and any shares of our Class A common stock and Class B common stock they may acquire in the future. Pursuant to the stockholders' agreement, the shares of Class A common stock and Class B common stock held by our employees will be voted in accordance with the determination of the Executive Committee of Silvercrest L.P. until the termination of employment of such employee. The votes of the members of the Executive Committee will be weighted based upon their relative holdings of Silvercrest L.P. Class B units. As a result of his equity ownership and position on the Executive Committee, Mr. Cochran, our Chief Executive Officer, will initially control the vote of the Executive Committee and, as a result, all of the shares of Class A common stock and Class B common stock held by our principals.

In connection with this offering, we plan to adopt the 2012 Equity Incentive Plan, pursuant to which we intend to grant equity awards of or with respect to shares of our Class A common stock or Class B units of Silvercrest L.P. To the extent that we cause Silvercrest L.P. to issue additional Class B units to our principals, these employees would be entitled to receive a corresponding number of shares of our Class B common stock (including if the Class B units awarded are subject to vesting). All of the shares of our common stock issued to principals under this plan will be subject to the stockholders' agreement.

For so long as our principals who remain employed by us collectively hold at least 50% of the number of outstanding shares of our common stock, the parties to the stockholders' agreement will be able to elect all of the members of our board of directors and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of securities and the declaration and payment of dividends. In addition, the parties to the stockholders' agreement will be able to determine the outcome of all matters requiring the approval of stockholders to cause or prevent a change of control of our company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of our company. The parties to the stockholders' agreement will have the ability to prevent the consummation of mergers, takeovers or other transactions that may be in the best interests of our Class A stockholders. In particular, this concentration of voting power could deprive Class A stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale of our company, and could ultimately affect the market price of our Class A common stock.

In addition, because our principals will hold all or a portion of their ownership interests in our business through Silvercrest L.P., rather than through Silvercrest, these existing owners may have other conflicting interests with holders of our Class A common stock. For example, our existing owners may have different tax positions from holders of our Class A common stock which could influence their decisions regarding whether and when we should dispose of assets, whether and when we should incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreement that we will enter into in connection with this offering, and whether and when our company should terminate the tax receivable agreement and accelerate its obligations thereunder. Also, the structuring of future transactions may take into consideration these existing owners' tax or other considerations even where no similar benefit would accrue to us. See "The Reorganization and Our Holding Company Structure—Tax Receivable Agreement" for more information.

---

## **Table of Contents**

### ***Our ability to pay regular dividends to our stockholders is subject to the discretion of our board of directors and may be limited by our structure and applicable provisions of Delaware law.***

Following completion of this offering, we intend to declare cash dividends on our Class A common stock as described in “Dividend Policy.” However, our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, because of our structure, we will be dependent upon the ability of our subsidiaries to generate earnings and cash flows and distribute them to us so that we may pay dividends to our stockholders. We expect to cause Silvercrest L.P., which is a Delaware limited partnership, to make distributions to its partners, including us, in an amount sufficient for us to pay dividends. However, its ability to make such distributions will be subject to its subsidiaries’ operating results, cash requirements and financial condition, the applicable provisions of Delaware law that may limit the amount of funds available for distribution to its partners, its compliance with covenants and financial ratios related to future indebtedness, its other agreements with third parties, as well as its obligation to make tax distributions under the second amended and restated limited partnership agreement (which distributions would reduce the cash available for distributions by Silvercrest L.P. to us). As a Delaware corporation, our ability to pay cash dividends to our Class A stockholders with the distributions received by us as general partner of Silvercrest L.P. also will be subject to the applicable provisions of Delaware law. Also, each of the companies in the corporate chain must manage its assets, liabilities and working capital in order to meet all of its cash obligations, including the payment of dividends or distributions. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our Class A common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect the market price of our Class A common stock.

### ***Our ability to pay taxes and expenses, including payments under the tax receivable agreement, may be limited by our structure.***

Upon the consummation of this offering, we will have no material assets other than our ownership of Class A units of Silvercrest L.P. and will have no independent means of generating revenue. Silvercrest L.P. will be treated as a partnership for U.S. federal income tax purposes and, as such, will not be subject to U.S. federal income tax. Instead, taxable income will be allocated to holders of its partnership units, including us. Accordingly, we will incur income taxes on our proportionate share of any net taxable income of Silvercrest L.P. and also will incur expenses related to our operations. Under the terms of its second amended and restated limited partnership agreement, Silvercrest L.P. will be obligated to make tax distributions to holders of its partnership units, including us. In addition to tax expenses, we also will incur expenses related to our operations, including expenses under the tax receivable agreement, which we expect will be significant. We intend to cause Silvercrest L.P. to make distributions in an amount sufficient to allow us to pay our taxes and operating expenses, including any payments due under the tax receivable agreement. However, its ability to make such distributions will be subject to various limitations and restrictions as set forth in the preceding risk factor. If, as a consequence of these various limitations and restrictions, we do not have sufficient funds to pay tax or other liabilities to fund our operations, we may have to borrow funds and thus this could have a material adverse effect on our liquidity and financial condition. To the extent we are unable to make payments under the tax receivable agreement for any reason, such payments will be deferred and will accrue interest at LIBOR plus 300 basis points until paid.

### ***We will be required to pay holders of Class B units of Silvercrest L.P. for certain tax benefits we may claim, and the amounts we may pay could be significant.***

The reorganization described under “The Reorganization and Our Holding Company Structure” will result in favorable tax attributes for us. In addition, future exchanges of Class B units of Silvercrest L.P. for shares of our Class A common stock are expected to produce additional favorable tax attributes for us. When we acquire Class B units from existing partners, both the existing basis and the anticipated basis adjustments are likely to increase (for tax purposes) depreciation and amortization deductions allocable to us from Silvercrest L.P. and therefore reduce the amount of income tax we would otherwise be required to pay in the future. This increase in tax basis also may decrease gain (or increase loss) on future dispositions of certain capital assets to the extent the increased tax basis is allocated to those capital assets.

---

## Table of Contents

The tax receivable agreement, which we will enter into with current holders of Silvercrest L.P. units and holders of our Class B common stock, will generally provide for the payment by us to each of them of 85% of the amount of the cash savings, if any, in U.S. federal and state income tax that we actually realize (or are deemed to realize in certain circumstances) in periods after this offering as a result of (i) any step-up in tax basis in Silvercrest L.P.'s assets resulting from (a) the purchases or exchanges of Class B units (along with the corresponding shares of our Class B common stock) for shares of our Class A common stock and (b) payments under this tax receivable agreement; (ii) certain prior distributions by Silvercrest L.P. and prior transfers or exchanges of Class B units which resulted in tax basis adjustments to the assets of Silvercrest L.P.; and (iii) tax benefits related to imputed interest deemed to be paid by us as a result of this tax receivable agreement.

We expect that the payments we will be required to make under the tax receivable agreement will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the tax receivable agreement, we expect that the reduction in tax payments for us associated with (i) the purchase of Class B units from certain of the limited partners of Silvercrest L.P. with a portion of the net proceeds of this offering and (ii) future exchanges of Class B units as described above would aggregate approximately \$ over 15 years from the date of this offering based on an assumed price of \$ per share of our Class A common stock (the midpoint of the price range set forth on the cover of this prospectus) and assuming all future exchanges or purchases, other than the purchases in connection with this offering, would occur one year after this offering. Under such scenario we would be required to pay the holders of limited partnership units 85% of such amount, or approximately \$ , over the 15-year period from the date of this offering. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be calculated using the market value of our Class A common stock and the prevailing tax rates at the time of the exchange and will be dependent on us generating sufficient future taxable income to realize the benefit. See “The Reorganization and Our Holding Company Structure—Tax Receivable Agreement.”

The actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges by the holders of Class B units, the price of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable, as well as the portion of our payments under the tax receivable agreement constituting imputed interest or depreciable or amortizable basis.

Payments under the tax receivable agreement will be based on the tax reporting positions that we determine. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase or other tax attributes subject to the tax receivable agreement, we will not be reimbursed for any payments previously made under the tax receivable agreement. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the benefits that we actually realize in respect of the attributes to which the tax receivable agreement relates.

***In certain cases, payments under the tax receivable agreement to our existing owners may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreement.***

The tax receivable agreement provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control, or if, at any time, we elect an early termination of the tax receivable agreement, our (or our successor's) obligations under the tax receivable agreement (with respect to all Class B units, whether or not Class B units have been exchanged or acquired before or after such transaction) would be based on certain assumptions, including that we would have sufficient taxable income to fully avail ourselves of the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. As a result, (i) we could be required to make payments under the tax receivable agreement that are greater than or less than the specified percentage of the actual benefits we realize in respect of

---

## Table of Contents

the tax attributes subject to the tax receivable agreement, and (ii) if we elect to terminate the tax receivable agreement early, we would be required to make an immediate payment equal to the present value of the anticipated future tax benefits, which payment may be made significantly in advance of the actual realization of such future benefits. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to finance our obligations under the tax receivable agreement. If we were to elect to terminate the tax receivable agreement immediately after this offering, based on an assumed price of \$        per share of our Class A common stock (the midpoint of the price range set forth on the cover of this prospectus), we estimate that we would be required to pay approximately \$        in the aggregate under the tax receivable agreement.

***If we were deemed an investment company under the Investment Company Act as a result of our ownership of Silvercrest L.P., applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

We do not believe that we are an “investment company” under the Investment Company Act. Because we, as the sole general partner of Silvercrest L.P., control and operate Silvercrest L.P., we believe that our interest in Silvercrest L.P. is not an “investment security” as that term is used in the Investment Company Act. If we were to cease participation in the management of Silvercrest L.P., our interest in Silvercrest L.P. could be deemed an “investment security” for purposes of the Investment Company Act. A person may be an “investment company” if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items). Upon consummation of this offering, our sole asset will be our general partner interest in Silvercrest L.P. A determination that such investment was an investment security could cause us to be deemed an investment company under the Investment Company Act and to become subject to the registration and other requirements of the Investment Company Act. In addition, we do not believe that we are an investment company under Section 3(b)(1) of the Investment Company Act because we are not primarily engaged in a business that causes us to fall within the definition of “investment company.” We and Silvercrest L.P. intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the Investment Company Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

### **Risks Related to this Offering**

***There is no existing market for our Class A common stock, and we do not know if one will develop, which may cause our Class A common stock to trade at a discount from its initial offering price and make it difficult to sell the shares you purchase.***

Prior to this offering, there has not been a public market for our Class A common stock and we cannot predict the extent to which investor interest in us will lead to the development of an active trading market on Nasdaq, or otherwise, or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling your shares of Class A common stock at an attractive price, or at all. The initial public offering price for our Class A common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our Class A common stock at prices equal to or greater than the price you paid in this offering and you may suffer a loss on your investment.

---

## [Table of Contents](#)

***The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.***

Even if an active trading market develops, the market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. Moreover, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, you may be unable to sell your shares of Class A common stock at or above the price at which you purchased it, if at all. The market price of our Class A common stock may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our Class A common stock, or result in fluctuations in the price or trading volume of our Class A common stock, include:

- variations in our quarterly or annual operating results;
- failure to meet the market's earnings expectations;
- publication of research reports about us or the investment management industry, or the failure of securities analysts to cover our Class A common stock after this offering;
- the public's reactions to our press releases, other public announcements and filings with the SEC;
- departures of any of our portfolio managers or members of our senior management team or additions or departures of other key personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategies;
- actions by stockholders;
- strategic actions by us or our competitors such as acquisitions or restructurings;
- changes in market valuations of similar companies;
- changes in our capital structure;
- actual or anticipated poor performance in one or more of the investment strategies we offer;
- changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our business, or enforcement of these laws and regulations, or announcements relating to these matters;
- changes in accounting standards, policies, guidance, interpretations or principles;
- adverse publicity about the investment management industry generally or as a result of specific events;
- sales of shares of our Class A common stock by us or members of our management team;
- litigation and governmental investigations;
- the expiration of contractual lockup agreements; and
- general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war, and responses to such.

***Future issuances and sales of our Class A common stock in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.***

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock available for sale after completion of this offering, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate.

---

## Table of Contents

We will agree with the underwriters not to issue, sell, or otherwise dispose of or hedge any shares of our Class A common stock, subject to certain exceptions, for the 180-day period following the date of this prospectus, without the prior consent of Sandler O’Neill & Partners, L.P. and Raymond James & Associates, Inc. Our officers and directors will enter into similar lock-up agreements with the underwriters. Sandler O’Neill & Partners, L.P. and Raymond James & Associates, Inc. may, at any time, release us and/or any of our officers and directors from this lock-up agreement and allow us to sell shares of our Class A common stock within this 180-day period. For more information, see “Underwriting.” In addition, pursuant to the terms of an exchange agreement that we will enter into with the holders of Class B units of Silvercrest L.P., such Class B units will not be exchangeable for shares of our Class A common stock until the six-month anniversary of the consummation of this offering. Pursuant to our lock-up agreement with the underwriters, we will not be permitted to waive these restrictions pursuant to the exchange agreement without the prior consent of Sandler O’Neill & Partners, L.P. and Raymond James & Associates, Inc.

Upon completion of this offering, there will be \_\_\_\_\_ shares of our Class A common stock outstanding (or \_\_\_\_\_ shares if the underwriters exercise in full their option to purchase additional shares of our Class A common stock) of which \_\_\_\_\_ shares will be freely transferable without restriction or further registration under the Securities Act. The shares of Class A common stock that will be issuable upon exchange of Class B units may only be sold in the manner at the times described under “The Reorganization and Our Holding Company Structure—Resale and Registration Rights Agreement.” Every 12-month period beginning on the six-month anniversary of this offering and ending on the date of a principal’s termination of employment, each principal and his permitted transferees (*e.g.*, family trusts) may collectively exchange vested Class B units that equal 20% of the Class B units such persons collectively held at the beginning of such 12-month period, subject to certain exceptions described under “The Reorganization and Our Holding Company Structure—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.” Upon a termination of employment other than due to retirement or for cause, all Class B units held by a principal, other than those Class B units forfeited under certain circumstances, will be exchanged automatically for shares of Class A common stock. The shares of Class A common stock received upon exchange for Class B units may be sold (i) at any time and in any manner by retired employees and employees or estates of employees terminated due to death or disability, (ii) for any principal whose employment is terminated by us without cause, in an amount equal to 50% of the total shares of Class A common stock held by the principal at the time of termination of employment less any amounts sold for taxes in each 12-month period following the 18-month anniversary of the date of termination of employment, and (iii) for any principal who voluntarily resigns his employment, in an amount equal to one-third of the total shares of Class A common stock held by the principal at the time of termination of employment less any amounts sold for taxes in each 12-month period following the 18-month anniversary of the date of resignation of employment subject to manner of sale restrictions described in “The Reorganization and Our Holding Company Structure—Resale and Registration Rights.”

After this offering, we intend initially to register \_\_\_\_\_ shares of our Class A common stock for issuance pursuant to, upon the exercise of options granted under, or upon exchange of Class B units granted under, our 2012 Equity Incentive Plan that we are adopting in connection with this offering. We may increase the number of shares registered for this purpose from time to time. Once we register these shares, they will be able to be sold in the public market upon issuance.

We cannot predict the size of future issuances of our Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock may have on the market price of our Class A common stock. Sales or distributions of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our Class A common stock to decline.

---

## [Table of Contents](#)

***We are an “emerging growth company,” and any decision on our part to comply only with certain reduced disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012, and, for as long as we continue to be an “emerging growth company,” we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our Class A common stock that is held by non-affiliates exceeds \$700 million as of the last business day of an issuer’s most recently completed second fiscal quarter before the end of that five-year period, or (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the preceding three-year period. We cannot predict whether investors will find our Class A common stock less attractive if we choose to rely on these exemptions. If some investors find our Class A common stock less attractive as a result of any decisions to reduce future disclosure, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are, however, choosing to “opt out” of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

***The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an “emerging growth company.”***

Following the completion of this offering, we will be required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements will be time-consuming and will result in increased costs to us and could have a negative effect on our business, results of operations and financial condition. As a public company, we will be subject to the reporting requirements of the Exchange Act and requirements of Sarbanes Oxley. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. Sarbanes Oxley requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we will need to commit significant resources, hire additional staff and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies, including consideration of an upgrade to our financial reporting systems. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our company and to maintain appropriate operational and financial systems to adequately support expansion. In addition, as a public company, we must also enhance our investor relations, legal and corporate communications functions. All of these activities and additional efforts may increase our costs, strain our resources and divert management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

---

## Table of Contents

As an “emerging growth company” as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes Oxley (and rules and regulations of the SEC thereunder, which we refer to as Section 404) and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

***You will suffer immediate and substantial dilution and may experience additional dilution in the future.***

We expect that the initial public offering price per share of our Class A common stock will be substantially higher than the pro forma net tangible book value per share of our Class A common stock immediately after this offering, and after giving effect to the exchange of all outstanding Class B units for shares of our Class A common stock. As a result, you will pay a price per share that substantially exceeds the per share book value of our assets after subtracting our liabilities. At an offering price of \$ (the midpoint of the range set forth on the cover of this prospectus), you will incur immediate and substantial dilution in an amount of \$ per share of our Class A common stock. In addition, you will experience further dilution upon the issuance of restricted Class B units or restricted shares of our Class A common stock, or upon the grant of options to purchase Class B units or shares of our Class A common stock, in each case under our 2012 Equity Incentive Plan.

***We have broad discretion in the use of the net proceeds to us from this offering and may not use them in a manner in which our stockholders would consider appropriate.***

We cannot specify with certainty the particular uses of the net proceeds remaining after the repurchase of Class B units from principals that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds, including for any of the purposes described under the heading “Use of Proceeds” included elsewhere in this prospectus. Our stockholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. The failure by our management to apply these funds effectively could have an adverse effect on our business. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

***Anti-takeover provisions in our amended and restated certificate of incorporation and bylaws could discourage a change of control that our stockholders may favor, which also could adversely affect the market price of our Class A common stock.***

Provisions in our amended and restated certificate of incorporation and bylaws may make it more difficult and expensive for a third party to acquire control of us, even if a change of control would be beneficial to our stockholders. For example, our amended and restated certificate of incorporation, which will be in effect at the time this offering is consummated, will authorize our board of directors to issue up to 10 million shares of our preferred stock and to designate the rights, preferences, privileges and restrictions of unissued series of our preferred stock, each without any vote or action by our stockholders. We could issue a series of preferred stock to impede the consummation of a merger, tender offer or other takeover attempt. In addition, our amended and restated certificate of incorporation will provide that our board of directors is classified into three classes of directors. The anti-takeover provisions in our amended and restated certificate of incorporation and bylaws may impede takeover attempts, or other transactions, that may be in the best interests of our stockholders and, in particular, our Class A stockholders. Moreover, the market price of our Class A common stock could be adversely affected to the extent that provisions of our amended and restated certificate of incorporation and bylaws discourage potential takeover attempts, or other transactions, that our stockholders may favor.

---

## **Table of Contents**

***We will be a “controlled company” within the meaning of the Nasdaq rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.***

Upon the closing of this offering, our principals will continue to control a majority of our Class A common stock. As a result, we will be a “controlled company” within the meaning of the Nasdaq corporate governance standards. Under the Nasdaq rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain Nasdaq corporate governance requirements, including:

- the requirement that a majority of the board consists of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

Following this offering, we do not intend to utilize these exemptions. As a result, we will have a majority of independent directors and our Nominating/Corporate Governance and Compensation Committees will consist entirely of independent directors and we will have an annual performance evaluation of the Nominating/Corporate Governance and Compensation Committees. See “Management” section. However, if we decide to utilize these exemptions in the future, you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our Class A common stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements. These statements may be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “should,” or “will,” or the negative thereof, or other variations thereon or comparable terminology. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance relating to our growth, expansion into new markets, sales trends of particular lines of products and other statements contained in this prospectus, including certain statements under the headings “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “Regulatory Environment,” are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, these forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed in this prospectus under the headings “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “Regulatory Environment” may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations are:

- our business strategies and investment policies;
- our intention to pay quarterly dividends;
- our financing plans;
- our competitive position and the effects of competition on our business;
- potential growth opportunities available to us;
- status as an emerging growth company;
- the recruitment and retention of our employees;
- our expected levels of compensation of our employees and the impact of compensation on our ability to attract and retain employees;
- our potential operating performance and efficiency;
- our expected tax rate;
- our expectation with respect to the economy, capital markets, the market for asset management services and other industry trends;
- the benefits to our business resulting from the effects of the reorganization;
- our belief as to the adequacy of our facilities; and
- the impact of future legislation and regulation, and changes in existing legislation and regulation, on our business.

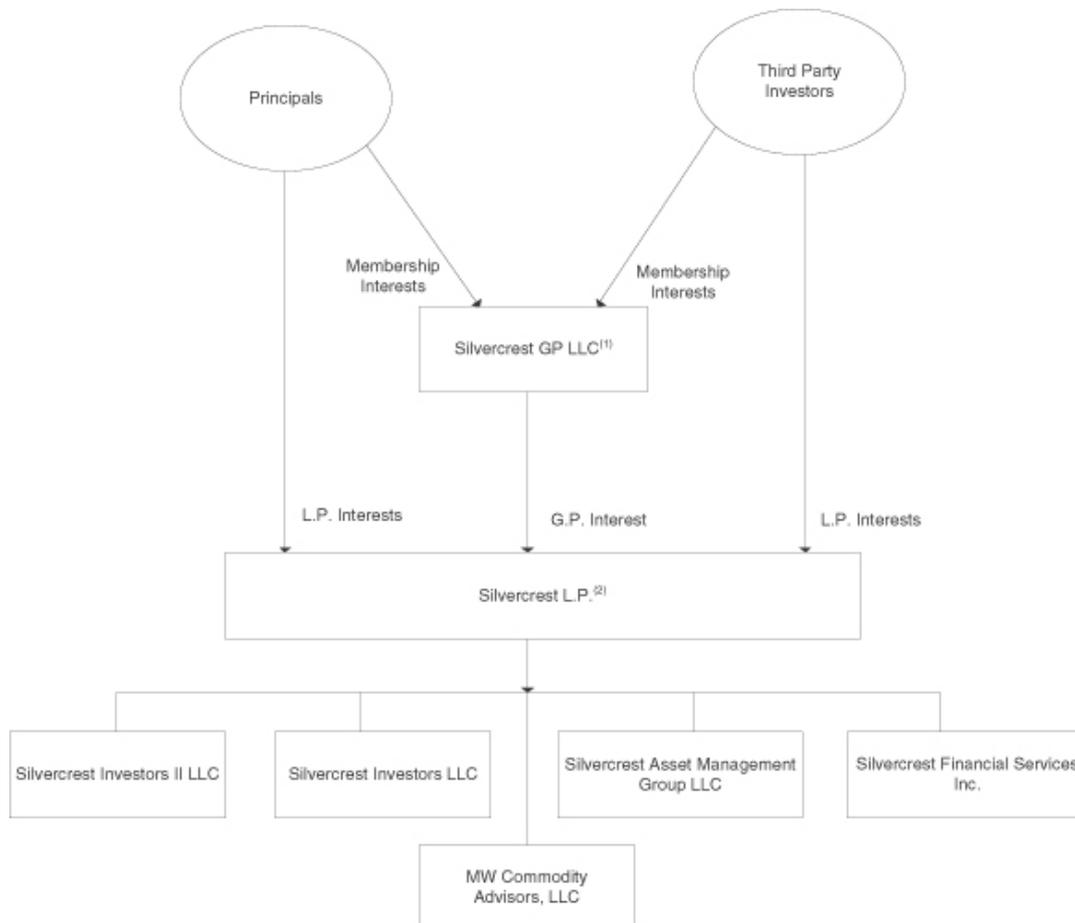
Other factors that could cause actual results to differ from those implied by the forward-looking statements in this prospectus are more fully described in the “Risk Factors” section and elsewhere in this prospectus. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this prospectus are made only as of the date hereof. We do not undertake and specifically decline any obligation to update any of these statements or to publicly announce the results of any revisions to any of these statements to reflect future events or developments.

## THE REORGANIZATION AND OUR HOLDING COMPANY STRUCTURE

### Overview

On July 11, 2011, Silvercrest was incorporated as a Delaware corporation. Silvercrest GP LLC is currently the general partner of Silvercrest L.P., which is the managing member of the operating subsidiary, Silvercrest Asset Management Group LLC.

Set forth below is our holding company structure and ownership immediately prior to the consummation of the reorganization and this offering.



(1) Silvercrest GP LLC is the General Partner of Silvercrest L.P.

(2) Silvercrest L.P. is the Managing Member of the operating subsidiaries.

Immediately prior to the consummation of this offering, the members of Silvercrest GP LLC will receive a distribution of the general partner interests of Silvercrest L.P. owned by Silvercrest GP LLC as part of the reorganization. Once acquired, these interests that were distributed to the members of Silvercrest GP LLC will be automatically converted into limited partnership interests. Subsequent to the distribution of the general partner interests of Silvercrest L.P. to its members and the conversion of those interests into limited partnership interests, Silvercrest GP LLC will transfer its rights as general partner to Silvercrest and will be dissolved. Silvercrest will become the general partner of Silvercrest L.P. As part of the reorganization, the partnership agreement of

---

## Table of Contents

Silvercrest L.P. will be amended to provide that the limited partnership interests will be converted to Class B units and the general partnership interests will consist of Class A units.

Immediately following the reorganization, our only material asset will be our general partner interests in Silvercrest L.P. We will use approximately \$ million of the net proceeds from this offering to purchase Class B units of Silvercrest L.P. from its current limited partners, including all Class B units held by third-party investors in Silvercrest L.P., and such Class B units acquired by us will be immediately converted into Class A units. These third-party investors will therefore no longer hold any portion of Silvercrest L.P.'s Class B units or any of our Class B common stock subsequent to the reorganization. Following the reorganization and this offering, we will own all of the Class A units, which represent the general partnership interest in Silvercrest L.P., or approximately % of the partnership units of Silvercrest L.P. (or % of the partnership units if the underwriters exercise in full their option to purchase additional shares of Class A common stock). The remaining approximately % of the partnership units in Silvercrest L.P. (or % of the partnership units if the underwriters exercise in full their option to purchase additional shares of Class A common stock) will be held by 37 of our principals.

The Class A units and Class B units will have the same economic rights. In addition, Silvercrest L.P. has issued deferred equity units exercisable for Class B units which entitle the holders thereof to distributions from Silvercrest L.P. as if the underlying Class B units were outstanding. Accordingly, immediately after the consummation of the reorganization and this offering, the holders of our Class A common stock (through us) and the holders of the Class B units and deferred equity units in Silvercrest L.P. will hold approximately % and %, respectively, of the economic interests in our business (or approximately % and %, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). For a discussion of the deferred equity units issued by Silvercrest L.P., see "Compensation Discussion and Analysis—Potential Payments Upon Termination or Change in Control—Deferred Equity Units and Performance Units" and note 16 to the audited financial statements of Silvercrest L.P.

As part of the reorganization, we will issue to the holders of Class B units, for each Class B unit, one share of Class B common stock in exchange for the payment by the holder of the Class B units of its par value. Each share of our Class B common stock will entitle its holder to one vote. Initially, the holder of the Class B common stock will have % of the combined voting power of our common stock (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock). When a Class B unit is exchanged for a share of our Class A common stock, forfeited as a result of applicable vesting provisions, or forfeited or redeemed as a result of a breach of any restrictive covenants contained in the second amended and restated limited partnership agreement of Silvercrest L.P., a corresponding number of shares of our Class B common stock automatically will be redeemed at par value and cancelled by us. Conversely, to the extent we cause Silvercrest L.P. to issue additional Class B units (including awards of Class B units subject to vesting) to our employees pursuant to our 2012 Equity Incentive Plan or Class B units are issued upon the vesting of outstanding deferred equity units in Silvercrest L.P., these employees will be entitled to receive an equal number of shares of our Class B common stock.

Concurrently with the closing of this offering and the reorganization, holders of our Class B common stock will enter into a stockholders' agreement pursuant to which they will agree to vote while they are employed by us all shares of Class B common stock and Class A common stock then held by them, and acquired in the future, on all matters submitted to a vote of our common stockholders in accordance with the decision of the Executive Committee of Silvercrest L.P. Therefore, upon the closing of this offering, the Executive Committee of Silvercrest L.P. will be able to exercise control over all matters requiring the approval of our stockholders, including the election of our directors and the approval of significant corporate transactions.

The Class A common stock will represent 100% of the rights of the holders of all classes of our capital stock to share in all distributions, except for the right of holders of our Class B common stock to receive the par value of each share of our Class B common stock upon our liquidation, dissolution or winding-up.

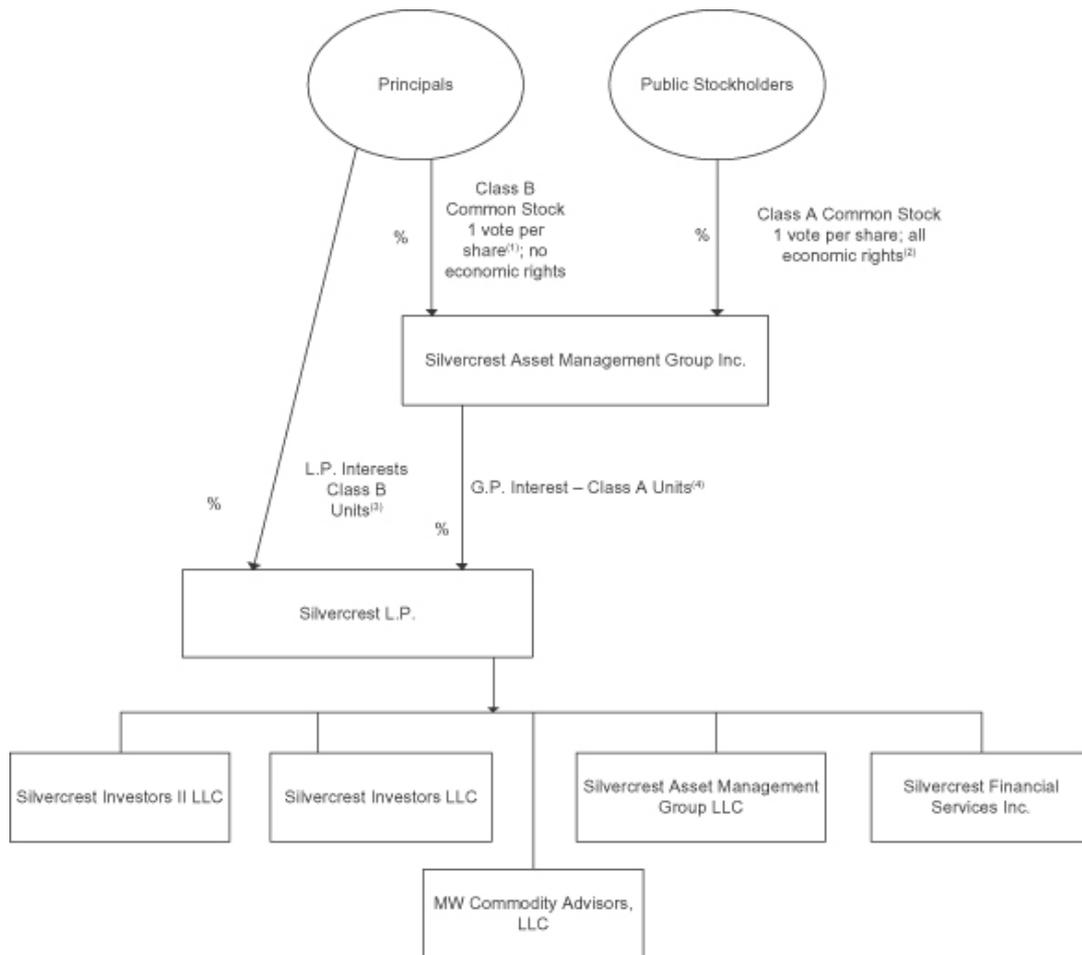
Pursuant to the second amended and restated limited partnership agreement of Silvercrest L.P., each vested Class B unit will be exchangeable for a share of our Class A common stock, subject to the exchange timing and

[Table of Contents](#)

volume limitations described under “—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.” Unvested Class B units will not be exchangeable until they have vested other than upon a termination of employment of a principal, at which time all vested and unvested Class B units will be automatically exchanged for shares of our Class A common stock, subject to certain exceptions, including in the case of retirement and termination with cause, as described under “—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.”

Pursuant to a resale and registration rights agreement that we will enter into with the holders of Class B units, we intend to file a registration statement on Form S-3 to register the resale of shares of our Class A common stock that are issuable upon exchange of these Class B units and to maintain such registration in effect for no less than five years. We expect to become eligible to file a registration statement on Form S-3 one year after the consummation of this offering. See “—Resale and Registration Rights Agreement” for a description of the timing and manner limitations on resales of these shares.

Set forth below is our holding company structure and anticipated ownership immediately after the consummation of the reorganization and this offering (assuming no exercise of the over-allotment option).



(1) Each share of Class B common stock is entitled to one vote per share. Class B stockholders will have the right to receive the par value of the Class B common stock upon our liquidation, dissolution or winding-up.

---

## **Table of Contents**

- (2) Each share of Class A common stock is entitled to one vote per share. Class A common stockholders will have 100% of the rights of all classes of our capital stock to receive distributions, except that Class B common stockholders will have the right to receive the par value of the Class B common stock upon our liquidation, dissolution or winding-up.
- (3) Each Class B unit is exchangeable for one share of Class A common stock. The principals will collectively hold \_\_\_\_\_ Class B units, which will represent the right to receive approximately \_\_\_\_\_ % of the distributions made by Silvercrest L.P. and \_\_\_\_\_ deferred equity units exercisable for Class B units, which represent the right to receive approximately \_\_\_\_\_ % of the distributions made by Silvercrest L.P. (or approximately \_\_\_\_\_ % and \_\_\_\_\_ %, respectively, of the distributions made by Silvercrest L.P. if the underwriters exercise their option to purchase additional shares of Class A common stock in full).
- (4) We will hold \_\_\_\_\_ Class A units (or \_\_\_\_\_ Class A units if the underwriters exercise their option to purchase additional shares of Class A common stock in full), which will represent the right to receive approximately \_\_\_\_\_ % of the distributions made by Silvercrest L.P. (or approximately \_\_\_\_\_ % of the distributions made by Silvercrest L.P. if the underwriters exercise their option to purchase additional shares of Class A common stock in full).

### **Holding Company Structure**

Our only business following this offering will be to act as the general partner of Silvercrest L.P. and, as such, we will operate and control all of its business and affairs and will be able to consolidate its financial results into our financial statements. The ownership interests of holders of limited partnership interests of Silvercrest L.P. will be accounted for as a non-controlling interest in our consolidated financial statements after this offering.

Net profits, net losses and distributions of Silvercrest L.P. will be allocated and made to each of its partners pro rata in accordance with the number of partnership units of Silvercrest L.P. held by each of them. In addition, Silvercrest L.P. has issued deferred equity units exercisable for Class B units which entitle the holder thereof to receive distributions from Silvercrest L.P. to the same extent as if the underlying Class B units were outstanding. Accordingly, net profits and net losses of Silvercrest L.P. will initially be allocated, and distributions will be made, approximately \_\_\_\_\_ % to us and approximately \_\_\_\_\_ % to the initial holders of Class B units and holders of deferred equity units (or \_\_\_\_\_ % and \_\_\_\_\_ %, respectively, if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

### **Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.**

As a result of the reorganization, we will operate our business through Silvercrest L.P. and its consolidated subsidiaries. The operations of Silvercrest L.P., and the rights and obligations of its partners, are set forth in the second amended and restated limited partnership agreement of Silvercrest L.P., a form of which is being filed as an exhibit to the registration statement of which this prospectus forms a part. The following is a description of the material terms of the second amended and restated limited partnership agreement.

### ***Governance***

We will serve as the general partner of Silvercrest L.P. As such, we will control its business and affairs and will be responsible for the management of its business. We also will have the power to delegate some of our management responsibilities as the general partner of Silvercrest L.P. to an Executive Committee consisting of our Chief Executive Officer, Mr. Cochran, and the individuals appointed by us to serve as members of the Executive Committee. Initially, Mr. Cochran and each of Richard R. Hough III, Scott A. Gerard and David J. Campbell will serve as members of the Executive Committee. No limited partners of Silvercrest L.P., in their capacity as such, will have any authority or right to control the management of Silvercrest L.P. or to bind it in connection with any matter.

### ***Voting and Economic Rights***

Silvercrest L.P. will issue Class A units, which may only be issued to us, as general partner, and Class B units. Each Class A unit and Class B unit will entitle holders to equal economic rights. Holders of Class B units will have no voting rights, except for the right to approve amendments to the second amended and restated limited partnership agreement of Silvercrest L.P. that adversely affects the rights of the holders of Class B units and to approve certain material corporate transactions. See “—Amendments” and “—Material Corporate Transactions.”

---

## Table of Contents

We intend to cause Silvercrest L.P. to issue additional Class B units in the future pursuant to the 2012 Equity Incentive Plan which Class B units may be subject to vesting periods set forth in the relevant award agreements.

Net profits, net losses and distributions of Silvercrest L.P. will be allocated and made to each of its partners pro rata in accordance with the number of partnership units of Silvercrest L.P. held by each of them (whether or not vested). In addition, Silvercrest L.P. has issued deferred equity units which entitle the holders thereof to receive distributions from Silvercrest L.P. to the same extent as if the underlying Class B units were outstanding. Silvercrest L.P. will agree to make distributions to the holders of its partnership units, which includes us, for the purpose of funding their tax obligations in respect of Silvercrest L.P. See “—Tax Consequences.” Additional distributions from Silvercrest L.P. to us will be made at the discretion of our board of directors, acting on our behalf as the general partner of Silvercrest L.P. Neither Silvercrest Asset Management Group LLC nor Silvercrest L.P. may make any distributions to its members or partners if doing so would violate any agreement to which it is then a party or any law then applicable to it, have the effect of rendering it insolvent or result in it having net capital lower than that required by applicable law.

Assuming Silvercrest L.P. makes distributions to its partners in any given year, the determination to pay dividends, if any, to our Class A common stockholders will be made by our board of directors. Because our board of directors may or may not decide to pay dividends to our Class A stockholders, our Class A stockholders may not necessarily receive dividend distributions relating to our pro rata share of the income earned by Silvercrest L.P. even if Silvercrest L.P. makes such distributions to us.

### ***Coordination of Silvercrest Asset Management Group Inc. and Silvercrest L.P.***

At any time Silvercrest issues a share of our Class A common stock for cash, assets or other consideration, the net proceeds received by Silvercrest will be promptly transferred to Silvercrest L.P., and Silvercrest L.P. will issue to Silvercrest one of its Class A units. Alternatively, if otherwise agreed by us and any holder of Class B units, we may use the proceeds from the sale of a share of Class A common stock to purchase a Class B unit from such existing limited partner of Silvercrest L.P. Upon the purchase of a Class B unit by Silvercrest, the Class B unit will automatically be converted into a Class A unit. If at any time we issue a share of our Class A common stock pursuant to our 2012 Equity Incentive Plan, we will be deemed to have contributed to Silvercrest L.P. all of the proceeds we receive (if any), and Silvercrest L.P. will be deemed to have purchased from us the Class A common stock for the amount of the contribution and will issue to us one of its Class A units, having the same restrictions, if any, attached to the shares of Class A common stock issued under this plan. If we issue other classes or series of our equity securities, (i) Silvercrest L.P. will issue, and (ii) Class B units (if any) transferred to us by its limited partners in exchange for our newly issued equity securities will be converted automatically into, an equal number of equity securities of Silvercrest L.P. with designations, preferences and other rights and terms that are substantially the same as our newly issued equity securities. Conversely, if we redeem any shares of our Class A common stock (or our equity securities of other classes or series) for cash, Silvercrest L.P. will, immediately prior to our redemption, redeem an equal number of Class A units (or its equity securities of the corresponding classes or series) held by us, upon the same terms and for the same price, as the shares of our Class A common stock (or our equity securities of such other classes or series) are redeemed.

The Compensation Committee of our board of directors, as the administrator of the 2012 Equity Incentive Plan, in its sole discretion, may cause Silvercrest L.P. to grant equity-based awards to its employees exercisable for, or awarded in, Class B units or shares of Class A common stock. If Class B units are issued at any time after this offering, the holder will be entitled to receive a corresponding number of shares of our Class B common stock in exchange for the payment of their par value, as long as the holder agrees to be bound by the terms of the stockholders’ agreement described under “—Stockholders’ Agreement Among Class B Stockholders.” Silvercrest L.P. may also, from time to time, issue such other classes or series of partnership units having such relative rights, powers and preferences in profits, losses, allocations and distributions of Silvercrest L.P. as may be designated by us.

Pursuant to the second amended and restated limited partnership agreement of Silvercrest L.P., we will agree, as general partner, that we will not conduct any business other than the management and ownership of

---

## Table of Contents

Silvercrest L.P. and its subsidiaries, or own (other than on a temporary basis) any other assets, other than certain cash accounts, although we may incur indebtedness and may take other actions if we determine in good faith that such indebtedness or other actions are in the best interest of Silvercrest L.P. In addition, partnership units of Silvercrest L.P., as well as our common stock, will be subject to equivalent stock splits, dividends and reclassifications.

### *Issuances and Transfer of Units*

Class A units may only be issued to us, the general partner of Silvercrest L.P., and are non-transferable. Class B units may be issued only to persons or entities to which we agree to permit the issuance of units in exchange for cash or other consideration, including the services of Silvercrest L.P.'s and its subsidiaries' employees. Class B units may not be transferred except, with our consent, to certain permitted transferees or a permitted charitable institution, subject to conditions we may specify, or as described below under "—Exchange Rights." If a Class B unitholder is permitted to transfer its Class B units, the holder of Class B units may not transfer any Class B units to any person unless he or she transfers an equal number of shares of our Class B common stock to the same transferee.

### *Extraordinary Corporate Transactions*

If Silvercrest L.P. proposes to engage in certain extraordinary corporate transactions, including a merger, consolidation, or conversion to another business entity, we, in our capacity as the general partner, along with a majority in interest of the holders of the Class B units, will have the power and authority to approve such a transaction. If Silvercrest L.P. proposes to dissolve, we, in our capacity as general partner, along with 75% in interest of the holders of our Class B units, will have the power and authority to approve a dissolution by vote.

### *Exchange Rights*

We have reserved for issuance \_\_\_\_\_ shares of our Class A common stock, which is the aggregate number of shares of our Class A common stock expected to be issued over time upon exchanges pursuant to an exchange agreement to be entered into with each holder of Class B units and the provisions of the second amended and restated limited partnership agreement of Silvercrest L.P. by:

- all holders of Class B units outstanding immediately after this offering;
- recipients of grants that may be made, or have been made at the consummation of this offering, under the 2012 Equity Incentive Plan, pursuant to which Silvercrest L.P. will have reserved a number of Class B units equal to 15% of the total number of units of Silvercrest L.P. outstanding immediately after the consummation of this offering and the reorganization, assuming no anti-dilution adjustments based on share splits, dividends or reclassifications; and
- all holders of the deferred equity units and performance units to acquire up to \_\_\_\_\_ Class B units that have been granted prior to the consummation of this offering.

Holders of Class B units may exchange their vested Class B units for shares of our Class A common stock at the times and in the amounts described below.

Pursuant to the exchange agreement, each year, in the period beginning on the six-month anniversary of the consummation of this offering and ending on the date of the termination of employment of a principal with us, a principal and his permitted transferees may collectively exchange up to the number of vested Class B units that equals 20% of all Class B units such principal and his or her permitted transferees collectively hold as of the first day of that year, in accordance with the timing restrictions described under "—Resale and Registration Rights Agreement." Notwithstanding the foregoing, each principal shall commit to retain at least 25% of the number of Class B units held by the principal on the date of the consummation of this offering or on the date of such principal's initial employment if such principal was hired after the consummation of this offering (as adjusted for any stock

---

## Table of Contents

splits, dividends and reclassifications occurring after this offering). Any principal who is hired by our company after the consummation of this offering may not exchange any Class B units during his or her first year of employment with our company. In addition, unless otherwise determined by the Executive Committee of Silvercrest L.P., in its sole discretion, upon a termination of employment for any reason other than retirement, all of the Class B units held by a principal shall be exchanged automatically for shares of our Class A common stock, subject to the forfeiture of any Class B units as described under “—Restrictive Covenants—Forfeiture or Repurchase of Class B units and Class A Common Stock” below.

Pursuant to the second amended and restated limited partnership agreement of Silvercrest L.P., if the amount of income taxes that principals are required to pay due to the grant or vesting of their Class B units, the exercise of their options to acquire Class B units and/or the exchange of their Class B units for shares of our Class A common stock upon termination of employment (whether or not they are employees at the time that the tax payment obligation arises) exceeds the net proceeds they would receive upon the sale of all of the shares of our Class A common stock issued to them in exchange for 20% of Class B units that they hold as of the first day of the year with respect to which the tax is payable, then they will instead be entitled to exchange an amount of vested Class B units and resell an equal number of shares of our Class A common stock issued in exchange for such Class B units such that the net proceeds from the sale of this amount of shares would enable them to pay all such taxes due. In addition, we may allow holders of Class B units to make exchanges in amounts exceeding those described above at any time following the effective date of the shelf registration statement (as described in “—Resale and Registration Rights Agreement”), which determination may be withheld, delayed, or granted on such terms and conditions as our Executive Committee may determine, in its sole discretion.

Any holder of Class B units who has acquired a corresponding number of shares of Class B common stock in connection with the original issuance of Class B units, which includes all holders of the Class B units to be issued to the 37 current principals in Silvercrest L.P. in connection with the reorganization, must deliver a corresponding number of shares of Class B common stock to us for redemption in connection with exercising its right to exchange Class B units for shares of our Class A common stock.

### ***Restrictive Covenants***

#### *Non-Solicitation*

Pursuant to the terms of the second amended and restated limited partnership agreement, each of the principals of Silvercrest L.P. will agree not to solicit our clients or any other employees of Silvercrest L.P. during the term of his or her employment and 18 months thereafter.

#### *Confidential Information*

Pursuant to the terms of the second amended and restated limited partnership agreement, each of the principals of Silvercrest L.P. will agree to protect the confidential information of Silvercrest L.P. This covenant will survive the termination of his or her employment.

#### *Forfeiture or Repurchase of Class B Units and Class A Common Stock*

Unless otherwise determined by our board of directors, in its sole discretion, or previously agreed to by the principal and his or her permitted transferees and us, if a principal of Silvercrest L.P. breaches any of the non-solicitation or confidentiality covenants described above while employed, then, pursuant to the terms of the second amended and restated limited partnership agreement, the principal, and, to the extent of any Class B units transferred after the date of the consummation of this offering, his or her permitted transferees, would forfeit all of his, her or their unvested Class B units and 80% of the number of vested Class B units collectively held by the principal and his or her permitted transferees. Unless otherwise determined by our board of directors, in its sole discretion, or previously agreed to by the principal and his or her permitted transferees and us, if a principal of Silvercrest L.P. breaches any of the non-solicitation or confidentiality covenants described above, after the

---

## Table of Contents

termination of his or her employment, or, if a principal voluntarily resigns or retires and competes with our company during the 12 months following his or her termination of employment, then, in addition to any legal rights and remedies available to us, the principal (and to the extent of any Class B units transferred after the date of the consummation of this offering, his or her permitted transferees) would forfeit all of his, her or their unvested Class B units and/or shares of Class A common stock, if any, and, at the option of Silvercrest L.P., would be required to sell to Silvercrest L.P. all of the vested Class B units collectively held by the principal and his or her permitted transferees for a purchase price equal to the lesser of (i) the capital account balance of the principal and his or her permitted transferees in Silvercrest L.P. and (ii) the purchase price paid by the terminated principal to first acquire the Class B units, and, at our option, would be required to sell to us all of the Class A common stock collectively held by the principal and his or her permitted transferees for a purchase price equal to the purchase price paid by the principal to first acquire the Class B units for which such shares of Class A common stock had been exchanged. To the extent a retired principal violates these restrictive covenants or competes with our company during 12 months following his or her termination of employment and the retired principal or his or her permitted transferees sold more than 20% of the Class B units and/or shares of Class A common stock held by the retired principal and his or her permitted transferees on the date of the principal's retirement, then, in addition to the repurchase of Class B units and shares of Class A common stock described above, we will have the right to claw back from the retired principal the purchase price received for the shares of Class A common stock and/or Class B units sold less the purchase price originally paid to acquire the securities above an amount equal to 20% of the securities held on the date of retirement. In addition to the forfeiture, repurchase and claw back provisions described above, if a principal violates the non-solicitation or confidentiality covenants or competes with our company within the 12-month period following a voluntary resignation of employment or retirement, then the principal will cease to receive any payments required to be made to the principal under the tax receivable agreement. See "—Tax Receivable Agreement."

### ***Repurchase of Class B Units Upon Termination for Cause***

Unless otherwise determined by our board of directors, in its sole discretion, or previously agreed to by the principal, his or her permitted transferees and us, if a principal of Silvercrest L.P. is terminated for cause, the principal (and, to the extent of any Class B units transferred after the date of the consummation of this offering, his or her permitted transferees) would forfeit all of his, her or their unvested Class B units, if any, and, at our option, Silvercrest L.P. would have the right to redeem all of the vested Class B units collectively held by the principal and his or her permitted transferees for a purchase price equal to the lesser of (i) the aggregate capital account balance in Silvercrest L.P. of the principal and his or her permitted transferees and (ii) the purchase price paid by the terminated principal to first acquire the Class B units. In addition to the redemption described above, any principal terminated for cause will cease to receive any payments required to be made to the principal under the tax receivable agreement. See "—Tax Receivable Agreement."

### ***Indemnification and Exculpation***

To the extent permitted by applicable law, Silvercrest L.P. will indemnify us, as its general partner, its authorized officers, its other employees and its agents from and against any losses, liabilities, damages, costs, expenses, fees or penalties incurred by any acts or omissions of these persons, provided that the acts or omissions of these indemnified persons are not the result of fraud, intentional misconduct or a violation of the implied contractual duty of good faith and fair dealing, or any lesser standard of conduct permitted under applicable law.

We, as the general partner, and the authorized officers, other employees and agents of Silvercrest L.P., will not be liable to Silvercrest L.P., its partners or their affiliates for damages incurred by any acts or omissions of these persons, provided that the acts or omissions of these exculpated persons are not the result of fraud, intentional misconduct or a violation of the implied contractual duty of good faith and fair dealing, or any lesser standard of conduct permitted under applicable law.

---

## [Table of Contents](#)

### *Amendments*

The second amended and restated limited partnership agreement of Silvercrest L.P. may be amended with the consent of the general partner and the holders of at least 60% of the Class B units, provided that the general partner may, without the consent of the holders of at least 60% of the Class B units, make amendments that, generally, are not expected to adversely affect the holders of Class B units.

### **Resale and Registration Rights Agreement**

Pursuant to a resale and registration rights agreement that we will enter into with each holder of Class B units, the shares of Class A common stock issued upon exchange will be eligible for resale pursuant to a shelf registration statement, or otherwise, subject to the resale timing and manner limitations described below. Pursuant to this agreement, when Silvercrest L.P. issues any Class B units to its employees, partners or other consultants pursuant to the 2012 Equity Incentive Plan, the recipient will be entitled to the same resale and registration rights, and will be subject to the same restrictions, as the holders of Class B units outstanding immediately following this offering.

Pursuant to the resale and registration rights agreement, we will commit to use our best efforts to:

- file a shelf registration statement in order to register the resale of these shares of Class A common stock as soon as practicable after the date that we become eligible to use Form S-3 under the Securities Act, which is expected to be one year after the consummation of this offering; and
- cause the SEC to declare the shelf registration statement effective as soon as practicable thereafter.

From the first effective date of the shelf registration statement until the fifth anniversary of the consummation of this offering, holders of Class B units, subject to the exchange timing and volume limitations described above under “—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights,” will be able to sell the shares of Class A common stock issued upon exchange pursuant to the shelf registration statement. Prior to the first effective date of the shelf registration statement, holders of Class B units may, subject to securities law limitations, sell their shares in any manner, but only at times determined by us in our sole discretion and subject to the timing and volume limitations described above under “—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.” Holders of Class B units will be permitted to sell shares of Class A common stock issued upon exchange of Class B units during the first 10-day period of the open trading window of each quarter by submitting a request to the Executive Committee of Silvercrest L.P. to sell a specified number of shares. The Executive Committee may, in its discretion, deny the request of any holder of Class B units to sell his or her underlying shares of Class A common stock. If a sale request by a holder of Class B units is denied, the denied holder will be given the first opportunity to sell shares of Class A common stock in the next available open window. Thereafter, holders of Class B units will be able to exchange their Class B units for shares of our Class A common stock, subject to the exchange timing and volume limitations described above under “—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights” and will be permitted to sell their shares in any manner, but only at times determined by us, in our sole discretion.

Notwithstanding the restrictions described above and below, subject to securities law limitations, (i) holders of shares of Class A common stock issued upon exchange of Class B units after the consummation of this offering may always sell a number of shares of Class A common stock sufficient to cover any taxes due on the exchange, using an assumed tax rate equal to the applicable prevailing capital gains rate at the time of the exchange, and (ii) the estate of any deceased holder, or the beneficiaries thereof, and any principal who has retired or whose employment has been terminated due to death or disability may sell any or all shares of Class A common stock he or she holds without regard to the restrictions described above.

Following the termination of a principal’s employment other than in the case of retirement or termination for cause, the Class B units held by the terminated principal will be automatically exchanged, and the

---

## Table of Contents

corresponding number of shares of Class B common stock redeemed, for shares of our Class A common stock, subject to any required forfeiture or repurchase of Class B units as described under “—Restrictive Covenants—Forfeiture or Repurchase of Class B units and Class A Common Stock” above. If the principal’s employment was terminated for any reason other than retirement, death, disability or voluntarily resignation, the principal may (i) at the time of termination of employment, sell a number of shares of Class A common stock sufficient to cover any taxes due on the exchange of Class B units, and (ii) in each 12-month period following the 18-month anniversary of the termination, sell a number of shares of our Class A common stock equal to one-half of the difference between the aggregate number of vested shares of Class A common stock received upon exchange of the Class B units held as of the date of termination of his or her employment and the number of shares, if any, of Class A common stock the principal sold to cover taxes to the exchange subsequent to the principal’s termination. If a principal voluntarily terminates his or her employment, then the principal may (i) at the time of termination of employment, sell a number of shares of Class A common stock sufficient to cover taxes due on the exchange of Class B units and (ii) in each 12-month period following the 18-month anniversary of the termination, sell a number of shares of our Class A common stock equal to one-third of the difference between the aggregate number of vested shares of Class A common stock received upon exchange of the Class B units held as of the date of termination of his or her employment and the number of shares, if any, of Class A common stock the principal sold to cover taxes to the exchange subsequent to the principal’s termination. If the principal has retired, died or become disabled, he or she may sell any and all shares of Class A common stock or Class B units held by such retired principal, subject to any applicable securities law limitations. If the amount of income taxes that principals are required to pay due to the exchange of their Class B units for shares of our Class A common stock (whether or not they are employees at the time that the tax payment obligations arises) exceed the net proceeds they would receive upon the sale of all shares they are permitted to sell pursuant to the immediately preceding paragraph during the year with respect to which the tax is payable, then they will instead be entitled to sell a number of shares of our Class A common stock sufficient to provide net proceeds that would enable them to pay the taxes due.

We have agreed to indemnify the holders of the Class B units against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which they may sell the shares of our Class A common stock they receive upon exchange of their Class B units, unless such liability arose from the selling stockholder’s misstatement or omission, and the holders have agreed to indemnify us against all losses caused by their misstatements or omissions. We will pay all expenses incident to our performance under the resale and registration rights agreement, and the selling stockholders will pay their respective portions of all transfer taxes and selling expenses relating to the sale of their shares of Class A common stock pursuant to the registration rights agreement.

### **Voting Rights of Class A and Class B Stockholders**

Each share of our Class A common stock and Class B common stock will entitle its holder to one vote. Immediately after this offering, our Class B common stockholders will hold approximately % of the combined voting power of our common stock (or % if the underwriters exercise their option in full to purchase additional shares of our Class A common stock). We intend to cause Silvercrest L.P. to issue additional Class B units to our employees in various forms of equity compensation, such as restricted Class B units and options to acquire Class B units. Silvercrest L.P. will initially be authorized to issue additional Class B units in an amount not exceeding 15% of all partnership units outstanding as of the consummation of this offering pursuant to the 2012 Equity Incentive Plan. The holders of any vested or unvested Class B units issued after this offering will be entitled to receive a corresponding number of shares of our Class B common stock in exchange for the payment of their par value and, therefore, the voting power of our Class B common stockholders will increase to the extent that we grant Class B unit awards pursuant to the 2012 Equity Incentive Plan, to our employees, partners or other consultants. Conversely, when any holder of vested Class B units exchanges them for the corresponding number of shares of our Class A common stock, any holder of unvested Class B units forfeits a Class B unit or has it repurchased due to applicable vesting provisions, or any holder of vested or unvested Class B units forfeits a Class B unit due to a breach of restrictive covenants contained in the amended and restated limited partnership

---

## Table of Contents

agreement of Silvercrest L.P. or the holder voluntarily resigns or retires and competes with our company in the 12-month period following termination of employment, it will result in the automatic redemption of the corresponding number of shares of our Class B common stock and, therefore, will decrease the aggregate voting power of our Class B stockholders.

### **Stockholders' Agreement Among Class B Stockholders**

Concurrently with the consummation of this offering and the reorganization, the holders of all outstanding shares of our Class B common stock will enter into a stockholders' agreement with respect to all shares of Class B common stock then held by them and any additional shares of Class B common stock they may acquire in the future. Pursuant to this stockholders' agreement, they will agree to vote all their shares of Class B common stock together on any matter submitted to our common stockholders for a vote. Upon a termination of employment, including a retirement, the terminated principal will cease to be a party to the stockholders' agreement and will no longer be subject to the voting obligation contained in the agreement.

Prior to any vote of our common stockholders, the Executive Committee will convene to determine how the holders of our Class B common stock should vote their shares of Class B common stock and Class A common stock on each matter upon which a vote of all common stockholders is proposed to be taken. The vote of each member of the Executive Committee shall be weighted based on the number of Class B units owned by the member relative to the number of Class B units held by all members of the Executive Committee. Each Class B stockholder must then vote all of his or her shares of Class B common stock in accordance with the determination of the Executive Committee. In order to give effect to these voting provisions, each of these Class B stockholders will grant to each member of the Executive Committee an irrevocable proxy to vote all his or her shares of Class B common stock in accordance with the determination of the Executive Committee.

In addition, pursuant to this stockholders' agreement, each holder of shares of Class B common stock will agree that:

- the holder will not transfer any shares of Class B common stock to any person unless the holder transfers an equal number of Class B units to the same person; and
- in the event the holder transfers any Class B units to any person, the holder will transfer an equal number of shares of Class B common stock to the same person.

This stockholders' agreement may only be amended with the consent of the holders of a majority of the shares of Class B common stock that are party to this agreement.

### **Tax Consequences**

The holders of partnership units of Silvercrest L.P., including us, generally will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Silvercrest L.P. Net profits and net losses of Silvercrest L.P. generally will be allocated to its partners pro rata in proportion to their respective partnership units. The second amended and restated limited partnership agreement of Silvercrest L.P. will provide for cash distributions to its partners if the taxable income of Silvercrest L.P. gives rise to taxable income for its partners. In accordance with this agreement, Silvercrest L.P. will make distributions to the holders of its partnership units for the purpose of funding their tax obligations in respect of the income of Silvercrest L.P. that is allocated to them. Generally, these tax distributions will be computed based on our estimate of the net taxable income of Silvercrest L.P. allocable per partnership unit multiplied by an assumed tax rate equal to the highest combined U.S. federal and applicable state and local tax rate applicable to any partner (taking into account the deductibility of state and local taxes for U.S. federal income tax purposes).

Silvercrest L.P. has made a Section 754 of the Internal Revenue Code election. As a result of this election any future exchanges of Class B units for shares of our Class A common stock, are expected to result in increases

---

## Table of Contents

in our share of the tax basis in the tangible and intangible assets of Silvercrest L.P. at the time of our acquisition of partnership units, which will increase the tax depreciation and amortization deductions available to us. These increases in tax basis and tax depreciation and amortization deductions are expected to reduce the amount of tax that we would otherwise be required to pay in the future.

### **Tax Receivable Agreement**

We will enter into a tax receivable agreement with current partners of Silvercrest L.P., and any future holders of Class B units, that will require us to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination payment by us, or a change in control, as discussed below) as a result of the increases in tax basis described above and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This will be our obligation and not the obligation of Silvercrest L.P. We expect to benefit from the remaining 15% of cash savings, if any, realized. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase in our share of the tax basis of the tangible and intangible assets of Silvercrest L.P. The term of the tax receivable agreement will commence upon consummation of this offering and will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on an agreed-upon value of payments remaining to be made under the agreement. Our obligation to make payments to a principal pursuant to the tax receivable agreement will automatically terminate if such principal (i) is terminated for cause, (ii) breaches his or her non-solicitation covenants with our company or (iii) voluntarily resigns or retires and competes with our company in the 12-month period following resignation of employment or retirement.

Estimating the amount of payments that we may be required to make under the tax receivable agreement is imprecise by its nature, because the actual increase in our share of the tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges of Class B units for shares of our Class A common stock—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable and amortizable assets of Silvercrest L.P. at the time of the exchanges;
- the price of our Class A common stock at the time of exchanges of Class B units—the increase in our share of the basis in the assets of Silvercrest L.P., as well as the increase in any tax deductions, will be related to the price of our Class A common stock at the time of these exchanges;
- the extent to which these exchanges are taxable—if an exchange is not taxable for any reason (for instance, if a holder of Class B units exchanges units in order to make a charitable contribution), increased deductions will not be available;
- the tax rates in effect at the time we utilize the increased amortization and depreciation deductions; and
- the amount and timing of our income—we will be required to pay 85% of the tax savings, as and when realized, if any. If we do not have taxable income, we generally will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that, as a result of the size of the increases in our share of the tax basis of the tangible and intangible assets of Silvercrest L.P. attributable to our interest therein, the payments that we make under the tax receivable agreement will likely be substantial. Assuming that there are no material changes in the relevant tax law, and that we earn sufficient taxable income to realize the full tax benefit of the increased depreciation and amortization of our assets, we expect that future payments under the tax receivable agreement in respect of our initial purchase of partnership units of Silvercrest L.P. will aggregate approximately \$        million, or \$        million per year over the next 15 years. A \$1.00 increase (decrease) in the assumed initial public offering

---

## Table of Contents

price of \$        per share of Class A common stock (the midpoint of the price range set forth on the cover of this prospectus) would increase (decrease) the aggregate amount of future payments to holders of Class B units in respect of the purchase by approximately \$        million. Future payments under the tax receivable agreement in respect of subsequent exchanges will be in addition to these amounts and are expected to be substantial.

In addition, the tax receivable agreement provides that, upon certain mergers, asset sales, other forms of business combinations or other changes of control, our (or our successors') obligations with respect to exchanged or acquired Class B units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

Decisions made by the continuing partners of Silvercrest L.P. in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by an exchanging or selling partner under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement.

Were the IRS to successfully challenge the tax basis increases described above, we would not be reimbursed for any payments previously made under the tax receivable agreement. As a result, in certain circumstances, we could make payments under the tax receivable agreement in excess of our actual cash savings in income tax.

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our Class A common stock by us in this offering will be approximately \$       million (or approximately \$       million if the underwriters exercise in full their option to purchase additional shares), based on an assumed initial public offering price of \$       per share (the midpoint of the price range set forth on the cover of this prospectus), in each case after deducting assumed underwriting discounts and estimated offering expenses payable by us.

We intend to use approximately \$       million of the net proceeds from this offering to purchase an aggregate of       Class B units of Silvercrest L.P. from existing limited partners and will not retain any of these proceeds. The purchase price for the Class B units will be determined by the public offering price of our Class A common stock in this offering less the per share amount of offering expenses incurred by us. We intend to use the remaining net proceeds of this offering, including any proceeds from the exercise of the underwriters' option to purchase additional shares, for general corporate purposes, which may include business operations, investments in our business and new investment strategies and strategic acquisitions for which no targets have been identified.

## DIVIDEND POLICY

### Our Dividend Policy

Following this offering, we intend to pay quarterly cash dividends. We expect that our first dividend will be paid in the \_\_\_\_\_ and will be \$ \_\_\_\_\_ per share of our Class A common stock. Only holders of our Class A common stock will be entitled to any dividend declared by us on our capital stock. We will be a holding company and will have no material assets other than our ownership of the general partnership interest of Silvercrest L.P. As a result, we intend to fund our initial dividend, as well as any future dividend, from our portion of \_\_\_\_\_ % of the distributions from Silvercrest L.P. If Silvercrest L.P. makes distributions to its partners, holders of Class B units will be entitled to receive equivalent distributions on a pro rata basis.

All of the foregoing is subject to the qualification that the declaration and payment of any distributions by Silvercrest L.P. are at our sole discretion, as general partner, and we may change our distribution policy at any time.

In addition, the declaration and payment of any dividends to our stockholders will be at the sole discretion of our board of directors. Our board or directors may decide not to declare a dividend on our Class A common stock even if Silvercrest L.P. makes a distribution to its partners, including Silvercrest. In determining whether to make a dividend payment to our Class A stockholders, our board of directors will take into account:

- our financial results as well as the financial results of Silvercrest L.P.;
- our available cash and anticipated cash needs;
- the capital requirements of our company and our direct and indirect subsidiaries (including Silvercrest L.P.);
- contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our stockholders or by our direct and indirect subsidiaries (including Silvercrest L.P.) to us;
- general economic and business conditions; and
- such other factors as our board of directors may deem relevant.

Neither we nor any of our direct or indirect subsidiaries has any debt obligations that limit our or its ability to pay dividends or distributions. However, pursuant to its second amended and restated limited partnership agreement, Silvercrest L.P. may not make any distributions to its partners, including us, if doing so would violate any agreement to which it is then a party or any law then applicable to it, have the effect of rendering it insolvent or result in it having net capital lower than that required by applicable law.

Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends. By paying cash dividends rather than saving or investing that cash, we risk, among other things, slowing the pace of our growth and having insufficient cash to fund our operations or unanticipated capital expenditures.

### Silvercrest L.P.'s Historical Distributions

Prior to the completion of this offering, Silvercrest L.P. was owned by 37 of its current employees and one outside investor. All decisions regarding the amount and timing of distributions were made by Silvercrest GP LLC as the general partner of Silvercrest L.P. prior to this offering, and the board of directors of Silvercrest GP LLC, based on an assessment of appropriate amounts of distributions, taking into account Silvercrest L.P.'s capital needs, as well as actual and potential earnings.

Silvercrest L.P. made distributions to its partners of \$10.0 million, \$5.9 million, \$7.4 million, \$12.9 million and \$9.6 million for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, respectively. In connection with the reorganization, Silvercrest L.P. may make a distribution to its existing partners representing some of its undistributed earnings generated between January 1, 2012 and the date of the offering.

---

[Table of Contents](#)

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2012 (1) on an actual basis for Silvercrest L.P. and (2) on a pro forma basis for Silvercrest after giving effect to the transactions described under “Unaudited Pro Forma Consolidated Financial Information,” including the reorganization and the application of the net proceeds from this offering (assuming no exercise of the underwriters’ option to purchase additional shares). The table below should be read in conjunction with “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the historical consolidated financial statements of Silvercrest L.P. and related notes included elsewhere in this prospectus.

	As of June 30, 2012	
	Silvercrest L.P. Actual	Silvercrest Pro Forma
	(unaudited)	
	(dollars in thousands)	
Cash and cash equivalents	\$ 2,568	\$
Total long-term debt, including current portion	4,414	
Total redeemable equity	91,092	
Total (deficit) equity	(63,414)	
Total capitalization	\$ 32,092	\$

[Table of Contents](#)

**DILUTION**

If you invest in our Class A common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma, as adjusted net tangible book value per share of our Class A common stock upon completion of this offering.

Our pro forma, as adjusted net tangible book value as of June 30, 2012 was approximately \$       million, or approximately \$       per share of our Class A common stock. Pro forma, as adjusted net tangible book value per share represents the amount of total tangible assets less total liabilities, after giving effect to the reorganization and the distribution by Silvercrest L.P. to its pre-offering partners of some of its retained profits as of the date of the closing of this offering.

After giving effect to the sale by us of       shares of Class A common stock in this offering at the assumed initial public offering price of \$       per share (the midpoint of the price range set forth on the cover of this prospectus) after deducting estimated underwriting discounts and estimated offering expenses payable by us and the assumed exchange of all Class B units that will be outstanding immediately after the reorganization for the corresponding number of shares of our Class A common stock, our pro forma as adjusted net tangible book value at June 30, 2012 was \$       , or \$       per share of our Class A common stock. This represents an immediate increase in net tangible book value of \$       per share to our existing stockholders and an immediate dilution of \$       per share to the new investors purchasing shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share of Class A common stock	\$
Pro forma, as adjusted net tangible book value per share of Class A common stock at June 30, 2012	\$
Increase in pro forma, as adjusted net tangible book value per share of Class A common stock attributable to new investors	\$
Pro forma, as adjusted net tangible book value per share after this offering	\$
Dilution in pro forma, as adjusted net tangible book value per share of Class A common stock to new investors	\$

The following table sets forth, on the same pro forma, as adjusted basis at June 30, 2012, the number of shares of Class A common stock purchased from us and the total consideration and the average price per share paid by existing equity holders, which consist of the principals, and by new investors purchasing Class A common stock in this offering, assuming that all holders of Class B units of Silvercrest L.P. immediately after the consummation of the reorganization have exchanged all their Class B units for the corresponding number of shares of our Class A common stock:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing equity holders		%	\$	%	\$
New investors					
<b>Total</b>		<b>%</b>		<b>%</b>	<b>\$</b>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$       per share would increase (decrease) total consideration paid by new investors by \$       , assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares, our pro forma as adjusted net tangible book value will increase to \$       per share, representing an increase to existing holders of \$       per share, and there will be an immediate dilution of \$       per share to new investors.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth selected historical combined consolidated financial and other data of Silvercrest L.P., which is deemed to be our predecessor for accounting purposes, as of the dates and for the periods indicated. As discussed elsewhere in this prospectus, Silvercrest L.P. was formed on December 10, 2008 and commenced operations on January 1, 2009. For reporting purposes, all balances of Silvercrest Asset Management Group LLC, the accounting predecessor to Silvercrest L.P., were carried over to Silvercrest L.P. at their carrying values on December 31, 2008. The selected consolidated statements of operations data for the years ended December 31, 2011, 2010 and 2009, and the consolidated statements of financial position data as of December 31, 2011 and 2010 have been derived from the Silvercrest L.P. and subsidiaries audited consolidated financial statements included elsewhere in this prospectus. The consolidated statement of financial position data as of December 31, 2009 has been derived from consolidated financial statements of Silvercrest L.P. and subsidiaries not included in this prospectus. The selected consolidated statements of operations data for the years ended December 31, 2008 and 2007 and the consolidated statements of financial position data as of December 31, 2008 and 2007 have been derived from the unaudited consolidated financial statements of Silvercrest Asset Management Group LLC and subsidiaries not included in this prospectus.

The selected consolidated statements of operations data for the six months ended June 30, 2012 and the selected consolidated statements of financial condition as of June 30, 2012 have been derived from the Silvercrest L.P. unaudited condensed consolidated financial statements included elsewhere in this prospectus. The summary selected consolidated statement of financial condition data as of June 30, 2011 have been derived from the Silvercrest L.P. unaudited condensed consolidated statement of financial condition as of June 30, 2011, not included in this prospectus. These unaudited condensed consolidated financial statements have been prepared on substantially the same basis as our audited condensed consolidated financial statements and include all adjustments that we consider necessary for a fair presentation of our consolidated results of operations and financial condition for the periods and as of the date presented. Our results for the six months ended June 30, 2012 and 2011 are not necessarily indicative of our results for a full fiscal year.

You should read the following selected historical combined consolidated financial data together with “The Reorganization and Our Holding Company Structure,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical combined consolidated financial statements and related notes included elsewhere in this prospectus. In the following table, dollars are in thousands, except assets under management which is in billions.

## Table of Contents

	Historical Silvercrest L.P.					Six Months Ended		Pro Forma Silvercrest	
	Years Ended December 31,					June 30,		Year	Year
	2011	2010	2009	2008 <sup>(1)</sup>	2007 <sup>(2)</sup>	2012	2011	Ended December 31,	Ended June 30,
<b>Statements of operations data:</b>									
<b>Revenue:</b>									
Management and advisory fees	\$ 37,869	\$ 32,442	\$ 29,341	\$ 40,987	\$ 42,633	\$ 22,327	\$ 18,539	\$	\$
Performance fees and allocations	85	548	96	75	1,554	16	31		
Family office services	4,833	3,841	3,097	2,019	931	2,444	2,209		
Investment income	—	—	—	—	10,396	—	—		
Total revenue	<u>42,787</u>	<u>36,831</u>	<u>32,534</u>	<u>43,081</u>	<u>55,514</u>	<u>24,787</u>	<u>20,779</u>		
<b>Expenses:</b>									
Compensation and benefits	17,492	16,528	15,630	18,399	19,263	9,600	8,474		
General and administrative	10,849	9,459	13,006	11,943	9,097	5,208	4,424		
Impairment charges	—	—	1,691	9,599	9,402	—	—		
Total expenses	<u>28,341</u>	<u>25,987</u>	<u>30,327</u>	<u>39,941</u>	<u>37,762</u>	<u>14,808</u>	<u>12,898</u>		
Income before net loss from investment activities of Silvercrest Funds and other income (expense)	14,446	10,844	2,207	3,140	17,752	9,979	7,881		
<b>Net loss from investment activities of Silvercrest Funds:</b>									
Realized gains	\$ —	\$ —	\$ —	\$ —	\$ 6,510	\$ —	\$ —		
Net change in unrealized gains	—	—	—	—	(28,693)	—	—		
Equity income (loss) from investment	—	—	—	—	41	—	—		
Net loss from investment activities of Silvercrest Funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22,142)</u>	<u>—</u>	<u>—</u>		
<b>Other income (expense):</b>									
Gain on extinguishment of debt	—	—	3,934	—	461	—	—		
Gain on settlement with former LongChamp shareholders	—	—	1,470	—	—	—	—		
Loss on forgiveness of notes receivable	(34)	(508)	—	—	—	—	—		
Interest income	187	231	213	358	—	86	92		
Interest expense	(164)	(241)	(467)	(613)	(705)	(206)	(75)		
Change in value of options granted to equity holders	—	2	134	796	(931)	—	—		
Other (expense) income	(210)	30	—	—	—	61	(176)		
Equity income (loss) from investments	<u>950</u>	<u>1,241</u>	<u>274</u>	<u>(247)</u>	<u>—</u>	<u>—</u>	<u>—</u>		
Total other income (expense)	<u>729</u>	<u>755</u>	<u>5,558</u>	<u>294</u>	<u>(1,175)</u>	<u>(59)</u>	<u>(159)</u>		
Income (loss) before non-controlling interests in income (loss) of consolidated entities and (provision) benefit for income taxes	<u>15,175</u>	<u>11,599</u>	<u>7,765</u>	<u>3,434</u>	<u>(5,565)</u>	<u>9,920</u>	<u>7,722</u>		
Non-controlling interests in income (loss) of consolidated entities	—	—	—	—	15,536	—	—		
Income before provision for income taxes	15,175	11,599	7,765	3,434	9,971	9,920	7,722		
(Provision) benefit for income taxes	(566)	(657)	321	(1,062)	(2,653)	(516)	(178)		
Net income	<u>\$ 14,609</u>	<u>\$ 10,942</u>	<u>\$ 8,086</u>	<u>\$ 2,372</u>	<u>\$ 7,318</u>	<u>\$ 9,404</u>	<u>\$ 7,544</u>		
Net income attributable to non-controlling interests	—	—	—	—	—	—	—		
Net income attributable to Silvercrest								\$	\$
<b>Selected statements of financial position data:</b>									
Total assets	\$ 45,262	\$ 33,079	\$ 29,964	\$ 37,719	\$ 49,212	\$ 40,419	\$ 29,867	\$	\$
Notes payable	\$ 4,809	\$ 2,957	\$ 7,120	\$ 8,855	\$ 5,938	\$ 4,414	\$ 2,284	\$	\$
Total liabilities	\$ 15,751	\$ 12,490	\$ 14,893	\$ 23,282	\$ 27,766	\$ 12,741	\$ 8,970	\$	\$
Redeemable partners'/members' capital	\$ 85,177	\$ 45,619	\$ 34,219	\$ 83,377	\$ 95,595	\$ 91,092	\$ 70,173	\$	\$
Partners'/members' deficit/stockholder's equity	\$(55,666)	\$(25,030)	\$(19,148)	\$(68,940)	\$(74,149)	\$(63,414)	\$(49,278)	\$	\$
Non-controlling interests	—	—	—	—	—	—	—	\$	\$

[Table of Contents](#)

	Historical Silvercrest L.P.					Six Months Ended	
	Years Ended December 31,					June 30,	
	2011	2010	2009	2008 <sup>(1)</sup>	2007 <sup>(2)</sup>	2012	2011
<b>Selected unaudited operating data:</b>							
Assets under management (in billions) <sup>(3)</sup>	\$ 10.1	\$ 9.2	\$ 8.8	\$ 7.8	\$ 10.1	\$ 10.7	\$ 10.6
Adjusted EBITDA <sup>(4)</sup>	\$10,839	\$9,068	\$6,449	\$7,107	\$14,153	\$6,776	\$5,580
Adjusted EBITDA margin <sup>(5)</sup>	25.3%	24.6%	19.8%	16.5%	25.5%	27.3%	26.9%

(1) Effective January 1, 2009, each of the members of Silvercrest Asset Management Group LLC, or SAMG LLC, contributed their limited liability company interests in SAMG LLC to Silvercrest L.P. in return for limited partnership interests in Silvercrest L.P., and membership interests in Silvercrest GP LLC. As a result of the reorganization SAMG LLC became a wholly owned subsidiary of Silvercrest L.P. The reorganization was accounted for as a transaction between entities under common control.

(2) Includes the effect of the consolidation of certain funds that we manage. These funds include the Silvercrest Funds. The Silvercrest Funds were consolidated through the respective effective date that each fund granted various rights to unaffiliated investors, which resulted in the ultimate deconsolidation of the various Silvercrest Funds. Set forth below is a summary of consolidated fund-related statement of operations data that is included in the 2007 financial data:

Revenue \$ 7,229

Expenses \$ 570

The consolidation of the various Silvercrest Funds had no net effect on net income or members' capital.

(3) Reflected as of the last day of the period.

(4) To provide investors with additional insight, promote transparency and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, we supplement our consolidated financial statements presented on a GAAP basis with Adjusted EBITDA, a non-GAAP financial measure of earnings. EBITDA represents net income before income tax expense, interest income, interest expense, depreciation and amortization. We define Adjusted EBITDA as EBITDA without giving effect to professional fees associated with acquisitions or financing transactions, losses on forgiveness of notes receivable from our principals, gains on extinguishment of debt or other obligations related to acquisitions, impairment charges and losses on disposals or abandonment of assets and leaseholds, client reimbursements and fund redemption costs, severance and other similar expenses, but including partner incentive allocations as an expense. Our management uses Adjusted EBITDA as a financial measure to evaluate the profitability and efficiency of our business model. We use this non-GAAP financial measure to assess the strength of the underlying operations of our business. These adjustments, and the non-GAAP financial measure that is derived from them, provide supplemental information to analyze our operations between periods and over time. Investors should consider our non-GAAP financial measure in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

## Table of Contents

The following table contains a reconciliation of net income to Adjusted EBITDA (amounts in thousands).

	Years Ended December 31,					Six Months Ended June 30,	
	2011	2010	2009	2008	2007	2012	2011
	(in thousands)						
<b>Reconciliation of non-GAAP financial measures:</b>							
Net income	\$14,609	\$10,942	\$ 8,086	\$ 2,372	\$ 7,318	\$ 9,404	\$ 7,544
Provision (benefit) for income taxes	566	657	(321)	1,062	2,653	516	178
Interest expense	164	241	467	613	705	206	75
Interest income	(187)	(231)	(213)	(358)	(516)	(86)	(92)
Partner/member incentive allocations (A)	(8,775)	(5,173)	(2,591)	(7,171)	(7,215)	(4,448)	(3,449)
Non-performance fee related equity method (gains) losses	—	—	—	247	—	—	—
Depreciation and amortization	1,469	1,379	1,531	1,539	1,206	955	645
Equity-based compensation	1,060	583	—	—	130	806	496
Other adjustments (B)	<u>1,933</u>	<u>670</u>	<u>(460)</u>	<u>8,803</u>	<u>9,872</u>	<u>(577)</u>	<u>183</u>
Adjusted EBITDA	<u>\$10,839</u>	<u>\$ 9,068</u>	<u>\$ 6,499</u>	<u>\$ 7,107</u>	<u>\$14,153</u>	<u>\$ 6,776</u>	<u>\$ 5,580</u>

(A) Partner/member incentive allocations have historically been treated as distributions of net income and recorded when paid. Upon the completion of the reorganization and this offering, we will account for partner incentive payments as an expense in our statement of operations and have reflected the related adjustments in our pro forma financial information. Accordingly, this will have the effect of increasing compensation expense relative to the amounts that have been recorded historically in our financial statements. See “Unaudited Pro Forma Financial Information.”

(B) Other adjustments consist of the following:

	Year Ended December 31,					Six Months Ended June 30,	
	2011	2010	2009	2008	2007	2012	2011
Loss on forgiveness of notes receivable (a)	\$ 34	\$508	\$ —	\$ —	\$ —	\$ —	\$ —
Gain on extinguishment of debt (b)	—	—	(3,934)	—	(461)	—	—
Gain on settlement with former LongChamp shareholders (b)	—	—	(926)	—	—	—	—
Write-off of LongChamp revenue (b)	—	64	557	—	—	—	—
Loss on sub-lease (c)	150	—	—	—	—	(42)	192
Lease abandonment charge (d)	—	—	1,154	—	—	(662)	—
Goodwill, intangible, and fixed asset impairment charge (e)	—	—	1,691	9,599	9,402	—	—
Client reimbursement	—	—	1,132	—	—	—	—
Fund redemption costs (f)	827	—	—	—	—	9	—
IPO professional fees	578	—	—	—	—	103	—
Milbank acquisition costs (g)	222	—	—	—	—	15	—
Severance	69	100	—	—	—	—	—
Change in value of options granted to equity holders (h)	—	(2)	(134)	(796)	931	—	—
Other (i)	<u>53</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9)</u>
Total other adjustments	<u>\$1,933</u>	<u>\$670</u>	<u>\$ (460)</u>	<u>\$8,803</u>	<u>\$9,872</u>	<u>\$ (577)</u>	<u>\$ 183</u>

- (a) Represents remaining balance on notes originally issued in connection with the issuance of equity that were forgiven in connection with the termination of principals.
- (b) In 2009, we entered into a settlement agreement with the former owners of LGI to close the business of LGI, which was acquired by us in 2007. All agreements between our company and the former owners of LGI were terminated. LGI was ultimately wound down in 2009. For further explanation of the closing of the LGI business, see Note 10 to the audited consolidated financial statements of Silvercrest L.P. and subsidiaries included elsewhere in this prospectus.

---

## Table of Contents

- (c) Reflects a charge taken for the difference, on a present value basis, between the per square foot rental rate for our company's primary lease and a sub-lease that we signed in 2011 with a sub-tenant for our headquarters in New York.
  - (d) Reflects a charge and subsequent reversal for the remaining rent expense on a portion of our unutilized space at our headquarters that we abandoned in 2009 and reoccupied in May 2012. A portion of this space is subleased through September 29, 2017.
  - (e) Includes goodwill and intangibles impairment charges related to the closing of our LGI business. Also reflects an impairment charge related to the write-off of leasehold improvements in the abandoned space in 2009.
  - (f) Includes the costs associated with the reimbursement to one of our funds for the difference between the value of certain investor redemptions and the actual proceeds of the underlying securities in 2011.
  - (g) Reflects the legal and accounting fees associated with the closing of the Milbank acquisition that were expensed in 2011. Also reflects expenses related to relocating Milbank personnel and operations to our headquarters that were incurred during the six months ended June 30, 2012.
  - (h) Reflects the change in fair value of options that were granted to previous equity holders to purchase membership in Silvercrest Asset Management Group LLC. The options expired on April 30, 2010.
  - (i) Represents professional fees related to the Milbank acquisition and a Silvercrest fund.
- (5) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by total revenue.

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited consolidated pro forma financial statements present the consolidated results of operations and financial condition of Silvercrest and its predecessor, Silvercrest L.P., assuming that all of the transactions described in the four bullet points below had been completed as of January 1, 2011 with respect to the unaudited pro forma consolidated statement of operations data for the six months ended June 30, 2012 and the year ended December 31, 2011, and as of June 30, 2012 with respect to the unaudited pro forma consolidated statement of financial condition data as of June 30, 2012. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of these transactions and this offering on the historical financial information of Silvercrest L.P.

The pro forma adjustments principally give effect to the following transactions:

- the acquisitions of Milbank Winthrop & Co., Inc., which closed on November 1, 2011, and MW Commodity Advisors, LLC, which closed on April 1, 2012 (included as an adjustment for the year ended December 31, 2011);
- the reorganization described in “The Reorganization and Our Holding Company Structure,” which will occur immediately prior to the consummation of this offering, including our agreement to return 85% of the tax benefits that we receive as a result of our ability to step up our tax basis in the partnership units of Silvercrest L.P. that we acquire from our partners;
- the amendment of the partnership agreement of Silvercrest L.P., effective as of the consummation of this offering, to eliminate the call and put rights of Silvercrest L.P. and its partners, respectively upon a partner’s death, or, if applicable, termination of employment, which required all partnership units to be classified as temporary equity in Silvercrest L.P.’s consolidated financial statements; and
- the sale of shares of our Class A common stock in this offering at an assumed offering price of \$        per share (the midpoint of the price range set forth on the cover of this prospectus) and the application of the proceeds therefrom, after payment of assumed underwriting discounts and estimated offering expenses payable by us (assuming no exercise of the underwriters’ option to purchase additional shares).

The pro forma adjustments for the acquisitions of Milbank Winthrop & Co., Inc. and MW Commodity Advisors, LLC described above are not included in the unaudited pro forma consolidated statement of operations data and statement of financial condition data for the six months ended June 30, 2012 because the acquisition of Milbank Winthrop & Co., Inc. was completed on November 1, 2011 and the acquisition is already reflected in the unaudited financial statements of Silvercrest L.P. for the six months ended June 30, 2012 and the adjustments for MW Commodity Advisors, LLC are de minimis.

The unaudited consolidated pro forma financial information of Silvercrest and its predecessor should be read together with “The Reorganization and Our Holding Company Structure,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements of Silvercrest L.P., Milbank Winthrop & Co., Inc. and MW Commodity Advisors, LLC and related notes included elsewhere in this prospectus.

The unaudited consolidated pro forma financial information is included for informational purposes only and does not purport to reflect our results of operations or financial condition that would have occurred had we operated as a public company during the periods presented. The unaudited consolidated pro forma financial information should not be relied upon as being indicative of our results of operations or financial condition had the transactions contemplated in connection with the reorganization and this offering been completed on the dates assumed. The unaudited consolidated pro forma financial information also does not project the results of operations or financial condition for any future period or date.

[Table of Contents](#)

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR DECEMBER 31, 2011**

(in thousands)	Silvercrest L.P. Historical	Milbank Winthrop Business Acquisition (1)	MW Commodity Business Acquisition (1)	Silvercrest L.P. Including Business Acquisitions	Offering Adjustments	Offering Adjustments Pro Forma Note (2)	Silvercrest Asset Management Group Inc. Consolidated Pro Forma
<b>Revenue:</b>							
Management and advisory fees	\$ 37,869	\$ 4,348	\$ 158	\$ 42,375	\$		\$
Performance fees and allocations	85	—	—	85			
Family office services.	4,833	387	—	5,220			
Total revenue	<u>42,787</u>	<u>4,735</u>	<u>158</u>	<u>47,680</u>			
<b>Expenses:</b>							
Compensation and benefits	17,492	1,989	—	19,481		(A)	
General and administrative	10,849	1,278	37	12,164			
Total expenses	<u>28,341</u>	<u>3,267</u>	<u>37</u>	<u>31,645</u>			
Income before other income (expenses)	14,446	1,468	121	16,035			
Other income (expenses)							
Loss on forgiveness of notes receivable	(34)	—	—	(34)			
Interest income	187	1	—	188		(B)	
Interest expense	(164)	(132)	—	(296)			
Other expense	(210)	—	—	(210)			
Equity income from investments	950	—	—	950			
Total other income (expenses)	<u>729</u>	<u>(131)</u>	<u>—</u>	<u>598</u>			
Income before provision for income taxes	15,175	1,337	121	16,633			
Provision for income taxes	(566)	(49)	(5)	(620)		(C)	
Net income	14,609	1,288	116	16,013			
Less: net income attributable to non- controlling interests	—	—	—	—		(D)	
Net income attributable to Silvercrest	<u>\$ 14,609</u>	<u>\$ 1,288</u>	<u>\$ 116</u>	<u>\$ 16,013</u>	<u>\$</u>		<u>\$</u>
<b>Net income per share:</b>							
Basic						(E)	\$
Diluted						(E)	\$
<b>Weighted average shares outstanding:</b>							
Basic						(E)	
Diluted						(E)	

(1) **Business Acquisition:** Silvercrest L.P. consolidates the statements of operations of Milbank Winthrop & Co., Inc. and MW Commodity Advisors, LLC effective on the date of the closing of these acquisitions, and has accounted for them as business combinations using the acquisition method of accounting.

**Table of Contents**

**(2) Offering Adjustments:**

(A) Reflects the adjustment to treat our historical partner incentive payments, that were recorded as distributions when paid prior to the reorganization and this offering, as compensation expense.

(B) Reflects an adjustment to eliminate interest income earned on the partner notes receivable from named executive officers as if such notes had been repaid January 1, 2011.

(C) Reflects the impact of federal, state and local income taxes on the income of Silvercrest. The pro forma effective income tax rate is estimated to be approximately % , and was determined by combining the projected federal, state and local income taxes.

Historically, as a flow through entity, Silvercrest L.P. has not been subject to U.S. federal and certain state income taxes, however it has been subject to the New York City Unincorporated Business Tax. As a result of our reorganization, we will become subject to U.S. federal and certain state income taxes applicable to C-Corporations. The provision for income taxes differs from the amount of income tax computed by applying the applicable U.S. statutory federal income tax rate to income before provision for income taxes as follows:

	<b>For the Year Ended December 31, 2011</b>	
	<b>(dollars in thousands)</b>	
Provision at federal statutory rate	\$	%
State and local income taxes, net of federal		%
Other permanent items		%
Rate benefit from the flow through entity		%
Provision for income taxes	<u>\$</u>	<u>%</u>

(D) Represents the non-controlling interest allocation of % (assuming no exercise of the underwriters' option to purchase additional shares) of the net income of Silvercrest to Silvercrest L.P. The percentage is based on the Class B units of Silvercrest L.P. to be outstanding after the offering and the unvested deferred equity units (which share in Silvercrest L.P.'s earnings as if vested).

**(E) Calculation of Earnings per Class A Share**

(a) For purposes of calculating the pro forma net income per Class A share, the number of Class A shares of Silvercrest outstanding are calculated as follows:

Pro forma Class A shares of Silvercrest \_\_\_\_\_

The pro forma basic and diluted net income per Class A share is calculated as follows (Dollars in thousands, except per share data):

	<u>Basic</u>	<u>Diluted</u>
Pro forma net income attributable to Silvercrest(1)	\$	\$
Weighted average common shares outstanding		
Pro forma net income per Class A share	<u>\$</u>	<u>\$</u>

(1) Our shares of Class B common stock do not share in our earnings and are therefore not included in the weighted average shares outstanding or net income per share. Furthermore, no pro forma effect was given to the future potential exchanges of the Class B units of Silvercrest L.P. that will be outstanding immediately after the consummation of the reorganization and the offering for a corresponding number of shares of our Class A common stock because the issuance of shares of Class A common stock upon these exchanges would not be dilutive.

[Table of Contents](#)

**Business acquisitions:**

The following table summarizes the pro forma impact to the Silvercrest L.P. historical consolidated statement of operations from the MW Commodity Advisors, LLC acquisition. For purposes of determining the adjustments to the unaudited consolidated pro forma statement of operations for the year ended December 31, 2011, the MW Commodity Advisors, LLC acquisition is assumed to have occurred on January 1, 2011.

(in thousands)	MW Commodity Advisors, LLC Historical Twelve Months Ended December 31, 2011	Pro Forma Adjustments	Pro Forma Note	MW Commodity Advisors, LLC Pro Forma Twelve Months Ended December 31, 2011
<b>Revenue:</b>				
Investment advisory fees	\$ —	\$ 158	(2)	\$ 158
<b>MW Commodity Strategies, L.P.:</b>				
Interest	—	—		—
Total revenue	—	158		158
<b>Expenses:</b>				
General and administrative	37	—		37
<b>MW Commodity Strategies, L.P.:</b>				
General and administrative	58	(58)	(1)	—
Total expenses	95	(58)		37
(Loss) income before net loss from MW Commodity Strategies, L.P.	(95)	216		121
<b>Net loss from MW Commodity Strategies, L.P.:</b>				
Unrealized loss on investments in funds, net	(2,287)	2,287	(1)	—
Realized loss on investments in Funds, net	(289)	289	(1)	—
Total net (loss) from investment activities of Consolidated Milbank Partnerships	(2,576)	2,576		—
(Loss) income before provision for income taxes	(2,671)	2,792		121
Provision for income taxes	—	(5)	(3)	(5)
Net (loss) income	(2,671)	2,787		116
Minority interest in MW Commodity Strategies, L.P.	2,793	(2,793)	(1)	—
Net income attributable to MW Commodity Advisors, LLC	\$ 122	\$ (6)		\$ 116

- (1) Upon closing of Silvercrest L.P.'s acquisition of the LLC interests of MW Commodity Advisors, LLC, the unaffiliated investors in MW Commodity Strategies, L.P. were granted rights to provide that a simple majority of the fund's unaffiliated investors will have the right, without cause, to remove the general partner or equivalent and investment adviser or equivalent of the partnership or to accelerate the liquidation date of that partnership in accordance with certain procedures. The granting of these rights resulted in the deconsolidation of MW Commodity Strategies, L.P. and in the accounting of Silvercrest L.P.'s interest in MW Commodity Strategies, L.P. under the equity method. These adjustments represent the adjustments to deconsolidate the assets of MW Commodity Strategies, L.P.
- (2) Represents management fees of \$158,000 earned by MW Commodity Advisors, LLC from MW Commodity Strategies, L.P. which were eliminated in the historical consolidated statement of operations.
- (3) Represents the provision of income taxes for NYC Unincorporated Business Tax of \$5,000. Silvercrest L.P. is a partnership for income tax purposes.

## [Table of Contents](#)

The following table summarizes the pro forma impact to the Silvercrest L.P. historical consolidated statement of operations from the Milbank Winthrop & Co., Inc. acquisition. For purposes of determining the adjustments to the unaudited consolidated pro forma statement of operations for the year ended December 31, 2011, the Milbank Winthrop & Co., Inc. acquisition is assumed to have occurred on January 1, 2011.

(in thousands)	Milbank Winthrop & Co., Inc. Historical Nine Months Ended September 30, 2011	Pro Forma Adjustments	Pro Forma Note	Milbank Winthrop & Co., Inc. Pro Forma Ten Months Ended October 31, 2011
<b>Revenue:</b>				
Investment advisory fees	\$ 1,502	\$ 2,846	(1)	\$ 4,348
Family office services	—	387	(2)	387
Other income	1	—		1
<b>Consolidated Milbank Partnerships:</b>				
Dividends	1,629	(1,629)	(3)	—
Interest	394	(394)	(3)	—
Total revenue	<u>3,526</u>	<u>1,210</u>		<u>4,736</u>
<b>Expenses:</b>				
Compensation and benefits	3,780	(1,791)	(4)	1,989
General and administrative	589	689	(5)	1,278
Interest	—	132	(6)	132
<b>Consolidated Milbank Partnerships:</b>				
Management and advisory fees	1,410	(1,410)	(3)	—
Interest and dividends	233	(233)	(3)	—
General and administrative	393	(393)	(3)	—
Total expenses	<u>6,405</u>	<u>(3,006)</u>		<u>3,399</u>
Loss before net gains from Consolidated Milbank Partnerships.	\$ (2,879)	\$ 4,216		\$ 1,337
<b>Net gain (loss) from investment activities of Consolidated Milbank Partnerships:</b>				
Realized gain on investments in securities, net	4,988	(4,988)	(3)	—
Realized gain on investments in funds, net	767	(767)	(3)	—
Unrealized loss on investments in securities, net	(19,574)	19,574	(3)	—
Unrealized loss on investments in funds, net	(21,156)	21,156	(3)	—
Total net gain (loss) from investment activities of Consolidated Milbank Partnerships	<u>(34,975)</u>	<u>34,975</u>		<u>—</u>
Loss before provision for income taxes	(37,854)	39,191		1,337
Provision for income taxes	(330)	281	(7)	(49)
Net loss	<u>(38,184)</u>	<u>39,472</u>		<u>1,288</u>
Minority interest in Consolidated Milbank Partnerships	(38,507)	38,507	(3)	—
Net income attributable to Milbank Winthrop & Co., Inc.	<u>\$ 323</u>	<u>\$ 965</u>		<u>\$ 1,288</u>

---

## Table of Contents

- (1) Represents investment advisory fee revenue associated with a previous Milbank Winthrop & Co., Inc. principal who did not join Silvercrest L.P. Also represents adjustment for \$3,251,000 of investment advisory fees from the Milbank partnerships for the nine months ended September 30, 2011 that were eliminated in consolidation. Also, includes the adjustment for \$393,000 of investment advisory fees earned in October 2011.
- (2) Represents adjustment for \$379,000 of fund administration services fees from the Milbank partnerships for the nine months ended September 30, 2011 that were eliminated in consolidation. Also, includes the adjustment for \$8,000 of fund administration services fees earned in October 2011.
- (3) Upon closing of Silvercrest L.P.'s acquisition of certain assets of Milbank, Silvercrest L.P. unaffiliated investors in each Milbank partnership were granted rights to provide that a simple majority of the fund's unaffiliated investors will have the right, without cause, to remove the general partner or equivalent and investment adviser or equivalent of that partnership or to accelerate the liquidation date of that partnership in accordance with certain procedures. The granting of these rights resulted in the deconsolidation of such investment partnerships and in the accounting of Silvercrest L.P.'s interest in these partnerships under the equity method. These adjustments represent the adjustments to deconsolidate the assets of these partnerships.
- (4) Upon the acquisition by Silvercrest L.P., the Milbank group is subject to a compensation cap equal to 42% of Milbank's revenue. This adjustment represents the reduction to historical Milbank compensation and benefits expense to the compensation cap level.
- (5) Includes \$520,000 of amortization expense for acquired intangible assets related to the Milbank acquisition, and additional estimated general and administrative expenses of \$169,000 such as increased audit fees and referral fees to the former principal of Milbank that did not join Silvercrest L.P.
- (6) Pursuant to the terms of the asset purchase agreement between Milbank and Silvercrest L.P., Silvercrest L.P. issued a promissory note for \$3.2 million to Milbank. Pro forma interest expense on the note is \$132,000 for the ten months ended December 31, 2011.
- (7) Represents the elimination of Milbank's historical corporate provision for income taxes of \$330,000 and the provision of income taxes for NYC Unincorporated Business Tax of \$49,000. Silvercrest L.P. is a partnership for income tax purposes.

[Table of Contents](#)

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF JUNE 30, 2012(1)**

	Silvercrest L.P. Historical	Offering Adjustments(2)	Offering Adjustments Pro Forma Note	Silvercrest Asset Management Group Inc. Consolidated Pro Forma
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,568	\$	(A),(C)	\$
Restricted certificates of deposit and escrow	1,018			
Investments	74			
Receivables, net	3,554			
Due from Silvercrest Funds	2,033			
Furniture, equipment and leasehold improvements, net	2,103			
Goodwill	14,830			
Intangible assets, net	13,087			
Prepaid expenses and other assets	1,152		(E)	
Total assets	<u>\$ 40,419</u>	<u>\$</u>		<u>\$</u>
<b>Liabilities, Redeemable Partners' Capital and Partners' Deficit:</b>				
Accounts payable and accrued expenses	\$ 3,525	\$		\$
Accrued compensation	2,067		(D)	
Notes payable	4,414			
Deferred rent	2,399			
Deferred tax and other liabilities	336		(A),(E)	
Total liabilities	<u>12,741</u>			
Redeemable partners' capital	96,360		(B)	
Notes receivable from partners	(5,268)		(C)	
Total redeemable partners' capital	<u>91,092</u>			
<b>Commitments and Contingencies:</b>				
<b>Partners' Capital/Stockholders' Equity:</b>				
Preferred stock, par value \$0.01, 10,000,000 shares authorized; and zero shares issued and outstanding, as adjusted	—			
Class A Common stock, par value \$0.01, 50,000,000 shares authorized; and shares issued and outstanding, as adjusted	—		(A)	
Class B Common stock, par value \$0.01, 25,000,000 shares authorized; and shares issued and outstanding, as adjusted	—		(A)	
Additional paid-in capital	—		(A),(E)	
Partners' capital	45,660		(B)	
Excess of liabilities, redeemable partners' capital and partners' capital over assets	(109,074)		(B)	
Total partners' deficit/stockholders' equity	(63,414)			
Non-controlling interests	—		(A)	
<b>Total liabilities, redeemable partners' capital and partners' deficit/stockholders' equity</b>	<u><b>\$ 40,419</b></u>	<u><b>\$</b></u>		<u><b>\$</b></u>

(1) **Business Acquisition:** On April 1, 2012, Silvercrest L.P. acquired 100% of the LLC interests of MW Commodity Advisors, LLC, which is the general partner of MW Commodity Strategies L.P., a fund whose investment objective is to seek superior risk adjusted returns through strategic, sector-based investments with commodity and macro trading investment managers. We refer to this acquisition as the MW Acquisition. Since the MW Acquisition occurred on April 1, 2012, the acquired assets and liabilities arising from such acquisition are consolidated in the Silvercrest L.P. unaudited consolidated statement of financial condition as of June 30, 2012, and therefore, no pro forma adjustments are required.

[Table of Contents](#)

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012(1)**

(in thousands)	Silvercrest L.P. Historical	Offering Adjustments (2)	Offering Adjustments Pro Forma Note	Silvercrest Asset Management Group Inc. Consolidated Pro Forma
<b>Revenue:</b>				
Management and advisory fees	\$ 22,327	\$		\$
Performance fees and allocations	16			
Family office services	2,444			
Total revenue	<u>24,787</u>			
<b>Expenses:</b>				
Compensation and benefits	9,600		(D)	
General and administrative	5,208			
Total expenses	<u>14,808</u>			
Income before other income	9,979			
<b>Other income</b>				
Other income	61			
Interest income	86		(C)	
Interest expense	(206)			
Total other income	<u>(59)</u>			
Income before provision for income taxes	9,920			
Provision for income taxes	(516)		(E)	
Net income	9,404			
Less: net income attributable to non-controlling interests	—		(F)	
Net income attributable to Silvercrest	<u>\$ 9,404</u>	<u>\$</u>		<u>\$</u>
<b>Net income per share:</b>				
Basic			(G)	<u>\$</u>
Diluted			(G)	<u>\$</u>
<b>Weighted average shares outstanding:</b>				
Basic			(G)	
Diluted			(G)	

(1) **Business Acquisition:** On April 1, 2012, Silvercrest L.P. acquired 100% of the LLC interests of MW Commodity Advisors, LLC, which is the general partner of MW Commodity Strategies L.P., a fund whose investment objective is to seek superior risk adjusted returns through strategic, sector-based investments with commodity and macro trading investment managers. We refer to this acquisition as the MW Acquisition. Due to the insignificance of the MW Acquisition, a consolidated statement of operations for MW Commodity Advisors, LLC for the six months ended June 30, 2012 is not included in this prospectus.

(2) **Offering Adjustments:**

(A) From this offering, we expect to receive net proceeds from our sale of Class A common stock of approximately \$ , based on an assumed initial public offering price of \$ per share (the midpoint in the price range set forth on the cover of this prospectus), after deducting assumed underwriting discounts and estimated offering expenses payable by us (assuming no exercise of the underwriters' option to purchase

## Table of Contents

additional shares). We intend to use approximately \$ [redacted] of the net proceeds from this offering to purchase [redacted] Class B units of Silvercrest L.P. from its current limited partners. The purchase price for the Class B units will be determined by the public offering price of our Class A common stock in this offering, less the amount of offering expenses incurred by us on a per share basis. We intend to use the remaining net proceeds of this offering, including any proceeds from the exercise of the underwriters' option to purchase additional shares, for general corporate purposes, which may include business operations, investments in our business, the development of new investment strategies and strategic acquisitions. We will enter into a tax receivable agreement with current partners of Silvercrest L.P., and any future holders of Class B units, that will require us to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination payment by us, or a change in control, as discussed below) as a result of the increases in tax basis and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This will be our obligation and not the obligation of Silvercrest L.P. This liability of \$ [redacted] is included in pro forma other liabilities. We expect to benefit from the remaining 15% of cash savings, if any, realized. The term of the tax receivable agreement will commence upon consummation of this offering and will continue until (i) all such tax benefits have been utilized or expired, (ii) the tax receivable agreement with a partner automatically terminates due to a breach by such partner of his or her non-solicitation covenants with our company, or (iii) the termination by our company of a partner with cause, unless we exercise our right to terminate the tax receivable agreement for an amount based on an agreed-upon value of payments remaining to be made under the agreement. An adjustment of \$ [redacted] is included in our pro forma cash balance, which represents the repayment of the balance, as of June 30, 2012, of the partner notes receivable from three of our named executive officers that was satisfied on September 18, 2012. Deferred offering expenses of \$ [redacted] were reclassified from prepaid expenses and other assets to additional paid in capital.

In connection with the reorganization, Silvercrest L.P. intends to make a distribution to its principals of previously undistributed current year earnings in the aggregate amount of \$ [redacted] distribution will be funded from the existing cash balances of Silvercrest L.P. and will not be funded by any of the proceeds of this offering.

The non-controlling interests in the equity of Silvercrest L.P. consist of the following components:

Purchase of Class B units	\$ [redacted]
Partner incentive compensation expense	[redacted]
Deferred equity units and performance units	[redacted]
Notes receivable from partners	[redacted]
Redeemable partners' capital before offering	[redacted]
Partners' capital before offering	[redacted]
Excess of liabilities, redeemable partners' capital and partners' capital over assets before offering	[redacted]
	<u>\$ [redacted]</u>

(B) Represents the elimination of redeemable partners' capital, partners' capital and excess of liabilities, redeemable partners' capital and partners' capital over assets, as the Silvercrest L.P. limited partnership agreement will be amended as of the completion of this offering by removing the call and put rights of Silvercrest L.P. and its partners, respectively.

(C) Represents the reclassification of notes receivable from partners of \$ [redacted] from redeemable partners' capital to non-controlling interests. Partner notes receivable of \$ [redacted] from three of our named executive officers were repaid on September 18, 2012. Also reflects an adjustment of \$ [redacted] to eliminate interest income earned on the partner notes receivable from named executive officers.

(D) In the unaudited pro forma consolidated statement of financial condition, the adjustment reflects the treatment of our historical partner incentive payments of \$ [redacted] that were recorded as distributions when paid prior to the reorganization and this offering as compensation expense. An adjustment of \$ [redacted] is reflected to reclassify to non-controlling interests, the liability related to deferred equity units that will no longer be

**Table of Contents**

considered liability awards upon completion of the reorganization. This treatment results from the amendment to the Silvercrest L.P. limited partnership agreement prior to the completion of this offering to remove the call and put rights of Silvercrest L.P. and its partners, respectively.

The unaudited pro forma consolidated statement of operations, reflects the treatment of our historical partner incentive payments, that were recorded as distributions prior to the reorganization and this offering, as compensation expense.

(E) Reflects the impact of federal, state and local income taxes on the income of Silvercrest. The pro forma effective income tax rate is estimated to be approximately % , and was determined by combining the projected federal, state and local income taxes.

Historically, as a flow through entity, Silvercrest L.P. has not been subject to U.S. federal and certain state income taxes, however it has been subject to the New York City Unincorporated Business Tax. As a result of our reorganization, we will become subject to U.S. federal and certain state income taxes applicable to C-Corporations. The provision for income taxes from operations differs from the amount of income tax computer by applying the applicable U.S. statutory federal income tax rate to income before provision for income taxes as follows:

	<b>For the Six Months Ended June 30, 2012</b>	
	<b>(dollars in thousands)</b>	
Provision at federal statutory rate	\$	%
State and local income taxes, net of federal		%
Other permanent items		%
Rate benefit from the flow through entity		%
Provision for income taxes	<u>\$</u>	<u>%</u>

Also reflects the effect of the increase in our tax basis attributable to the reorganization and offering and our entering into the tax receivable agreement.

(F) Represents the non-controlling interest allocation of % (assuming that the underwriters do not exercise the overallotment option) of the net income of Silvercrest to Silvercrest L.P. The percentage is based on the Class B units of Silvercrest L.P. to be outstanding after the offering and the unvested deferred equity units which share in Silvercrest L.P.’s earnings as if vested.

(G) Calculation of Earnings per Share

(a) For purposes of calculating the pro forma net income per Class A share, the number of Class A shares of Silvercrest outstanding are calculated as follows:

Pro forma Class A shares of Silvercrest \_\_\_\_\_

The pro forma basic and diluted net income per Class A share is calculated as follows (Dollars in thousands, except per share data):

	<b>Basic</b>	<b>Diluted</b>
Pro forma net income attributable to Silvercrest(1)	\$	\$
Weighted average common shares outstanding	<u>          </u>	<u>          </u>
Pro forma net income per Class A share	<u>\$</u>	<u>\$</u>

(1) Our shares of Class B common stock do not share in our earnings and are therefore not included in the weighted average shares outstanding or net income per share. Furthermore, no pro forma effect was given to the future potential exchanges of the Class B units of Silvercrest L.P. that will be outstanding immediately after the consummation of reorganization and the offering for a corresponding number of shares of our Class A common stock because the issuance of shares of Class A common stock upon these exchanges would not be dilutive.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read this discussion and analysis of our financial condition and results of operation in conjunction with our "Selected Historical Consolidated Financial Data" and our historical financial statements and related notes included elsewhere in this prospectus. The information in this section contains forward-looking statements (see "Special Note Regarding Forward-Looking Statements"). Our actual results may differ significantly from the results suggested by these forward-looking statements and from our historical results. Some factors that may cause our results to differ are described in the "Risk Factors" section of this prospectus. The historical financial data discussed below reflect the historical results of operations and financial condition of Silvercrest L.P. and its subsidiaries and do not give effect to our reorganization. See "Reorganization and Holding Company Structure" and "Unaudited Pro Forma Financial Information," included elsewhere in this prospectus, for a description of our reorganization and its effect on our historical results of operations.*

### Overview

We are a premier, full-service wealth management firm focused on providing financial advisory and related family office services to ultra-high net worth individuals and endowments, foundations and other institutional investors. In addition to a wide range of investment capabilities, we offer a full suite of complementary and customized family office services for families seeking a comprehensive oversight of their financial affairs. During the six months ended June 30, 2012, our assets under management grew 5.9%, from \$10.1 billion to \$10.7 billion. During the twelve months ended December 31, 2011, our assets under management grew 9.8%, from \$9.2 billion to \$10.1 billion.

As part of the reorganization of our company occurring in connection with this offering, Silvercrest will become the general partner of Silvercrest, L.P., our operating company. In addition, the partnership units of all continuing partners of Silvercrest L.P. will be reclassified as Class B units that have equal economic rights to our shares of Class A common stock. After giving effect to the reorganization described above, we will hold approximately % of the partnership interests in Silvercrest L.P. (or approximately % if the underwriters exercise in full their option to purchase additional shares). The partners in Silvercrest L.P. following this offering, consisting of 37 of our current employees, will collectively hold the remaining approximately % of the partnership interests in Silvercrest L.P. (or approximately % if the underwriters in full exercise their over-allotment option). In addition, Silvercrest L.P. has issued deferred equity units exercisable for Class B units which entitle the holder thereof to receive distributions from Silvercrest L.P. to the same extent as if the underlying Class B units were outstanding. Net profits and net losses of Silvercrest L.P. will be allocated, and distributions from Silvercrest L.P. will be made, to its current partners pro rata in accordance with their respective partnership units (and assuming the Class B units underlying all deferred equity units are outstanding). For more information on our reorganization, see "The Reorganization and Our Holding Company Structure."

The historical results of operations discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are those of Silvercrest L.P. and its subsidiaries. After the completion of the reorganization, as the general partner of Silvercrest L.P., we will control its business and affairs and, therefore, consolidate its financial results with ours. In light of our employees' collective % partnership interest in Silvercrest L.P. immediately after the reorganization and this offering (or approximately % if the underwriters exercise in full their option to purchase additional shares), we will reflect the interests of these employees as a non-controlling interest in our consolidated financial statements. As a result, our net income, after amounts attributable to non-controlling interests, will represent % of Silvercrest L.P.'s net income (or approximately % if the underwriters exercise in full their option to purchase additional shares), and similarly, outstanding shares of our Class A common stock will represent % of the outstanding partnership units of Silvercrest L.P. (or approximately % if the underwriters exercise in full their over-allotment option). For more information on the pro forma impact of our reorganization, see "Unaudited Pro Forma Financial Information."

## [Table of Contents](#)

### **Key Performance Indicators**

When we review our performance, we focus on the indicators described below:

(in thousands except as indicated)	For the year ended December 31,			For the six months ended June 30,	
	2011	2010	2009	2012	2011
Revenue	\$42,787	\$36,831	\$32,534	\$ 24,787	\$ 20,779
Income before other income (expense)	\$14,446	\$10,844	\$ 2,207	\$ 9,979	\$ 7,881
Net income	\$14,609	\$10,942	\$ 8,086	\$ 9,404	\$ 7,544
Adjusted EBITDA (1)	\$10,839	\$ 9,068	\$ 6,449	\$ 6,776	\$ 5,580
Adjusted EBITDA margin (2)	25.3%	24.6%	19.8%	27.3%	26.9%
Assets under management at period end (in billions)	\$ 10.1	\$ 9.2	\$ 8.8	\$ 10.7	\$ 10.6
Average assets under management (in billions) (3)	\$ 9.7	\$ 9.0	\$ 8.3	\$ 10.4	\$ 9.9

- (1) EBITDA represents net income before income tax expense, interest income, interest expense, depreciation and amortization. We define Adjusted EBITDA as EBITDA without giving effect to professional fees associated with acquisitions or financing transactions, losses on forgiveness of notes receivable from our principals, gains on extinguishment of debt or other obligations related to acquisitions, impairment charges and losses on disposals or abandonment of assets and leaseholds, client reimbursements and fund redemption costs, severance and other similar expenses, but including partner incentive allocations as an expense. See “Selected Historical Consolidated Financial Data” for a further explanation of Adjusted EBITDA and its reconciliation to net income on a basis consistent with GAAP.
- (2) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by total revenue.
- (3) We have computed average assets under management by averaging assets under management at the beginning of the applicable period and assets under management at the end of the applicable period.

### **Revenue**

We generate revenue from management and advisory fees, performance fees, and family office services fees. Our management and advisory fees are generated by managing assets on behalf of separate accounts and acting as investment adviser for various investment funds. Our performance fees relate to assets managed in external investment strategies in which we have a revenue sharing arrangement and in funds in which we have no partnership interest. Our management and advisory fees and family office services fees income is recognized through the course of the period in which these services are provided. Income from performance fees is recorded at the conclusion of the contractual performance period when all contingencies are resolved. In certain arrangements, we are only entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets.

The discretionary investment management agreements for our separately managed accounts do not have a specified term. Rather, each agreement may be terminated by either party at any time upon written notice of termination to the other party. The investment management agreements for our private funds are generally in effect from year to year, and may be terminated at the end of any year (or, in certain cases, on the anniversary of execution of the agreement) (i) by us upon 30 or 90 days’ prior written notice and (ii) after receiving the affirmative vote of a specified percentage of the investors in the private fund that are not affiliated with us, by the private fund on 60 or 90 days’ prior written notice. The investment management agreements for our private funds may also generally be terminated effective immediately by either party where the non-terminating party (i) commits a material breach of the terms subject, in certain cases, to a cure period, (ii) is found to have committed fraud, gross negligence or willful misconduct or (iii) terminates, become bankrupt, becomes insolvent or dissolves. Each of our investment management agreements contains customary indemnification obligations from us to our clients. The tables below set forth the amount of assets under management, the percentage of management and advisory fees revenues, the amount of revenue recognized, and the average assets under management for discretionary managed accounts and for private funds for each period presented.

## [Table of Contents](#)

### Discretionary Managed Accounts

<i>(In billions)</i>	As of and for the Year Ended December 31,			As of and for the Six Months Ended June 30,	
	2011	2010	2009	2012	2011
	AUM concentrated in Discretionary Managed Accounts (\$)	\$ 6.2	\$ 5.7	\$ 5.3	\$ 6.7
Average AUM For Discretionary Managed Accounts	\$ 6.0	\$ 5.5	\$ 5.0	\$ 6.5	\$ 6.1
Discretionary Managed Accounts Revenue (\$) (in millions)	\$32.5	\$27.5	\$24.0	\$18.1	\$16.1
Percentage of management and advisory fees revenue (%)	86%	85%	82%	81%	87%

### Private Funds

<i>(In billions)</i>	As of and for the Year Ended December 31,			As of and for the Six Months Ended June 30,	
	2011	2010	2009	2012	2011
	AUM concentrated in Private Funds (\$)	\$ 0.8	\$ 0.7	\$ 0.8	\$ 0.9
Average AUM for Private Funds	\$ 0.8	\$ 0.8	\$ 1.1	\$ 0.9	\$ 0.7
Private Funds Revenue (\$) (in millions)	\$ 5.4	\$ 4.9	\$ 5.3	\$ 4.2	\$ 2.4
Percentage of management and advisory fees revenue (%)	14%	15%	18%	19%	13%

Our advisory fees are primarily driven by the level of our assets under management. Our assets under management increase or decrease based on the net inflows or outflows of funds into our various investment strategies and the investment performance of our clients' accounts. In order to increase our assets under management and expand our business, we must develop and market investment strategies that suit the investment needs of our target clients and provide attractive returns over the long term. Our ability to continue to attract clients will depend on a variety of factors including, among others:

- our ability to educate our target clients about our classic value investment strategies and provide them with exceptional client service;
- the relative investment performance of our investment strategies, as compared to competing products and market indices;
- competitive conditions in the investment management and broader financial services sectors;
- investor sentiment and confidence; and
- our decision to close strategies when we deem it to be in the best interests of our clients.

The majority of advisory fees that we earn on separately-managed accounts are based on the value of assets under management on the last day of each calendar quarter. Most of our advisory fees are billed quarterly in advance on the first day of each calendar quarter. Our basic annual fee schedule for management of clients' assets in separately managed accounts is: (i) for managed equity or balanced portfolios, 1% of the first \$10 million and 0.60% on the balance, (ii) for managed fixed income only portfolios, 0.40% on the first \$10 million and 0.30% on the balance and (iii) for the municipal value strategy, 0.65%. Our fee for monitoring non-discretionary assets can range from 0.05% to 0.01%, but can also be incorporated into an agreed-upon fixed family office service fee. The majority of our client relationships pay a blended fee rate since they are invested in multiple strategies.

Management fees earned on investment funds that we advise are calculated based on the net assets of the funds. Some funds calculate investment fees based on the net assets of the funds as of the last business day of each calendar quarter, whereas other funds calculate investment fees based on the value of net assets on the first business day of the month. Depending on the investment fund, fees are paid either quarterly in advance or quarterly in arrears. For our private funds, the fees range from 0.25% to 1.5% annually.

---

## Table of Contents

Average management fee is calculated by dividing our actual revenue earned over a period by our average assets under management during the same period (which is calculated by averaging quarter-end assets under management for the applicable period). Our average management fee was 0.43% and 0.37% for the six months ended June 30, 2012 and 2011, respectively, and 0.39%, 0.36% and 0.35% for the years ended December 31, 2011, 2010 and 2009, respectively. Increases in our total average management fee rates are primarily the result of a change in the mix and increased concentration of our assets under management in our equities strategies whose fee rates are higher than those of other investment strategies. Advisory fees are also adjusted for any cash flows into or out of a portfolio, where the cash flow represents greater than 10% of the value of the portfolio. Silvercrest L.P. has authority to take fees directly from external custodian accounts of its separately managed accounts.

Our advisory fees may fluctuate based on a number of factors, including the following:

- changes in assets under management due to appreciation or depreciation of our investment portfolios, and the levels of the contribution and withdrawal of assets by new and existing clients;
- allocation of assets under management among our investment strategies, which have different fee schedules;
- allocation of assets under management between separately managed accounts and advised funds, for which we generally earn lower overall advisory fees; and
- the level of our performance with respect to accounts and funds on which we are paid incentive fees.

Our family office services capabilities enable us to provide comprehensive and integrated services to our clients. Our dedicated group of tax and financial planning professionals provide financial planning, tax planning and preparation, partnership accounting and fund administration and consolidated wealth reporting among other services. Family office services income fluctuates based on both the number of clients for whom we perform these services and the level of agreed-upon fees, most of which are flat fees. Therefore, non-discretionary assets under management, which are associated with family office services, do not typically serve as the basis for the amount of family office services revenue that is recognized. We have experienced a steady increase in family office services fees over the past few years as more of our separately managed accounts relationships have taken advantage of these services. We have also been successful in attracting new clients who have engaged us primarily for our family office services.

### *Expenses*

Our expenses consist primarily of compensation and benefits expenses, as well as general and administrative expense including rent, professional services fees, data-related costs and sub-advisory fees. These expenses may fluctuate due to a number of factors, including the following:

- variations in the level of total compensation expense due to, among other things, bonuses, awards of equity to our employees and partners of Silvercrest L.P., changes in our employee count and mix, and competitive factors; and
- the level of management fees from funds that utilize sub-advisors will affect the amount of sub-advisory fees.

We expect our professional services fees to increase after this offering as a result of being a public company.

### *Compensation and Benefits Expense*

Our largest expense is compensation and benefits, which includes the salaries, bonuses, equity-based compensation and related benefits and payroll costs attributable to our principals and employees. Our compensation methodology is intended to meet the following objectives:

(i) support our overall business strategy;

## [Table of Contents](#)

(ii) attract, retain and motivate top-tier professionals within the investment management industry; and (iii) align our partner' interests with those of our equity owners. We have experienced, and expect to continue to experience, a general rise in compensation and benefits expense commensurate with growth in headcount and with the need to maintain competitive compensation levels.

Upon the completion of the reorganization and this offering, we will account for partner incentive payments as an expense in our statement of operations and have reflected the related adjustments in our pro forma financial statements. Accordingly, this will have the effect of increasing compensation expense relative to the amounts that have been recorded historically in our financial statements. See "Unaudited Pro Forma Financial Information."

The components of our compensation expenses for the three years ended December 31, 2011 and the six months ended June 30, 2012 and 2011 are as follows:

<u>(in thousands)</u>	<u>For the Year Ended December 31,</u>			<u>For the Six Months Ended</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>June 30,</u>	<u>2011</u>
Cash compensation and benefits	\$16,495	\$15,936	\$15,630	\$ 8,777	\$ 7,973
Distributions on liability awards (1)	20	9	—	17	5
Non-cash equity-based compensation expense	977	583	—	806	496
Total compensation expense	<u>\$17,492</u>	<u>\$16,528</u>	<u>\$15,630</u>	<u>\$ 9,600</u>	<u>\$ 8,474</u>

- (1) Cash distributions on the portion of unvested deferred equity units that are subject to forfeiture are expensed when paid. Unvested deferred equity units are classified as liability awards.

On February 29, 2012, February 28, 2011 and February 24, 2010, Silvercrest L.P. and Silvercrest GP LLC, our predecessor, granted equity-based compensation awards to certain of their principals based on the fair value of the equity interests of Silvercrest L.P. and Silvercrest GP LLC. Each grant includes a deferred equity unit and performance unit, subject to forfeiture and acceleration of vesting. Each 100 deferred equity units represent the unsecured right to receive one unit of Silvercrest GP LLC and 99 units of Silvercrest L.P., subject to vesting over a four-year period beginning on the first-year anniversary of the date of grant. Each deferred equity unit, whether vested or unvested, entitles the holder to receive distributions from Silvercrest L.P. and Silvercrest GP LLC as if such holder held such unit. Upon each vesting date, a holder may receive the number of units vested or the equivalent cash value and units, but in no event may the holder receive more than 50% of the aggregate value in cash. To the extent that holders elect to receive up to 50% of the aggregate value in cash, we could have less cash to utilize. We have accounted for the distributions on the portion of the deferred equity units that are subject to forfeiture as compensation expense. Equity-based compensation expense will be recognized on the February 29, 2012, February 28, 2011 and February 24, 2010 deferred equity unit and performance unit awards through February 29, 2016, February 28, 2015 and February 24, 2014, respectively.

Each performance unit represents the right to receive one unit of Silvercrest L.P. and one unit of Silvercrest GP LLC for each two units of Silvercrest L.P. and Silvercrest GP LLC, respectively, issued upon vesting of the deferred equity units awarded to the employee, in each case subject to the achievement of defined performance goals. Although performance units will only vest upon the achievement of the performance goals, they are expensed over the same vesting period as the deferred equity units that they are associated with because there is an explicit service period. For more information on the terms of the deferred equity units and performance units, see "Compensation Discussion and Analysis—Deferred Equity Units and Performance Units."

### *General and Administrative Expenses*

General and administrative expenses include occupancy-related costs, professional and outside services fees, office expenses, depreciation and amortization, sub-advisory fees and the costs associated with operating and maintaining our research, trading and portfolio accounting systems. Our costs associated with operating and

---

## **Table of Contents**

maintaining our research, trading and portfolio accounting systems and professional services expenses generally increase or decrease in relative proportion to the number of employees retained by us and the overall size and scale of our business operations. Sub-advisory fees will fluctuate based on the level of management fees from funds that utilize sub-advisors.

Following this offering, we expect that we will incur additional expenses as a result of becoming a public company for, among other things, directors and officers insurance, director fees, SEC reporting and compliance, including Sarbanes-Oxley compliance, transfer agent fees, professional fees and other similar expenses. These additional expenses will reduce our net income.

### ***Other Income***

Other income is derived primarily from investment income arising from our investments in various private investment funds that were established as part of our investment strategies. We expect the investment components of other income, in the aggregate, to fluctuate based on market conditions and the success of our investment strategies. Performance fees earned from those investment funds in which we have a partnership interest have been earned over the past few years as a result of the achievement of various high water marks depending on the investment fund. These performance fees are recorded based on the equity method of accounting. The majority of our performance fees over the past few years have been earned from our fixed income-related funds.

### ***Minority and Non-Controlling Interests***

After our reorganization, we will be the general partner of Silvercrest L.P. and will control its business and affairs and, therefore, consolidate its financial results with ours. In light of our employees' expected % interest in Silvercrest L.P. (or % if the underwriters exercise in full their option to purchase additional shares) immediately after the consummation of the reorganization and this offering, we will reflect their partnership interests as a non-controlling interest in our consolidated financial statements. As a result, immediately after the consummation of this offering, our net income, after income attributable to non-controlling interests, will represent % of Silvercrest L.P.'s net income (or % if the underwriters exercise in full their option to purchase additional shares), and similarly, outstanding shares of our Class A common stock will represent % of the outstanding partnership units of Silvercrest L.P. (or % if the underwriters exercise in full their option to purchase additional shares).

### ***Provision for Income Tax***

While Silvercrest L.P. has historically not been subject to U.S. federal and certain state income taxes, it has been subject to the New York City Unincorporated Business Tax. As a result of our reorganization, we will become subject to taxes applicable to C-corporations. We expect our effective tax rate, and the absolute dollar amount of our tax expense, to increase as a result of this reorganization offset by the benefits of the tax receivable agreement. For more information on the pro forma income taxes applicable to us under C-corporation status, see "The Reorganization and Our Holding Company Structure" and "Unaudited Pro Forma Consolidated Financial Information."

### ***Significant Transactions***

#### ***Milbank***

On November 1, 2011, we acquired substantially all of the assets of Milbank Winthrop & Co., Inc., or Milbank, a registered investment adviser that managed approximately \$500 million of assets primarily on behalf of ultra-high net worth families. The strategic acquisition of Milbank, a long-standing and highly regarded investment boutique, strengthens Silvercrest L.P.'s presence in the New York market and adds investment managers that have significant experience and knowledge of the industry. Under the terms of the asset purchase

## [Table of Contents](#)

agreement, the purchase price for the assets of Milbank consisted of a cash consideration of \$3.4 million (net of cash acquired of \$0.8 million), interests in Silvercrest L.P. and Silvercrest GP LLC with a fair value of \$3.1 million, and a promissory note issued by Silvercrest Asset Management Group LLC to Milbank for \$3.2 million. As part of the asset purchase agreement, we are obligated to make future earnout payments to Milbank should specific financial and performance targets be achieved by the Milbank business. We determined that the acquisition-date fair value of the contingent consideration was \$1.7 million based on the likelihood that the financial and performance targets included in the asset purchase agreement will be achieved. Under the terms of the asset purchase agreement, Milbank is entitled to receive six earnout payments for the following periods: November 1, 2011 through December 31, 2011, full calendar years 2012, 2013, 2014 and 2015, and January 1, 2016 through October 31, 2016. Each earnout payment is equal to 20% of EBITDA generated by the Milbank business (as defined in the asset purchase agreement) during the relevant earnout period. The amount of the earnout payment will vary depending on the level of EBITDA that is generated in each respective earnout period. Milbank revenue and operating expenses for the two months ended December 31, 2011 were \$0.9 million and \$0.4 million, respectively.

### *LongChamp*

In 2009, we entered into a settlement agreement with the former owners of The LongChamp Group, Inc., or LGI, to close the business of LGI, a hedge fund advisory business, which was acquired by Silvercrest L.P. in 2007, and terminate all agreements between them and our company. The termination of these agreements coupled with declining economic conditions resulted in various client redemptions. LGI was ultimately wound down in 2009. For further explanation of the closing of the LGI business, see Note 10 to the audited consolidated financial statements of Silvercrest L.P. included elsewhere in this prospectus.

## Operating Results

### Revenue

Our revenues for the six months ended June 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009 are set forth below:

(in thousands)

	For the Six Months Ended June 30,			
	2012	2011	2012 vs. 2011 (\$)	2012 vs. 2011 (%)
Management and advisory fees	\$22,327	\$18,539	\$ 3,788	20.4%
Performance fees and allocations	16	31	(15)	-48.4%
Family office services	2,444	2,209	235	10.6%
Total revenue	<u>\$24,787</u>	<u>\$20,779</u>	<u>\$ 4,008</u>	19.3%

	For the Year Ended December 31,			
	2011	2010	2011 vs. 2010 (\$)	2011 vs. 2010 (%)
Management and advisory fees	\$37,869	\$32,442	\$ 5,427	16.7%
Performance fees and allocations	85	548	(463)	-84.5%
Family office services	4,833	3,841	992	25.8%
Total revenue	<u>\$42,787</u>	<u>\$36,831</u>	<u>\$ 5,956</u>	16.2%

	For the Year Ended December 31,			
	2010	2009	2010 vs. 2009 (\$)	2010 vs. 2009 (%)
Management and advisory fees	\$32,442	\$29,341	\$ 3,101	10.6%
Performance fees and allocations	548	96	452	470.8%
Family office services	3,841	3,097	744	24.0%
Total revenue	<u>\$36,831</u>	<u>\$32,534</u>	<u>\$ 4,297</u>	13.2%

## [Table of Contents](#)

The growth in our assets under management during the six months ended June 30, 2011 and 2012 and from December 31, 2009 to December 31, 2011 and is described below:

(in billions)	Assets Under Management		
	Discretionary	Non-Discretionary	Total
As of December 31, 2010	\$ 6.3	\$ 2.9	\$ 9.2
Gross client inflows	1.5	1.0	2.5
Gross client outflows	(1.1)	(0.7)	(1.8)
Market appreciation (1)	0.4	0.3	0.7
<b>As of June 30, 2011</b>	<b>\$ 7.1</b>	<b>\$ 3.5</b>	<b>\$ 10.6</b>
As of December 31, 2011	\$ 7.0	\$ 3.1	\$ 10.1
Gross client inflows	3.0	0.3	3.3
Gross client outflows	(2.7)	(0.3)	(3.0)
Market appreciation (1)	0.3	—	0.3
<b>As of June 30, 2012</b>	<b>\$ 7.6</b>	<b>\$ 3.1</b>	<b>\$ 10.7</b>
As of January 1, 2009	\$ 6.0	\$ 1.8	\$ 7.8
Gross client inflows	1.4	0.5	1.9
Gross client outflows	(2.5)	(0.7)	(3.2)
Market appreciation (1)	1.2	1.1	2.3
As of December 31, 2009	\$ 6.1	\$ 2.7	\$ 8.8
Gross client inflows	1.5	1.0	2.5
Gross client outflows	(1.7)	(0.8)	(2.5)
Market appreciation (depreciation) (1)	0.5	(0.1)	0.4
As of December 31, 2010	\$ 6.4	\$ 2.8	\$ 9.2
Gross client inflows	3.6	1.5	5.1
Gross client outflows	(3.1)	(1.1)	(4.2)
Market appreciation (depreciation) (1)	0.1	(0.1)	—
<b>As of December 31, 2011</b>	<b>\$ 7.0</b>	<b>\$ 3.1</b>	<b>\$10.1</b> (2)

(1) For additional investment strategy performance information disclosed elsewhere in this prospectus, please see the “Business” section.

(2) Less than 5% of assets under management generate performance fees.

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

Our total revenue increased by \$4.0 million, or 19.3%, to \$24.8 million for the six months ended June 30, 2012, from \$20.8 million for the six months ended June 30, 2011. This increase was driven primarily by growth in our management and advisory fees as a result of increased assets under management.

Assets under management increased by \$0.6 billion, or 5.9%, to \$10.7 billion at June 30, 2012 from \$10.1 billion at December 31, 2011. Contributing to the growth in assets under management was \$3.3 billion of client inflows and \$0.3 billion in market appreciation, partially offset by client outflows of \$3.0 billion. Our market appreciation during the six months ended June 30, 2012 constituted a 3.0% rate of increase in our total assets under management compared to the year ended December 31, 2011. Our growth in assets under management for the six months ended June 30, 2012 was primarily attributable to an increase of \$0.6 billion in separately managed accounts, which are included in discretionary assets under management. An increase in the concentration of equity securities, which are included in discretionary assets under management and whose fee rates are higher than those of other investments, was the primary driver of increased management and advisory fees revenue for the six months ended June 30, 2012 compared to the same period in the prior year. Sub-advised

---

## Table of Contents

fund management revenue decreased by \$0.3 million to \$0.6 million for the six months ended June 30, 2012 from \$0.9 million for the same period in the prior year. While sub-advised fund assets under management remained flat as of June 30, 2012 as compared to December 31, 2011, client redemptions primarily contributed to the decrease in sub-advised fund management revenue. Proprietary fund management revenue increased by \$2.1 million to \$3.7 million for the six months ended June 30, 2012 from \$1.6 million for the same period in the prior year. This increase in proprietary fund management revenue was attributable to a \$0.4 billion increase in proprietary fund assets under management from \$0.4 billion as of June 30, 2011 to \$0.8 billion as of June 30, 2012 primarily as a result of the addition of \$0.3 billion of Milbank fund assets under management in November 2011. With respect to our discretionary assets under management, equity and fixed income assets experienced growth of 23.7% and 3.6%, respectively, for the six months ended June 30, 2012. Most of our growth came from our equity income and small cap value strategies with composite returns of 8.0% and 7.7%, respectively. As of June 30, 2012, the composition of our assets under management was 71% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 29% in non-discretionary assets which represent assets on which we provide portfolio reporting but do not have investment discretion.

Assets under management increased by \$1.4 billion, or 15.2%, to \$10.6 billion at June 30, 2011 from \$9.2 billion at December 31, 2010. Contributing to the growth in assets under management was \$2.5 billion of client inflows and \$0.7 billion in market appreciation partially offset by client outflows at \$1.8 billion. Our market appreciation during the six months ended June 30, 2011 constituted a 7.6% rate of increase in our total assets under management compared to the year ended December 31, 2010. Our growth in assets under management for the six months ended June 30, 2011 was attributable to an increase of \$0.8 billion in separately managed accounts, which are included in discretionary assets under management, and \$0.6 billion in non-discretionary assets. An increase in the concentration of equity securities, which are included in discretionary assets under management and whose fee rates are higher than those of other investments, was the primary driver of increased discretionary assets under management from December 31, 2010 to June 30, 2011. Proprietary fund assets under management as of June 30, 2011 remained flat as compared to December 31, 2010. With respect to our discretionary assets under management, equities experienced growth of 17.6% while fixed income assets remained flat for the six months ended June 30, 2011. Most of our growth came from our equity income, large cap value, multi cap value, and small cap value portfolios with composite returns of 8.0%, 7.3%, 9.1%, and 8.2%, respectively. The increase in non-discretionary assets was primarily driven by a new family office relationship entered into during the six months ended June 30, 2011. As of June 30, 2011, the composition of our assets under management was 67% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 33% in non-discretionary assets which represent assets on which we provide portfolio reporting but do not have investment discretion.

### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

Our total revenue increased by \$6.0 million, or 16.2%, to \$42.8 million for the year ended December 31, 2011, from \$36.8 million for the year ended December 31, 2010. This increase was driven primarily by growth in our management and advisory fees as a result of increased assets under management.

Assets under management increased by \$0.9 billion, or 9.8%, to \$10.1 billion at December 31, 2011 from \$9.2 billion at December 31, 2010. Contributing to the growth in assets under management was \$5.1 billion of net client inflows partially offset by \$4.2 billion of client outflows. Our growth in assets under management in 2011 was primarily attributable to an increase of \$0.5 billion in separately managed accounts and \$0.2 billion in proprietary and sub-advised funds, which are included in discretionary assets under management. An increase in the concentration of equity securities, which are included in discretionary assets under management and whose fee rates are higher than those of other investments, was the primary driver of increased management and advisory fees revenue for the year ended December 31, 2011 compared to the year ended December 31, 2010. Sub-advised fund management revenue increased by \$0.2 million to \$1.6 million for the year ended December 31, 2011 from \$1.4 million for the year ended December 31, 2010 while sub-advised fund assets under management remained flat. Proprietary fund management revenue increased by \$0.3 million to \$3.8 million for

---

## Table of Contents

the year ended December 31, 2011 from \$3.5 million for the year ended December 31, 2010. This increase in proprietary fund management revenue was attributable to a \$0.2 billion increase in proprietary fund assets under management from \$0.5 billion as of December 31, 2010 to \$0.7 billion as of December 31, 2011. This increase was primarily the result of the addition of \$0.3 billion of Milbank fund assets under management in November 2011, partially offset by \$0.1 billion of client fund redemptions. With respect to our discretionary assets under management, equities experienced growth of 9.4% while fixed income assets declined 3.0% for the year ended December 31, 2011. Most of our growth came from our equity income, multi cap value and small cap value strategies with composite returns of 4.4%, 0.5%, and 1.5%, respectively. As of December 31, 2011, the composition of our assets under management was 70% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 30% in non-discretionary assets, which represent assets on which we provide portfolio reporting but do not have investment discretion.

Performance fee revenue decreased by \$463 thousand to \$85 thousand for the year ended December 31, 2011 from \$548 thousand for the year ended December 31, 2010. These performance fees are primarily related to external investment strategies in which we have a revenue sharing arrangement. The decrease in performance fee revenue is directly attributable to lower returns achieved at our external investment strategies. The balance of our performance fees are earned from proprietary funds and are included in equity income from investments, which is discussed below in “—Other Income (Expense).”

Family office services income increased by \$1.0 million or 25.8%, from \$3.8 million for the year ended December 31, 2010 to \$4.8 million for the year ended December 31, 2011, primarily as a result of the addition of significant family relationships in 2011 and increased fees from existing clients because of increased rates in certain cases and a greater amount of services provided in other cases.

### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

Our total revenue increased by \$4.3 million, or 13.2%, to \$36.8 million for the year ended December 31, 2010, from \$32.5 million for the year ended December 31, 2009. This increase was driven primarily by growth in our management and advisory fees as a result of increased assets under management.

Assets under management increased by \$0.4 billion, or 4.5%, to \$9.2 billion at December 31, 2010 from \$8.8 billion at December 31, 2009. Contributing to the growth in assets under management was \$0.4 billion in market appreciation. Our market appreciation during the year ended December 31, 2010 constituted a 4.5% rate of increase in our total assets under management compared to the year ended December 31, 2009. Our growth in assets under management in 2010 was attributable to an increase of \$0.3 billion in discretionary separately managed accounts, and \$0.2 billion in non-discretionary assets. An increase in the concentration of equity securities, which are included in discretionary assets under management and whose fee rates are higher than those of other investments, was the primary driver of increased management and advisory fees revenue for the year ended December 31, 2010 compared to the year ended December 31, 2009. Sub-advised fund management revenue decreased by \$1.0 million to \$1.4 million for the year ended December 31, 2010 from \$2.4 million for the year ended December 31, 2009. With respect to our discretionary assets under management, equities experienced growth of 13.0% while fixed income assets declined 6.3% for the year ended December 31, 2010. Most of our growth came from our equity income, large cap value, multi cap value and small cap value strategies with composite returns of 17.5%, 15.4%, 19.4%, and 25.7%, respectively. The closing of our LongChamp business contributed to this decrease in sub-advised fund management revenue. Proprietary fund management revenue increased by \$0.5 million to \$3.5 million for the year ended December 31, 2010 from \$3.0 million for the year ended December 31, 2009. As of December 31, 2010, the composition of our assets under management was 69% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 31% in non-discretionary assets, which represent assets on which we provide portfolio reporting but do not have investment discretion.

Assets under management increased by \$1.0 billion, or 12.8%, to \$8.8 billion at December 31, 2009 from \$7.8 billion at December 31, 2008. Contributing to the growth in assets under management was \$1.9 billion of

## [Table of Contents](#)

client inflows and \$2.3 billion in market appreciation, partially offset by \$3.2 billion of client outflows. Our market appreciation during the year ended December 31, 2009 constituted a 29.5% rate of increase in our total assets under management compared to the year ended December 31, 2008. Our growth in assets under management in 2009 was attributable to an increase of \$0.2 billion in separately managed accounts, which are included in discretionary assets under management, and \$0.9 billion in non-discretionary assets. An increase in the concentration of equity securities, which are included in discretionary assets under management, was the primary driver of increased management and advisory fees revenue for the year ended December 31, 2009 compared to the year ended December 31, 2008. Sub-advised fund management revenue decreased by \$5.7 million to \$2.4 million for the year ended December 31, 2009 from \$8.1 million for the year ended December 31, 2008. This decrease in sub-advised fund management revenue was the result of a decrease in sub-advised fund assets under management from \$0.5 billion as of December 31, 2008 to \$0.3 billion as of December 31, 2009 because of the closing of our LongChamp business and other client fund redemptions. Proprietary fund management revenue decreased by \$1.1 million to \$3.0 million for the year ended December 31, 2009 from \$4.1 million for the year ended December 31, 2008 primarily as a result of lower revenue from our fixed income funds. With respect to our discretionary assets under management, equity and fixed income assets experienced growth of 34.9% and 43.3%, respectively, for the year ended December 31, 2009. Most of our growth came from our large cap value, multi cap value, and small cap value strategies with composite returns of 29.6%, 30.5%, and 24.7%, respectively. Most of our fixed income asset growth came from our separately managed accounts with composite returns for our taxable high yield and core fixed income strategies of 36.5% and 3.0%, respectively. As of December 31, 2009, the composition of our assets under management was 69% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 31% in non-discretionary assets, which represent assets on which we provide portfolio reporting but do not have investment discretion.

Performance fee revenue increased by \$452 thousand to \$548 thousand for the year ended December 31, 2010 from \$96 thousand for the year ended December 31, 2009. These performance fees are primarily related to external investment strategies in which we have a revenue sharing arrangement. The increase in performance fee revenue is directly attributable to higher returns achieved at our external investment strategies. The balance of our performance fees are included in equity income from investments which is discussed below in “—Other Income (Expense).”

Family office services income increased by \$0.7 million, or 24.0%, from \$3.1 million for the year ended December 31, 2009 to \$3.8 million for the year ended December 31, 2010, primarily as a result of increases to fee rates for existing clients.

### **Expenses**

Our expenses for the six months ended June 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009 are set forth below:

(in thousands)	For the Six Months Ended June 30,			
	2012	2011	2012 vs. 2011 (\$)	2012 vs. 2011 (%)
Compensation and benefits	\$ 9,600	\$ 8,474	\$ 1,126	13.3%
General and administrative	5,208	4,424	784	17.7%
Total expenses	<u>\$14,808</u>	<u>\$12,898</u>	<u>\$ 1,910</u>	14.8%

	For the Year Ended December 31,			
	2011	2010	2011 vs. 2010 (\$)	2011 vs. 2010 (%)
Compensation and benefits	\$17,492	\$16,528	\$ 964	5.8%
General and administrative	10,849	9,459	1,390	14.7%
Total expenses	<u>\$28,341</u>	<u>\$25,987</u>	<u>\$ 2,354</u>	9.1%

## [Table of Contents](#)

	For the Year Ended December 31,			
	2010	2009	2010 vs. 2009 (\$)	2010 vs. 2009 (%)
Compensation and benefits	\$16,528	\$15,630	\$ 898	5.7%
General and administrative	9,459	13,006	(3,547)	-27.3%
Impairment charges	—	1,691	(1,691)	-100%
Total expenses	<u>\$25,987</u>	<u>\$30,327</u>	<u>\$ (4,340)</u>	-14.3%

Our expenses are driven primarily by our compensation costs. The table included in “—Expenses— Compensation and Benefits Expense” describes the components of our compensation expense for the six months ended June 30, 2012 and 2011 and the three years ended December 31, 2011. Other expenses, such as rent, professional service fees, data-related costs, and sub-advisory fees incurred are included in our general and administrative expenses.

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

Total expenses increased by \$1.9 million, or 14.8%, to \$14.8 million for the six months ended June 30, 2012 from \$12.9 million for the six months ended June 30, 2011. This increase was primarily attributable to increases in compensation and benefits expense and general and administrative expenses of \$1.1 million and \$0.8 million, respectively.

Compensation and benefits expense increased by \$1.1 million, or 13.3%, to \$9.6 million for the six months ended June 30, 2012 from \$8.5 million for the six months ended June 30, 2011. The increase was primarily attributable to an increase in salaries of \$0.6 million as a result of both merit increases and increased headcount primarily as a result of the Milbank acquisition, increased incentive compensation expense of \$0.1 million, and increased equity-based compensation expense of \$0.3 million due to the grant of additional deferred equity units to employees and an increase in the fair value of the deferred equity units.

General and administrative expenses increased by \$0.8 million, or 17.7%, to \$5.2 million for the six months ended June 30, 2012 from \$4.4 million for the six months ended June 30, 2011. This increase was primarily due to an increase in depreciation and amortization expense of \$0.3 million due to amortization of intangible assets related to Milbank, a \$0.2 million increase in costs related to the development of our portfolio management system and investment research and pricing subscriptions, a \$0.1 million increase in rent as a result of the Milbank acquisition and the non-renewal of one of our sub-leases, and a \$0.6 million increase in professional fees including acquisition transactions. On May 1, 2012, we reoccupied space at our headquarters that we had previously abandoned in 2009. As a result, we recorded a reversal of a lease abandonment liability of \$0.7 million which reduced occupancy expense for the six months ended June 30, 2012.

### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

Total expenses increased by \$2.4 million, or 9.1%, to \$28.3 million for the year ended December 31, 2011 from \$26.0 million for the year ended December 31, 2010. This increase was primarily attributable to increases in compensation and benefits expense and general and administrative expenses of \$1.0 million and \$1.4 million, respectively.

Compensation and benefits expense increased by \$1.0 million, or 5.8%, to \$17.5 million for the year ended December 31, 2011 from \$16.5 million for the year ended December 31, 2010. The increase was primarily attributable to an increase in equity-based compensation expense of \$0.5 million due to the grant of deferred equity units to employees, increased salaries of \$0.8 million as a result of both merit increases and increased headcount, and increased benefits and payroll taxes expense of \$0.1 million, partially offset by lower employee bonus expense of \$0.4 million.

General and administrative expenses increased by \$1.4 million, or 14.7%, to \$10.8 million for the year ended December 31, 2011 from \$9.4 million for the year ended December 31, 2010. This increase was primarily

## [Table of Contents](#)

due to an increase in professional fees of \$0.8 million for services rendered in connection with this offering and acquisition transactions, \$0.7 million in reimbursements to clients and a \$0.2 million increase in costs related to the development of our portfolio management system and investment research and pricing subscriptions, offset by decreased occupancy costs of \$0.3 million due to increased sub-tenant rent.

### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

Total expenses decreased by \$4.3 million, or 14.3%, to \$26.0 million for the year ended December 31, 2010 from \$30.3 million for the year ended December 31, 2009. This was primarily attributable to decreases in general and administrative expenses and impairment charges of \$3.5 million and \$1.7 million, respectively, partially offset by a \$0.9 million increase in compensation and benefits expense.

Compensation and benefits expense increased by \$0.9 million, or 5.7%, to \$16.5 million for the year ended December 31, 2010 from \$15.6 million for the year ended December 31, 2009. The increase was primarily attributable to a \$0.6 million increase in equity-based compensation expense, increased employee bonus expense of \$0.1 million, a \$0.1 million increase in salaries, and \$0.1 million of severance charges related to the termination of two employees.

General and administrative expenses decreased by \$3.5 million, or 27.3%, to \$9.5 million for the year ended December 31, 2010 from \$13.0 million for the year ended December 31, 2009. This \$3.5 million decrease was primarily attributable to a one-time \$1.2 million lease abandonment charge in 2009 for space at our corporate headquarters, and a \$2.3 million decrease in LGI operating expenses as a result of the wind-down of our LGI business in 2009.

Impairment charges decreased by \$1.7 million from the year ended December 31, 2009 to the year ended December 31, 2010 as a result of a \$1.2 million leasehold improvements impairment charge in 2009 related to the abandonment of a portion of the leased space at our corporate headquarters. Also, a \$0.5 million charge was taken in 2009 to write-off goodwill and assets related to the LGI business closure.

### **Other Income (Expense)**

(in thousands)

	For the Six Months Ended June 30,			
	2012	2011	2012 vs. 2011 (\$)	2012 vs. 2011 (%)
Other income (expense)	\$ 61	\$ (176)	\$ 237	-134.7%
Interest income	86	92	(6)	-6.5%
Interest expense	(206)	(75)	(131)	174.7%
Total other income (expense)	<u>\$ (59)</u>	<u>\$ (159)</u>	<u>\$ 100</u>	-62.9%

	For the Year Ended December 31,			
	2011	2010	2011 vs. 2010 (\$)	2011 vs. 2010 (%)
Loss on forgiveness of notes receivable	\$ (34)	\$ (508)	\$ 474	-93.3%
Interest income	187	231	(44)	-19.0%
Interest expense	(164)	(241)	77	-32.0%
Equity income from investments	950	1,241	(291)	-23.4%
Other	(210)	32	(242)	-756.3%
Total other income (expense)	<u>\$ 729</u>	<u>\$ 755</u>	<u>\$ (26)</u>	-3.4%

## [Table of Contents](#)

(in thousands)

	For the Year Ended December 31,			
	2010	2009	2010 vs. 2009 (\$)	2010 vs. 2009 (%)
Gain on extinguishment of debt	\$ —	\$3,934	\$ (3,934)	-100.0%
Gain on settlement with former LGI shareholders	—	1,470	(1,470)	-100.0%
Loss on forgiveness of notes receivable	(508)	—	(508)	—
Interest income	231	213	18	8.5%
Interest expense	(241)	(467)	226	-48.4%
Equity income from investments	1,241	274	967	352.9%
Other	32	134	(102)	-76.1%
Total other income (expense)	<u>\$ 755</u>	<u>\$5,558</u>	<u>\$ (4,803)</u>	-86.4%

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

Other income (expense) decreased by \$100 thousand to (\$59) thousand for the six months ended June 30, 2012 from (\$159) thousand for the six months ended June 30, 2011. The decrease in other income (expense) is attributable to \$0.2 million loss on a sub-lease charge related to a new sub-tenant on our leased space in January 2011. Interest expense increased by \$131 thousand to \$206 thousand for the six months ended June 30, 2012 from \$75 thousand for the six months ended June 30, 2011, primarily due to a write off prepaid interest expense of \$86 thousand related to the reversal of the lease abandonment liability in addition to an increase in notes payable issued in connection with the acquisition of Milbank.

### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

Other income (expense) decreased by \$26 thousand, or 3.4%, to \$0.7 million for the year ended December 31, 2011 from \$0.8 million for the year ended December 31, 2010. In 2011 and 2010, we recorded losses on the forgiveness of notes receivable of \$34 thousand and \$508 thousand, respectively, in connection with the termination of principals and the related termination of existing notes in exchange for the repurchase of units of Silvercrest L.P. and Silvercrest GP LLC. Interest income decreased by \$44 thousand or 19.0% to \$187 thousand for the year ended December 31, 2011 from \$231 thousand for the year ended December 31, 2010. Interest expense decreased by \$77 thousand or 32.0% to \$164 thousand for the year ended December 31, 2011 from \$241 thousand for the year ended December 31, 2010. Equity income from investments decreased by \$0.3 million primarily as a result of decreased performance fee allocations from some of our funds. Other income (expense) decreased by \$0.2 million as a result of a \$0.1 million loss on sub-lease charge related to a new sub-tenant on our leased space in January 2011 and \$0.1 million of unrealized and realized losses related to an investment in marketable securities.

### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

Other income (expense) decreased by \$4.8 million, or 86.4%, to \$0.8 million for the year ended December 31, 2010 from \$5.6 million for the year ended December 31, 2009. This decrease was primarily attributable to a \$3.9 million gain on extinguishment of debt related to the closing of the LGI business and a \$1.5 million gain on settlement with the former owners of the LGI business in 2009. In 2010, we forgave \$0.5 million of notes receivable in connection with the termination of a partner. This note was originally issued for the purchase of units in Silvercrest L.P. and Silvercrest GP LLC by a terminated partner at the time he joined our company. Upon termination of the partner, the note was cancelled and we redeemed and cancelled the underlying equity. Interest income increased by \$18 thousand or 8.5% to \$231 thousand for the year ended December 31, 2010 from \$213 thousand for the year ended December 31, 2009. Interest expense decreased by \$0.3 million, or 48.4%, to \$0.2 million for the year ended December 31, 2010 from \$0.5 million for the year ended December 31, 2009 due to a decrease in interest expense from notes issued to principals and as consideration in connection with prior acquisitions. Interest expense decreased as a result of the repayment and scheduled principal payments on notes issued to partners, scheduled principal payments on a note, and the forgiveness of a note in conjunction with the closing of the LGI business. Equity income from investments increased by \$1.0 million primarily as a result of increased performance fee allocations from some of our funds.

## [Table of Contents](#)

### **Provision for Income Taxes**

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

The provision for income taxes was \$0.5 million and \$0.2 million for the six months ended June 30, 2012 and June 30, 2011, respectively. The change was a result of an increase in taxable income. Our provision for income taxes as a percentage of income before provision for income taxes for the six months ended June 30, 2012 was 5.2% compared to 2.3% for the six months ended June 30, 2011.

#### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

The provision for income taxes was \$0.6 million and \$0.7 million for the years ended December 31, 2011 and December 31, 2010, respectively, representing a decrease of \$0.1 million, or 14.3%. The change was a result of a decrease in taxable income due to increased deferred rent, contingent consideration in the Milbank acquisition, and increased amortization of intangible assets. Our provision for income taxes as a percentage of income before provision for income taxes in 2011 was 3.7% compared to 5.7% in 2010.

#### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

The provision for income taxes was \$0.7 million for the year ended December 31, 2010 and the benefit from income taxes was \$0.3 million for the year ended December 31, 2009. The change was primarily due to an increase in taxable income due to losses recognized in 2009 related to the closing of the LGI business. Our provision for income taxes as a percentage of income before provision for income taxes in 2010 was 5.7%.

### **Initial Public Offering Costs**

As of June 30, 2012, we have incurred and deferred \$545 thousand of professional fees associated with this offering. These fees are included in prepaid expenses and other assets in our condensed consolidated statement of financial condition at June 30, 2012 included elsewhere in this prospectus. In the event the offering is not consummated, the deferred offering costs will be expensed.

### **Liquidity and Capital Resources**

Historically, the working capital needs of our business have primarily been met through cash generated by our operations. We expect that our cash and liquidity requirements in the twelve months following the consummation of this offering will be met primarily through cash generated by our operations.

Our ongoing sources of cash primarily consist of management fees and family office services fees, which are principally collected quarterly. We primarily use cash flow from operations to pay compensation and related expenses, general and administrative expenses, income taxes, debt service, capital expenditures and distributions.

Seasonality typically affects cash flow since the first quarter of each year includes as a source of cash, the prior year's annual performance fee payments, if any, from our various funds and external investment strategies and, as a use of cash, the prior fiscal year's incentive compensation. We believe that we have sufficient cash from our operations to fund our operations and commitments for the next twelve months.

The following table set forth certain key financial data relating to our liquidity and capital resources as of December 31, 2011, 2010 and 2009 and June 30, 2012 and 2011.

(in thousands)	Years Ended December 31,			Six Months Ended June 30,	
	2011	2010	2009	2012	2011
Cash and cash equivalents	\$ 7,354	\$ 7,025	\$ 5,327	\$ 2,568	\$ 5,404
Accounts receivable	\$ 2,238	\$ 2,247	\$ 1,213	\$ 3,554	\$ 2,424
Due from Silvercrest Funds	\$ 2,043	\$ 1,255	\$ 953	\$ 2,033	\$ 1,173

---

## Table of Contents

In connection with the reorganization, Silvercrest L.P. intends to make a distribution to its principals of previously undistributed current year earnings in the aggregate amount of \$ . Such distribution will be funded from the existing cash balances of Silvercrest L.P. and will not be funded by any of the proceeds of this offering.

We anticipate that distributions to the principals of Silvercrest L.P., which, immediately following this offering, will consist of 37 of our current employees and us will continue to be a material use of our cash resources and will vary in amount and timing based on our operating results and dividend policy. As discussed under “Dividend Policy,” we currently intend to declare quarterly cash dividends to our Class A stockholders. We are a holding company and have no material assets other than our ownership of interests in Silvercrest L.P. As a result, we will depend upon distributions from Silvercrest L.P. to pay any dividends to our Class A stockholders. We expect to cause Silvercrest L.P. to make distributions to us in an amount sufficient to cover dividends, if any, declared by us. Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends. To the extent we do not have cash on hand sufficient to pay dividends, we may decide not to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing that pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

Our purchase of Class B units in Silvercrest L.P. concurrently with this offering, and the future exchanges of Class B units of Silvercrest L.P., are expected to result in increases in our share of the tax basis of the tangible and intangible assets of Silvercrest L.P. at the time of our acquisition and these future exchanges, which will increase the tax depreciation and amortization deductions that otherwise would not have been available to us. These increases in tax basis and tax depreciation and amortization deductions are expected to reduce the amount of tax that we would otherwise be required to pay in the future. We will enter into a tax receivable agreement with current members of Silvercrest L.P. and any future holders of Class B units pursuant to which we will agree to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize as a result of these increases in tax basis and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments thereunder. The timing of these payments is currently unknown. The payments to be made pursuant to the tax receivable agreement will be a liability of Silvercrest and not Silvercrest L.P. This liability will be recorded as an “other liability” on our statement of financial condition. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase in our share of the tax basis of the tangible and intangible assets of Silvercrest L.P.

While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of our income and the tax rates then applicable, we expect that as a result of the size of the increases in the tax basis of our tangible and intangible assets, the payments that we may make under the tax receivable agreement likely will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased depreciation and amortization of our assets, we expect that future payments to the selling principals of Silvercrest L.P. in respect of our purchase of Class B units from them will aggregate approximately \$ million. Future payments to current principals of Silvercrest L.P. and future holders of Class B units in respect of subsequent exchanges would be in addition to these amounts and are expected to be substantial. We intend to fund required payments pursuant to the tax receivable agreement from the distributions received from Silvercrest L.P.

## [Table of Contents](#)

### Cash Flows

The following table sets forth our cash flows for the years ended December 31, 2011, 2010 and 2009 and the six months ended June 30, 2012 and 2011. Operating activities consist of net income subject to adjustments for changes in operating assets and liabilities, depreciation, and equity-based compensation expense. Investing activities consist primarily of acquiring and selling property and equipment, distributions received from investments in investment funds, and cash paid as part of business acquisitions. Financing activities consist primarily of contributions from partners, distributions to partners, the issuance and payments on partner notes and earnout payments related to business acquisitions.

(in thousands)	Years Ended December 31,			For the Six Months Ended June 30,	
	2011	2010	2009	2012	2011
Net cash provided by operating activities	\$ 15,401	\$ 11,419	\$ 8,311	\$ 8,348	\$ 7,137
Net cash (used in) provided by investing activities	(4,476)	365	(512)	(241)	(391)
Net cash used in financing activities	(10,596)	(10,086)	(8,847)	(12,893)	(8,367)
Net change in cash	\$ 329	\$ 1,698	\$(1,048)	\$ (4,786)	\$ (1,621)

### Operating Activities

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

Operating activities provided \$8.3 million and \$7.1 million for the six months ended June 30, 2012 and 2011, respectively. This difference primarily is the result of an increase in net income of \$1.8 million for the six months ended June 30, 2012.

#### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

Operating activities provided \$15.4 million and \$11.4 million for the years ended December 31, 2011 and 2010, respectively. This difference primarily is the result of an increase in net income of \$3.7 million for the year ended December 31, 2011 and increased working capital resulting from an increase of \$0.7 million in the collection of accounts receivable during the year ended December 31, 2011. The increase in Due from Silvercrest Funds is the result of a change in payment terms from monthly to quarterly in addition to increased fund management fee revenue.

#### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

Operating activities provided \$11.4 million and \$8.3 million for the years ended December 31, 2010 and December 31, 2009, respectively. This difference is partially attributable to higher net income for the year ended December 31, 2010, a \$0.7 million increase in the change to accounts payable and accrued expenses, and a decrease of \$2.8 million in employee bonuses paid in 2010. These increases in cash provided by operating activities were partially offset by a \$4.6 million increase related to the change in accounts receivable for the year ended December 31, 2010. The increase in Due from Silvercrest Funds is the result of a change in payment terms from monthly to quarterly in addition to increased fund management fee revenue.

### Investing Activities

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

For the six months ended June 30, 2012, investing activities used \$0.2 million primarily as a result of a \$0.4 million earnout payment related to the Marathon acquisition partially offset by the \$0.2 million sale of securities and partial release of our security deposit on our lease in New York.

---

## Table of Contents

### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

Investing activities consist primarily of investments in investment funds as well as capital expenditures. For the year ended December 31, 2011, investing activities used \$4.5 million whereas for the year ended December 31, 2010, investing activities provided \$0.4 million. The increase in cash used in investing activities from 2010 to 2011 was primarily the result of the cash payment of \$3.3 million related to the Milbank acquisition in addition to a \$0.4 million increase in earnout payments related to the Marathon acquisition.

### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

For the year ended December 31, 2010, investing activities provided \$0.4 million primarily as a result of the funding of a sub-tenant escrow account.

## **Financing Activities**

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

For the six months ended June 30, 2012 and 2011, financing activities used \$12.9 million, and \$8.4 million, respectively. The increase in net cash used in financing activities from 2011 to 2012 was primarily the result of higher partner incentive allocations paid in 2012 in addition to higher tax distributions paid during the six months ended June 30, 2012 as compared to the same period in 2011. Incentive allocations and tax distributions increased directly as a result of increased profitability and operating cash flow.

### *Year Ended December 31, 2011 versus Year Ended December 31, 2010*

Financing activities consist primarily of contributions from partners, distributions to partners, the issuance and payments on partner notes, and earnout payments related to business acquisitions completed on or subsequent to January 1, 2009. For the years ended December 31, 2011 and 2010, financing activities used \$10.6 million, and \$10.1 million, respectively. The increase in net cash used in financing activities from 2010 to 2011 was the result of increased distributions of \$4.1 million made to principals as a result of higher partner incentive allocations paid in 2011 in addition to higher tax distributions paid in the first quarter of 2011 as compared to the same period in 2010. Incentive allocations and tax distributions increased directly as a result of increased profitability and operating cash flow. These increases were partially offset by lower payments of \$2.9 million on notes payable due to the payment in full in 2011 of the note issued in connection with the Marathon acquisition, and the payment in full during 2010 of notes issued to former partners by us for the redemption of units under which we exercised our call right upon their termination of employment. In addition, cash received from principals on notes receivable was \$1.1 million for the year ended December 31, 2011 compared to \$0.2 million for the year ended December 31, 2010.

### *Year Ended December 31, 2010 versus Year Ended December 31, 2009*

For the years ended December 31, 2010 and 2009, financing activities used \$10.1 million, and \$8.8 million, respectively. This increase was due to \$1.2 million of reduced cash proceeds received from the issuance of interests in Silvercrest L.P. in 2010. Cash payments received from principals on notes receivable was \$0.8 million lower in 2010 than in 2009 because payments on certain partner notes that were due in 2010 were extended until 2011. Repayments on notes issued to former principals for the redemption of units held by them under which we exercised our call right upon their termination increased \$0.5 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. These increases were partially offset by lower distributions to principals of \$1.4 million as a result of lower partner incentive allocations paid in 2010.

We anticipate that distributions to principals of Silvercrest L.P. will continue to be a material use of our cash resources, and will vary in amount and timing based on our operating results and dividend policy.

## [Table of Contents](#)

We have an outstanding fixed rate note payable to Milbank related to the Milbank acquisition, and variable rate notes issued to former principals to redeem units held by them under which we exercised our call right upon their termination.

The aggregate principal amount of the notes related to the Milbank acquisition matures after four annual principal installments payable on each of November 1, 2012, 2013, 2014, and 2015 in the amounts of \$0.8 million, \$0.9 million, \$1.0 million, and \$0.6 million, respectively, together with all accrued and unpaid interest. If specified conditions are not met by Milbank prior to November 1, 2014, then the principal payment due on November 1, 2015 will be reduced to \$0.1 million. The principal amount outstanding under this note bears interest at the rate of five percent per annum.

As of June 30, 2012, \$3.2 million remains outstanding on the notes payable related to the Milbank acquisition. Accrued but unpaid interest on the notes payable related to the Milbank acquisition was approximately \$0.1 million as of June 30, 2012.

As of December 31, 2011, \$3.2 million remains outstanding on the notes payable related to the Milbank acquisition. Accrued but unpaid interest on the notes payable related to the Milbank acquisition was approximately \$0.1 million as of December 31, 2011.

As of June 30, 2012, \$1.1 million remains outstanding on the notes issued to former principals. Accrued but unpaid interest on these notes issued to former principals was approximately \$23 thousand as of June 30, 2012. The principal amounts outstanding under these notes bear interest at the U.S. Prime Rate plus one percent in effect at the time payments are due.

As of December 31, 2011, \$1.6 million remains outstanding on the notes issued to former principals. Accrued but unpaid interest on these notes issued to former principals was approximately \$44 thousand as of December 31, 2011. The principal amounts outstanding under these notes bear interest at the U.S. Prime Rate plus one percent in effect at the time payments are due.

### **Contractual Obligations**

The following table sets forth information regarding our consolidated contractual obligations as of December 31, 2011.

	Payments Due by Period				
	Less Than				More Than
	Total	1 Year	1-3 Years	3-5 Years	5 Years
	(in thousands)				
Operating leases	\$19,096	\$3,448	\$ 6,687	\$ 6,532	\$ 2,429
Capital leases	55	21	34	—	—
Notes payable	4,739	1,469	2,706	564	—
Total	<u>\$23,890</u>	<u>\$4,938</u>	<u>\$ 9,427</u>	<u>\$ 7,096</u>	<u>\$ 2,429</u>

### **Off-Balance Sheet Arrangements**

We entered into a guaranty arrangement in October 2011. We act as investment advisor to Silvercrest Strategic Opportunities Fund. In October 2011, Silvercrest Strategic Opportunities Fund entered into a \$5,000,000 revolving credit agreement with Pershing LLC for client redemptions. Simultaneously with the execution of the credit agreement, we entered into an indemnification agreement with Pershing whereby we agreed to indemnify Pershing from claims arising out of the non-performance of Silvercrest Strategic Opportunities Fund's obligations under the related credit agreement. The credit agreement matured on January 15, 2012. See Note 11 to the consolidated financial statements of Silvercrest L.P. for the years ended December 31, 2011, 2010 and 2009 included elsewhere in this prospectus for further disclosure regarding this off-balance sheet arrangement.

---

## [Table of Contents](#)

We did not have any off-balance sheet arrangements as of June 30, 2012, December 31, 2010 or December 31, 2009.

### **Critical Accounting Policies and Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and other income reported in the consolidated financial statements and the accompanying notes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, our results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results could differ from those estimates. Significant estimates and assumptions made by management include the fair value of acquired assets and liabilities, impairment of goodwill and intangible assets, revenue recognition, equity based compensation, accounting for income taxes, and other matters that affect the consolidated financial statements and related disclosures. Accounting policies are an integral part of our financial statements. An understanding of these accounting policies is essential when reviewing our reported results of operations and our financial condition. Management believes that the critical accounting policies and estimates discussed below involve additional management judgment due to the sensitivity of the methods and assumptions used.

### ***Business Combinations***

We account for business combinations using the acquisition method of accounting. The acquisition method of accounting requires that purchase price, including the fair value of contingent consideration, of the acquisition be allocated to the assets acquired and liabilities assumed using the estimated fair values determined by management as of the acquisition date.

For acquisitions completed subsequent to January 1, 2009, we measure the fair value of contingent consideration at each reporting period using a probability-adjusted discounted cash flow method based on significant inputs not observable in the market and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings. In relation to our acquisition of Milbank Winthrop, the fair value of the contingent consideration was based on discounted cash flow models using projected EBITDA for each earnout period. The discount rate applied to the projected EBITDA was determined based on the weighted average cost of capital for the Company and considered that the overall risk associated with the payments was similar to the overall risks of our business as there is no target, floor or cap associated with the contingent payments.

### ***Goodwill and Intangible Assets***

Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is not amortized and is evaluated for impairment using a two-step process that is performed at least annually, or whenever events or circumstances indicate that impairment may have occurred. During 2011, we changed our annual impairment test date from December 31 to October 1, effective October 1, 2011. The change was made in anticipation of our company having a requirement to issue its annual financial statements on an accelerated basis as compared to prior years. The change had no impact on our results of operations or any other financial statement line item. The first step is a comparison of the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired and the second step is unnecessary. If the carrying value of the reporting unit exceeds its fair value, a second step is performed to measure the amount of impairment by comparing the carrying amount of the goodwill to a determination of the implied fair value of the goodwill. If the carrying amount of the goodwill is greater than the implied value, an impairment loss is recognized for the difference. The implied value of the goodwill is determined as of the test date by performing a

---

## Table of Contents

purchase price allocation, as if the reporting unit had just been acquired, using currently estimated fair values of the individual assets and liabilities of the reporting unit, together with an estimate of the fair value of the reporting unit taken as a whole. The estimate of the fair value of the reporting unit is based upon information available regarding prices of similar groups of assets, or other valuation techniques including present value techniques based upon estimates of future cash flows. Our reporting unit is not at risk of failing step one as its estimated fair value determined during the company's annual goodwill impairment test for 2011 exceeded its carrying amount by over 400%.

Identifiable finite-lived intangible assets are amortized over their estimated useful lives ranging from three to 20 years. Intangible assets consist primarily of the contractual right to future management, advisory and performance fees from customer contracts or relationships. Indefinite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the net carrying amount of the asset may not be recoverable. In connection with such review, we also re-evaluate the periods of amortization for these assets. Recoverability of these assets is measured by a comparison of the carrying amount of these assets to undiscounted future net cash flows expected to be generated by these assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

### ***Revenue Recognition***

Investment advisory fees are typically billed quarterly in advance after the beginning of the quarter or in arrears after the end of the quarter, based on a contractual percentage of the assets managed. Family office services fees are also typically billed quarterly in advance after the beginning of the quarter or in arrears after the end of the quarter based on a contractual percentage of the assets managed or upon a contractually agreed-upon flat fee arrangement. Revenue is recognized on a ratable basis over the period in which services are performed.

We account for performance based revenue in accordance with ASC 605-20-S99, Accounting for Management Fees Based on a Formula, by recognizing performance fees and allocations as revenue only when it is certain that the fee income is earned and payable pursuant to the relevant agreements. In certain arrangements, we are only entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets. We record performance fees and allocations as a component of revenue.

Because the majority of our revenues are earned based on assets under management that have been determined using fair value methods and since market appreciation/depreciation has a significant impact on our revenue, we have presented our assets under management using the U.S. GAAP framework for measuring fair value. That framework provides a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs based on company assumptions (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

- Level 1—includes quoted prices (unadjusted) in active markets for identical instruments at the measurement date. The type of financial instruments included in Level 1 include unrestricted securities, including equities listed in active markets.
- Level 2—includes inputs other than quoted prices that are observable for the instruments, including quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are observable for the instruments. The type of financial instruments in this category include less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and managed funds whose net asset value is based on observable inputs.

## Table of Contents

- Level 3—includes one or more significant unobservable inputs. Financial instruments that are included in this category include assets under management primarily comprised of investments in privately-held entities, limited partnerships, and other instruments where the fair value is based on unobservable inputs.

The table below summarizes the approximate amount of assets under management for the periods indicated for which fair value is measured based on Level 1, Level 2 and Level 3 inputs.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in billions)			
December 31, 2011 AUM	\$ 7.5	\$ 1.1	\$ 1.5	\$10.1
June 30, 2012 AUM	\$ 8.1	\$ 1.1	\$ 1.5	\$10.7

As substantially all our assets under management are valued by independent pricing services based upon observable market prices or inputs, we believe market risk is the most significant risk underlying valuation of our assets under management, as discussed under the heading “Risk Factors” and “—Quantitative and Qualitative Disclosure About Market Risk.”

The average value of our assets under management for the six months ended June 30, 2012 was approximately \$10.4 billion. Assuming a 10% increase or decrease in our average assets under management and the change being proportionately distributed over all our products, the value would increase or decrease by approximately \$1.0 billion, which would cause an annualized increase or decrease in revenues of approximately \$4.5 million at our current weighted average fee rate of 0.43%.

The average value of our assets under management for the year ended December 31, 2011 was approximately \$9.7 billion. Assuming a 10% increase or decrease in our average assets under management and the change being proportionately distributed over all our products, the value would increase or decrease by approximately \$1.0 billion, which would cause an annualized increase or decrease in revenues of approximately \$3.8 million at the 2011 weighted average fee rate of 0.39%.

### ***Equity-Based Compensation***

Equity-based compensation cost relating to the issuance of share-based awards to principals is based on the fair value of the award at the date of grant, which is expensed ratably over the requisite service period, net of estimated forfeitures. The fair value of the award is based upon the calculation of a per unit limited partnership interest of our company utilizing both discounted cash flow and guideline company valuation methodologies. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may affect the timing of the total amount of expense recognized over the vesting period. The service period is the period over which the employee performs the related services, which is normally the same as the vesting period. Equity-based awards that do not require future service are expensed immediately. Equity-based awards that have the potential to be settled in cash at the election of the employee or that pertain to redeemable partnership units are classified as liabilities, or Liability Awards, and are adjusted to fair value at the end of each reporting period. Distributions associated with Liability Awards not expected to vest are accounted for as part of compensation expense in our Consolidated Statements of Operations.

In order to determine the fair value of our limited partnership interests underlying equity-based compensation awards issued prior to the offering described in this prospectus, we first determined the market value of our invested capital, or MVIC. Our MVIC was estimated using a combination of two generally accepted approaches: the income approach using the discounted cash flow method, or DCF, and the market-based approach using the comparable company method. The DCF method estimates enterprise value based on the estimated present value of future net cash flows the business is expected to generate over a forecasted period and an estimate of the present value of cash flows beyond that period, which is referred to as terminal value. The

---

## Table of Contents

estimated present value is calculated using our weighted average cost of capital, which accounts for the time value of money and the appropriate degree of risks inherent in the business. The market-based approach considers multiples of financial metrics based trading multiples of a selected peer group of companies. These multiples are then applied to our financial metrics to derive a range of indicated values. Once calculated, the discounted cash flow and comparable company methods are then weighted. Estimates of the volatility of our limited partnership interests were based on available information regarding the volatility of common stock of comparable, publicly traded companies.

Prior to this offering, the fair value of the limited partnership interests underlying equity-based compensation awards were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, "Valuation of Privately-Held-Company Equity Securities Issued as Compensation." The assumptions we used in the valuation model were based on future expectations combined with management judgment. Because there had been no public market for our limited partnership units, management exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our limited partnership interests as of the date of each equity-based compensation award grant, including the following factors:

- the provisions of our limited partnership agreement;
- our operating and financial performance;
- current business conditions and projections;
- lack of control discount;
- lack of marketability discount;
- the likelihood of achieving a liquidity event for the limited partnership interests underlying these equity-based compensation awards, such as an initial public offering or sale of our company, given prevailing market conditions;
- historical trading activity of comparable publicly traded companies;
- the market performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions.

In February 2010, we granted 15,808 units with fair value at grant date of \$68.36 per unit. By February 2011, U.S. markets improved which resulted in an increase in our valuation and the market value of comparable companies. As a result of these factors in addition to organic growth, we projected increases in our budget for 2011 as compared to our actual performance in 2010. In February 2011, we granted 10,802 units with fair value at grant date of \$148.35 per unit. Our valuation determined a MVIC by weighting the DCF approach at 50% and the market-based approach at 50%. Our MVIC reflected a discount for lack of control of 13% based on the existence of a non-managing partnership interest and a discount for lack of marketability of 20% based on a liquidity event expected to occur within approximately twelve months. In February 2012, we granted 1,000 units with fair value at grant date of \$207.71 per unit. U.S. markets continued to improve into the first quarter of 2012 as compared to the end of 2011. As a result, we projected increases in our 2012 budget as compared to actual performance in 2011. Our valuation for the February 2012 grants was determined using a market-based approach and reflected an assumed initial public offering discount of 15%.

### ***Income Taxes***

Our operating company is not subject to federal and state income taxes, since all income, gains and losses are passed through to its partners. Our operating company is subject to New York City Unincorporated Business Tax. We, including our affiliated incorporated entities, are subject to federal and state corporate tax, which requires an asset and liability approach to the financial accounting and reporting of income taxes. With respect to

---

## [Table of Contents](#)

our incorporated entity, the annual tax rate is based on the income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Judgment is required in determining the tax expense and in evaluating tax positions. The tax effects of an uncertain tax position, or UTP, taken or expected to be taken in income tax returns are recognized only if it is “more likely-than-not” to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We recognize estimated interest and penalties related to UTPs in income tax expense.

We recognize the benefit of a UTP in the period when it is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination.

### ***Recently Issued Accounting Pronouncements***

In January 2010, the FASB issued Accounting Standards Update, or ASU, 2010-06, “Improving Disclosures About Fair Value Measurements,” or ASU 2010-06. ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures were effective as of January 1, 2010, except for the Level III gross reporting which was effective for our company January 1, 2011. The adoption of ASU 2010-06 did not have a material impact on our financial statements.

In July 2010, the FASB issued ASU 2010-20, “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,” or ASU 2010-20. ASU 2010-20 requires additional disclosures about the credit quality of financing receivables and the allowance for credit losses. The purpose of the additional disclosures is to enable users of financial statements to better understand the nature of credit risk inherent in an entity’s portfolio of financing receivables and how that risk is analyzed. The new disclosures were effective for our interim and annual reporting periods beginning January 1, 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, “Intangibles—Goodwill and Other (Topic 350) When to Perform Step Two of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts,” which enhanced guidance on when to perform step two of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires step two to be performed if it is more likely than not that a goodwill impairment exists. This guidance was effective for our interim and annual reporting periods beginning January 1, 2011. As our reporting unit does not currently have a zero or negative carrying value, the adoption of this guidance did not have any impact on our financial statements.

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards,” or IFRS, which amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and IFRS. The amended guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or of liabilities. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair

---

## Table of Contents

value requirements is provided. That exception permits a reporting entity to measure the fair value of such financial assets and financial liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarify that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity's holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) are not permitted in a fair value measurement.

The guidance also requires enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial position but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now requires disclosure of all transfers between Levels I and II in the fair value hierarchy.

The amended guidance is effective for interim and annual periods beginning after December 15, 2011. As the impact of the guidance is primarily limited to enhanced disclosures, the adoption did not have a material impact on our financial statements.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment," which provided new accounting guidance on testing goodwill for impairment. The enhanced guidance provides an entity the option to first perform a qualitative assessment of whether a reporting unit's fair value is more likely than not less than its carrying value, including goodwill. In performing its qualitative assessment, an entity considers the extent to which adverse events or circumstances identified, such as changes in economic conditions, industry and market conditions or entity specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If an entity concludes that the fair value of a reporting unit is more likely than not less than its carrying amount, the entity is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and, accordingly, measure the amount, if any, of goodwill impairment loss to be recognized for that reporting unit. The guidance is effective for our interim and annual periods commencing January 1, 2012. Early adoption is permitted. We will consider the guidance when performing our annual impairment assessment in 2012.

### **Subsequent Event**

On September 18, 2012, three of Silvercrest L.P.'s executives repaid outstanding notes payable and accrued interest of \$1,897 thousand that were initially issued in connection with the acquisition of their partnership interests.

### **Qualitative and Quantitative Disclosures Regarding Market Risk**

Our exposure to market risk is directly related to our role as investment adviser for the separate accounts we manage and the funds for which we act as sub-investment adviser. Most of our revenue for the year ended December 31, 2011 and the six months ended June 30, 2012 were derived from advisory fees, which are typically based on the market value of assets under management. Accordingly, a decline in the prices of securities would cause our revenue and income to decline due to a decrease in the value of the assets we manage. In addition, such a decline could cause our clients to withdraw their funds in favor of investments offering higher returns or lower risk, which would cause our revenue and income to decline further. Please see our discussion of market risks in "—Critical Accounting Policies and Estimates—Revenue Recognition."

## BUSINESS

### Our Guiding Principles

- We will create, build and maintain an environment that encourages innovation and original thought and apply this fresh thinking to the needs of our clients and firm.
- We will attract, motivate and retain unusually talented and ambitious professionals who share a passion for the investment business and an antipathy for corporate bureaucracy and office politics.
- We will conduct ourselves in all our dealings as highly ethical, responsible and competent professionals who always place our clients' financial interests ahead of our own.
- We will encourage and nurture an entrepreneurial, collegial and action-oriented business culture in which "fun" is inevitable and decisions are generally consensual.

### Our Company

We are a premier, full-service wealth management firm focused on providing financial advisory and related family office services to ultra-high net worth individuals and institutional investors. In addition to a wide range of investment capabilities, we offer a full suite of complementary and customized family office services for families seeking comprehensive oversight of their financial affairs. As of June 30, 2012, our assets under management were \$10.7 billion, which we believe makes us the largest investment adviser in the United States that is focused on high net worth clients and is principally owned by its employees. Our clients are among the wealthiest and most sophisticated in the world.

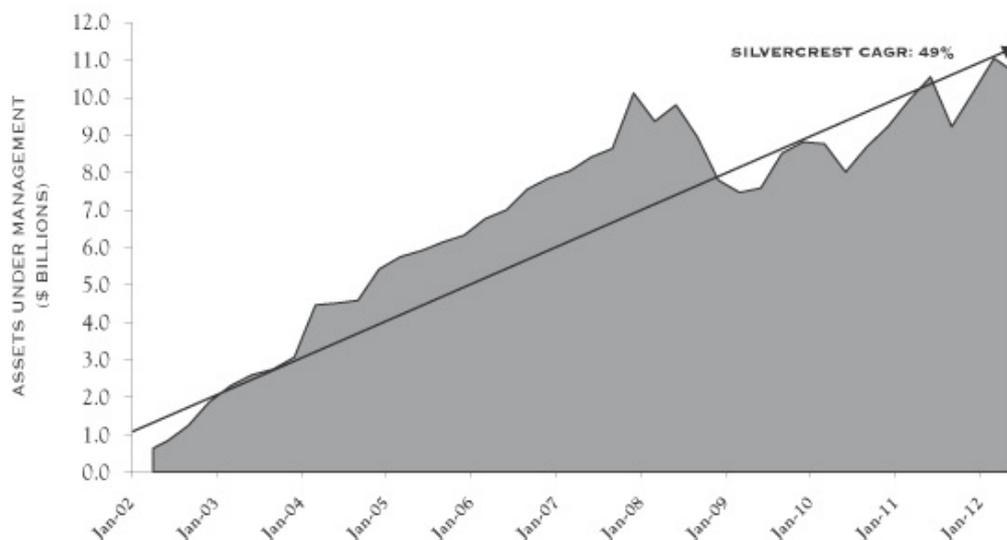
We were founded ten years ago on the premise that if we staffed and organized our business to deliver a combination of excellent investment performance together with high-touch client service, we would quickly differentiate our business from a crowded field of firms nominally in the wealth management business. We seek to attract and serve a base of individuals and families with \$10 million or more of investable assets, and we believe we are particularly well-positioned to offer comprehensive investment and family office service solutions to families with over \$25 million of investable assets. As of June 30, 2012, our top 375 client relationships had an average size of \$28 million and represented approximately 98% of our assets under management. Our top 50 relationships averaged \$151 million in size as of June 30, 2012. As a boutique, we are large enough to provide an array of comprehensive capabilities, yet agile enough to coordinate and deliver highly personalized client service.

We consider these to be our competitive strengths:

- We are a company offering independent, unconflicted advice, which is principally employee-owned.
- We have a strong record of organic and acquired growth and we have a scalable platform.
- We have a long-term track record of superior investment performance.
- We have a diverse and highly loyal clientele.
- We have proven senior management which has successfully executed our growth strategy.

We have grown during a time of extraordinary financial turmoil during which the value of a full-service, independent, client-focused firm has become ever-more apparent. Our growth and success at attracting ultra-high net worth clients, primarily by taking market share from our competitors, validates our original premise. Our annual client retention rate has averaged 98% since 2006 and, as shown below, the compound annual growth rate, or CAGR, in assets under management since inception is 49%. We believe our record of growth is a direct result of our demonstrated record of delivering excellent performance together with highly personalized service to our clients.

ASSETS UNDER MANAGEMENT GROWTH  
4/1/02-6/30/12



Our organic growth has been complemented by selective hiring and by four strategic acquisitions which have expanded not only assets under management, but also our professional ranks, geographic footprint and service capabilities. We believe additional acquisitions will allow us to extend our geographic presence nationally. As we grow, we will maintain our value proposition to continue to deliver to our clients excellent investment performance together with excellent client service, the essence of what differentiates us from our competitors.

Our clients engage us to advise them on traditional investment strategies focused on equities, fixed income and cash as well as non-traditional investment strategies including hedge funds, private equity funds, real estate and commodities. Our clients receive a full menu of proprietary investment capabilities together with a focused array of complementary non-proprietary capabilities offered by unaffiliated firms selected by us. In addition to our investment capabilities, we also provide our clients with family office services and related administrative services, which include financial planning, tax planning and preparation, partnership accounting and fund administration, and consolidated wealth reporting. Our fees for our investment advisory services, non-proprietary services, and family office and related administrative services are structured to align our financial incentives with those of our clients to ensure they receive unconflicted advice. The vast majority of our fees are for discretionary asset management, and are based on the value of the assets we manage for our clients. These fee revenues increase if our clients' assets grow in value; these revenues decrease if our clients' assets decline in value. We charge a management fee based on assets under management for our investment advisory services. Unlike our management fees, our fees for family office services and related administrative services are generally not based on or correlated to market values. For these services, we generally charge our clients a negotiated fee based on the scope of work. These services create strong client relationships and contribute meaningfully to our record of client retention.

As of June 30, 2012, approximately 94% of our assets under management were held for individual clients and 6% for institutional clients. Based on the strong results we have achieved in a number of our equity strategies, we have begun to attract a significant amount of institutional investor interest. After almost four years of dedicated effort, our equity capabilities are now on the approved lists of several prominent institutional consultants and, as a result, we believe significant institutional growth is likely in future years.

---

## [Table of Contents](#)

### *History, Organization and Philosophy*

When forming our company, our founders had the objective of creating a large full-service boutique operation focused on managing portfolios and delivering financial advice to wealthy individuals and select institutions. We commenced operations in April of 2002. Our first partners and employees came almost entirely from Donaldson, Lufkin & Jenrette (DLJ) Asset Management Group which had been acquired by Credit Suisse Asset Management in late 2000. In 2002, we carefully recruited and hired the same equity, fixed income and client service teams with whom our clients had worked at DLJ Asset Management Group. As of June 30, 2012, more than a quarter of our 87 employees are veterans of DLJ. Many of our principals, therefore, have worked together for 20 years and, in some cases, even longer.

Our headquarters are located in New York City with additional offices in Boston, Massachusetts and Charlottesville, Virginia. Since 2004, we have acquired four separate registered investment advisers and we have integrated and rebranded their operations into our company. The following is a summary of these acquisitions:

- James C. Edwards Asset Management Inc., acquired in March 2004 with \$889 million in assets under management, helped build out our New York presence;
- Heritage Financial Management LLC, acquired in March 2005 with \$330 million in assets under management, created an office in Charlottesville, VA and enhanced our family office and tax planning and preparation capabilities;
- Marathon Capital Group LLC, acquired in October 2008 with \$552 million in assets under management, established a Boston office for our company; and
- Milbank Winthrop & Co., acquired in November 2011 with approximately \$478 million in assets under management, strengthened our presence in the New York market and allowed us to add commodity and new funds of funds investment capabilities.

In structuring our business we anticipated that we would quickly become a large boutique operation. Accordingly, from inception we have embraced an organizational structure in which the primary functions of client service, investments, technology and operations and business administration were organized and staffed with professionals who specialize in each of those functions. This structure permits each professional to focus on his or her area of expertise without the distraction of other business responsibilities. At many other firms the senior professionals are expected to serve multiple roles simultaneously, which we believe dilutes the value to clients and makes scaling the business effectively unachievable. We firmly believe that our business structure represents a better approach and will permit us to greatly expand our business on our existing platform.

In meeting our primary objective to deliver strong investment results, we seek to add value through our asset allocation advice, as well as through our proprietary equity and fixed income strategies and outsourced investment capabilities. We recruited and hired a team of seasoned securities analysts who have an institutional caliber approach to security selection and a long record of success in implementing their strategies. We encourage them to focus 100% of their professional time on the task of securities selection. Our in-house equity analysts are focused on U.S. large cap, small cap, mid cap, multi cap, equity income and focused value equity strategies. On the fixed income side, our analysts are focused on high-grade municipals, high-yield municipals and high-grade taxables.

In order to deliver excellent client service, our portfolio managers are charged with the responsibility of working individually with each client to help define investment objectives, risk tolerance, cash flow requirements and other financial needs. The portfolio manager is responsible for developing a portfolio strategy designed to meet these predetermined client goals. Thereafter, the portfolio manager becomes the client's primary point of contact with our company in all matters, including assessing the client's need for family office services, and then introducing and overseeing the family office services professionals engaged for that work. Client-facing portfolio managers, their support staffs and the family office services group account for 50% of our total employees, a reflection of our high commitment to excellent client service. The ratio of our total client relationships to client-facing professionals is, therefore, approximately nine to one. We are staffed to assure that each client receives senior level personal attention.

## [Table of Contents](#)

We have a staff of ten professionals who work with our portfolio managers to deliver family office services to interested clients. The fees for family office services are negotiated with the client and generally are not asset-based. For this reason, the revenues generated by our family office services are non-correlated to market movements and provide us with a diversified source of earnings. We believe these family office services have been an attractive component of our overall value proposition and engender a stronger relationship with the client, leading to greater client retention and the institutionalization of client relationships.

Prior to the financial crisis of 2008, we enjoyed a triple digit annualized growth rate of assets under management from inception through August 2008. Subsequent to the onset of the financial crisis in 2008, we have recovered more rapidly than many of our large, independent competitors, according to RIA Data Center, and our assets under management now exceed our pre-financial crisis high. Importantly, we remained profitable throughout the downturn. We expect to continue our pattern of complementing our organic growth in assets through selective hiring and acquisitions. We expect our growth to further accelerate as a direct result of growing client referrals and increasing our presence in the institutional marketplace.

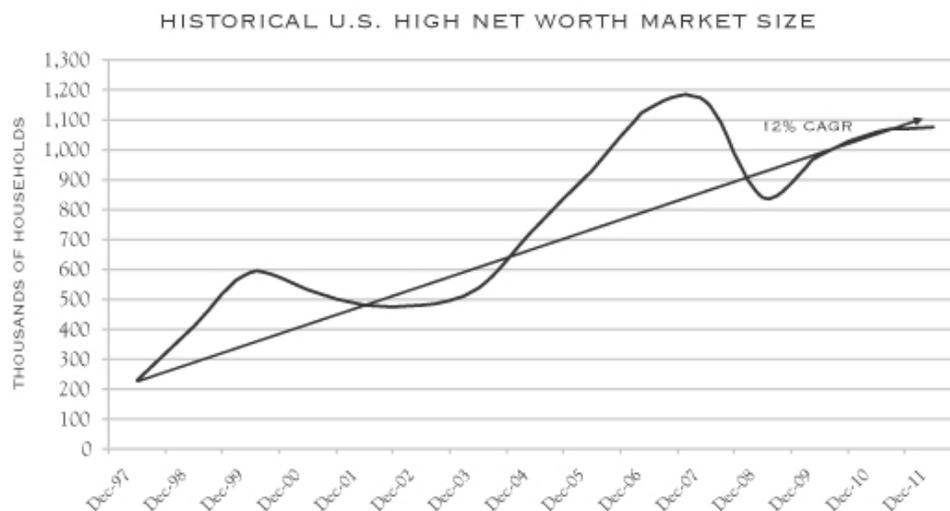
## **Our Market Opportunity**

### **Overview**

Our client relationships with ultra-high net worth individuals currently represent less than 1% of U.S. families with investable assets over \$25 million. Our assets represent less than 5% of the \$356 billion multi-family office (MFO)/registered investment adviser (RIA) channel, which, according to data from Cerulli Associates, itself represents 8% of the estimated \$4.6 trillion high net worth market. Even modest improvements in our penetration of this market will lead to significant further growth.

### **Domestic High Net Worth Market**

The Spectrem Group estimates there were 1.1 million households in the United States with a net worth of over \$5 million in 2011 and 107,000 with a net worth in excess of \$25 million. Over the last 14 years, the number of households with over \$5 million in net worth has grown at an annual rate of 12% per year. Cerulli Associates estimates that 92% of the \$4.6 trillion high net worth market is at firms outside the MFO/RIA channel. With our focus on taking market share from these firms, we believe that there is a significant growth opportunity for us.



Source: The Spectrem Group

---

## [Table of Contents](#)

The Spectrem Group found that high net worth clients and families, in selecting an adviser, valued qualities such as honesty, trustworthiness, transparency and responsive service ahead of an adviser's investment performance track record. When these highly valued characteristics are coupled with superior performance, the result can be an unusually loyal client base. During one of the most turbulent periods of U.S. financial history our clients proved to be highly loyal: our annual client retention rate for the years 2006 through 2011 was 98%.

### ***The Wealth Management Industry***

The wealth management industry is highly competitive and comprised of many players. We compete directly with some of the largest financial service companies, as well as some of the smallest. Substantially all of our new business to date has resulted from our success in taking market share from these firms. In general, these competitors fall into one of the following categories:

- ***Diversified Financial Institutions*** have divisions aimed at providing wealth management solutions to the high net worth segment that are usually staffed by brokers with many sources of compensation.
- ***Asset Management Firms*** offer proprietary institutional and retail asset management services catering to the high net worth segment largely with off-the-shelf products.
- ***Trust Companies*** combine fiduciary and investment services as well as ancillary financial services with little emphasis on performance.
- ***MFO/RIAs*** focus exclusively on the high net worth segment and, in the case of MFOs, are frequently dominated by one or two families.

Cerulli Associates estimates that MFO/RIAs are the fastest growing firms in the wealth management industry. Assets have doubled over the last five years as they have taken greater market share, primarily from large financial institutions. Assets managed by MFO/RIAs grew from 2005-2010 at a CAGR of 14.9% as compared with a 4.3% CAGR for all high net worth providers. Cerulli Associates further estimates that high net worth managed assets will grow at a 9.4% CAGR from 2010 through 2014. We are an RIA which is also regarded as an MFO, and thus we are well positioned to benefit from the growth Cerulli Associates foresees.

The 2008 financial crisis created an ongoing opportunity for independent smaller firms to attract assets from their larger competitors. The press has documented the erosion of client trust that has occurred at large financial institutions due to inherent conflicts of interest and lack of transparency. In delivering conflict-free advice within a completely transparent fee relationship, we are well-positioned to achieve further market share gains.

### ***Institutional Market***

The asset management industry has experienced significant growth in worldwide assets under management during the past 15 years, fueled in significant respects by aging populations in both developed and emerging markets around the world, which have increased the pools of savings and particularly pension assets. For example, total pension assets in the United States grew from \$6.8 trillion at the end of 1996 to \$16.1 trillion at the end of 2011, according to Towers Watson. Furthermore, Towers Watson estimates that U.S. pension funds allocate 44% of year-end total assets to equities or \$7.1 trillion. As of June 30, 2012, institutional assets only represented approximately 6% of our total assets under management or \$661 million but, after a focused multi-year investment effort to make our capabilities known to institutional investment consultants, we believe we are now well positioned to attract meaningful institutional assets. As a result, we expect this percentage to increase significantly.

---

## [Table of Contents](#)

### **Competitive Strengths**

Our key competitive strengths are as follows:

#### ***Independent, Unconflicted Advice***

We are an independent registered investment adviser and are not affiliated with a broker/dealer or a commercial bank. As a result, our financial incentives are directly aligned with those of our clients. The vast majority of our fees are for discretionary asset management, and are based on the value of the assets we manage for our clients. These fee revenues increase if our clients' assets grow in value; these revenues decrease if our clients' assets decline in value. We do not receive commissions, rebates, spreads or any other indirect or undisclosed forms of compensation. We are not controlled by any client or family and all of our investment decisions are made in the best interests of our clients. All of our fees are fully disclosed and transparent to our clients who have an unrestricted right to accept or reject them.

We employ a partnership culture and mindset fostered through widespread employee equity ownership. As of June 30, 2012, 37 of our employees owned equity in our company. Each of our principals purchased this equity by making a substantial personal investment in our company. We believe that employee equity aligns our employees' interests both with our company's and our clients' interests. It further motivates and dedicates employees to the task of satisfying our clients' objectives. We believe that this partnership approach maximizes teamwork and collegiality and when issues and opportunities arise, all of our principals take an active interest in them.

#### ***Demonstrated Track Record of Growing Assets Under Management***

We have expanded our business through a combination of organic growth and acquired growth, which combined with strong investment returns, have produced a CAGR in total client assets of 49% since our inception.

Our organic growth in our individual client business has been fueled by client referrals and through the hiring of portfolio managers with substantial client relationships. Our institutional client business has resulted from a multi-year effort to make our equity capabilities known to institutional investment consultants. Our acquired growth is the result of four strategic acquisitions we have consummated in New York, Boston and Charlottesville. Following this offering, we expect the number and frequency of acquisitions to increase.

We have adopted a scalable structure in which the primary functions of client service, investments, technology and operations and business administration are organized and staffed with professionals who specialize in each of those functions. Our organization not only permits the efficient and scalable growth of our business but fosters the integration of acquired firms. Our ultra-high net worth business is scalable and our institutional business is even more so. We can add significant institutional assets without any further significant investment in infrastructure.

#### ***Long-Term Track Record of Superior Investment Performance***

We have a proven ability to deliver excellent investment performance through both our asset allocation work on behalf of clients as well as through security selection. We believe that the superior investment returns we have generated for investors over many years and through all types of economic conditions are a key reason for our success in growing assets. The following chart summarizes the performance of each of our principal equity strategies relative to their appropriate benchmarks.

## Table of Contents

PROPRIETARY EQUITY PERFORMANCE AS OF 6/30/12	INCEPTION	ANNUALIZED PERFORMANCE				INCEPTION
		1-YEAR	3-YEAR	5-YEAR	7-YEAR	
<b>Large Cap Value Composite</b>	<b>4/1/02</b>	<b>-2.2</b>	<b>14.3</b>	<b>0.6</b>	<b>4.8</b>	<b>5.6</b>
Russell 1000 Value Index		3.0	15.8	-2.2	2.9	4.2
<b>Small Cap Value Composite</b>	<b>4/1/02</b>	<b>1.9</b>	<b>19.9</b>	<b>7.9</b>	<b>9.7</b>	<b>9.6</b>
Russell 2000 Value Index		-1.4	17.5	-1.1	3.4	6.1
<b>Smid Cap Value Composite</b>	<b>10/1/05</b>	<b>-0.4</b>	<b>17.4</b>	<b>3.6</b>	<b>—</b>	<b>6.5</b>
Russell 2500 Value Index		-1.5	18.8	-0.2	—	3.7
<b>Multi Cap Value Composite</b>	<b>7/1/02</b>	<b>-1.3</b>	<b>16.5</b>	<b>3.0</b>	<b>6.4</b>	<b>7.0</b>
Russell 3000 Value Index		2.6	16.0	-2.1	3.0	5.4
<b>Equity Income Composite</b>	<b>12/1/03</b>	<b>4.5</b>	<b>17.3</b>	<b>4.9</b>	<b>8.0</b>	<b>9.9</b>
Russell 3000 Value Index		2.6	16.0	-2.1	3.0	5.2
<b>Focused Value Composite</b>	<b>9/1/04</b>	<b>-5.2</b>	<b>15.9</b>	<b>2.4</b>	<b>6.5</b>	<b>8.2</b>
Russell 3000 Value Index		2.6	16.0	-2.1	3.0	4.4

### *Loyal, Diverse Base of Clients*

As a result of our focus on delivering outstanding investment performance combined with highly personalized client service, we have developed significant long-term relationships with a large majority of our clients. Many of our client relationships pre-date the formation of our company. Since 2006, our annual client retention rate has averaged 98%.

Our suite of family office services has been an important component to building a strong relationship with our clients, leading to greater client retention. Nine out of our ten largest relationships use one or more components of our family office services. In addition to assisting in client retention, these capabilities have been instrumental in attracting new clients from families which seek a comprehensive and efficient approach to overseeing their wealth beyond investment management.

Our assets under management are highly diversified among clients. As of June 30, 2012, approximately 98% of our business was comprised of clients whose average relationship size is \$28 million and our top 50 relationships averaged \$151 million. As of June 30, 2012, our clients were represented in 43 states and the District of Columbia and no single client represented more than 5% of our revenue.

### *Dedicated, Proven Senior Management*

Our entire business is overseen by an Executive Committee comprising our Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer and General Counsel. This group meets weekly to discuss our overall business. In particular, the Executive Committee focuses on developing and implementing our strategy as well as solving problems and seizing opportunities effectively and efficiently. At present, no one on the Executive Committee has direct client or investment responsibility and, as a result, each member of the Executive Committee commits his full resources to managing the business and executing our growth strategy.

### **Our Growth Strategy**

We built our company to take market share from financial services firms whose wealth management models we believe are flawed. To date, we attracted substantially all of our new client relationships from our competitors due to client dissatisfaction with service and/or investment performance. Our growth strategy has been and will continue to be to grow our business organically, to complement our organic growth with strategic hires and acquisitions and to expand our presence in the institutional market. In support of each of these initiatives we plan to continue to invest in establishing our brand through continued selective advertising and public relations.

---

## [Table of Contents](#)

### ***Organic Growth***

We have a proven ability to identify, attract and retain ultra-high net worth clients who seek a firm designed to deliver excellent investment performance and excellent client service. Our organizational model of separate and distinct business functions has proven scalable and our company's assets under management have grown on average in excess of \$1 billion per year without a commensurate increase in headcount. Importantly, we have achieved our growth while maintaining our profitability during one of the most challenging periods in the history of the U.S. financial markets. Going forward, we will continue to execute our proven business plan for attracting ultra-high net worth clients.

The business of attracting ultra-high net worth clients is the business of obtaining referrals and gaining trust. At our company these responsibilities reside principally with our portfolio managers. Our senior portfolio managers have on average nearly 30 years of experience and they have a wealth of contacts and professional referral sources as a result of that experience. In spearheading the effort to deliver excellent performance and service to their clients, these portfolio managers develop very close relationships with their clients and in many cases these relationships are much older than our company itself. Much of our new business results from referrals from existing clients. In this regard, it is critical that our portfolio managers work closely with each of their clients to establish the trust that is at the heart of the relationship.

Where appropriate, our portfolio managers are also encouraged to introduce our clients to our family office services capabilities and we expect to see growth in client utilization of these services in the future. Nine of our ten largest clients use our family office services and some of these have closed their own family offices to consolidate those activities with us. This is a profitable business for us and it serves to tighten our ties to those clients who avail themselves of the services we offer. It is also extremely useful to us in new business competitions where we use these services as a differentiator from our competitors. We expect much greater penetration with our current clients in future years and we expect that many of our new clients will use these services extensively.

Complementing the efforts of our senior portfolio managers to cultivate client referrals, our recently created business development team is charged with identifying newly formed wealth (resulting from merger, acquisition or corporate finance) and then creating customized solicitations. Our objective is two-fold: we will expand awareness of our company and its capabilities by distributing our marketing materials to this new audience and we will attract a certain amount of new business. The basis of this effort is careful research designed to ascertain if the prospect has any relationship with us—or any of our clients or friends—and then our solicitation is tailored to those circumstances. This effort is relatively new but we are very encouraged by its early results.

In all of our business development efforts we devote a great deal of time and effort to developing highly customized and detailed proposals for our prospects. In order to do so, we spend as much time as is required to thoroughly understand the prospect's circumstances and goals as well as the sources of its dissatisfaction with its existing adviser. Where appropriate our proposals include the integration of our entire suite of family office services. We believe very few of our competitors invest the time and labor to create comparable proposals and we believe these customized proposals have underpinned much of our new business success. Simultaneously, our customized new business presentations distinguish us from both our much larger competitors who have major resources but cannot easily tailor solutions to suit clients' needs as well as from our smaller competitors who do not have our depth of resources or capabilities.

### ***Acquired Growth***

From our inception, our organic growth has been complemented by selective hiring and strategic acquisitions which have served to enlarge our client base, expand our professional ranks, increase our geographic presence and broaden our service capabilities. We therefore expect to continue to recruit and hire senior portfolio managers with significant client relationships as well as successful investment professionals with capabilities

---

## Table of Contents

currently not available internally to us. We have used acquisitions to extend our presence into new geographies (Boston, Charlottesville) and to gain new investment expertise. The four strategic acquisitions we have completed have allowed us to benefit from economies of scale and scope.

In making acquisitions, we look for compatible professionals of the highest integrity who believe in our high service-high performance model for the business. It is important that their clientele be principally clients of high net worth and it is helpful if they have a similar value-based investment methodology. These firms are attracted to our company by the strength of our brand, the breadth of our services and the integrity of our people. Often these firms are extremely limited in the investment products and client services they can offer their clients and it is not uncommon that they have succession or other management issues to resolve. In addition, the high and growing cost of compliance with federal and state laws governing their business is often an added inducement. Following this offering, we believe we will become the partner of choice for many such firms.

Continuing our short-term growth strategy, we intend to establish offices in major wealth centers on the West Coast, in the Southwest and in the Midwest in order to be closer to both our clients and to prospective clients. The following chart identifies those U.S. cities which contain the greatest number of families with net worth of \$30 million or more:

<u>RANK</u>	<u>CITY</u>	<u>RESIDENTS WITH A NET WORTH &gt; \$30 MILLION</u>
1	New York, NY	7,270
2	Los Angeles, CA	4,350
3	San Francisco, CA	4,230
4	Chicago, IL	2,550
5	Washington, DC	2,300
6	Houston, TX	2,250
7	Dallas, TX	1,855
8	Atlanta, GA	960
9	Boston, MA	890
10	Seattle, WA	885

Source: Cerulli Associates/Wealth-X

While we have been able to consummate acquisitions largely on the strength of our brand and culture without the benefit of publicly traded stock, we believe additional cash and a publicly traded stock will greatly enhance our acquisition prospects. Our past acquisitions have sharpened our ability to integrate acquired businesses, and we believe that once we identify an acquisition target we will be able to complete the acquisition and the integration of the acquired business expeditiously.

We have a strong brand and trusted reputation. Unlike pure “roll up” firms, we believe we appeal to like-minded professionals who wish to remain independent, autonomous and focused on their clients. In-line with our previous acquisitions, we envision future targets will be rebranded as Silvercrest.

### ***Institutional Growth***

After four years of effort focused on cultivating relationships with institutional investment consultants, we are now regularly making new business presentations to institutional investors, including public and corporate pension funds, endowments, foundations, and their consultants.

We are now on the “approved” lists of certain prominent institutional investment consultants and we have begun to win mandates in our equity strategies. This trend was recently highlighted by our selection by a very large state retirement fund to manage an equity mandate of up to \$400 million. In addition, we have been hired to

---

## [Table of Contents](#)

manage a new equity mutual fund which is presently in the early stages of its national marketing campaign. We expect this trend to continue once it is publicly known that these and other institutions have engaged us to manage significant portfolios for them. The importance of institutional growth to our company is noteworthy: institutional assets will likely expand not only our assets under management but also our profit margins; and the painstaking due diligence conducted by these institutions before selecting us will ratify and confirm the decisions to hire us made by our individual clients.

### ***Brand Management***

We have invested heavily to build, maintain and extend our brand. We have done so in the belief that creating awareness of our company and its differentiated characteristics would support all aspects of our business but most notably our growth.

With limited resources, we have created a focused national advertising campaign, which has drawn praise from clients, prospects and competitors alike. We have carefully chosen media outlets that reach our target audience efficiently and we estimate that the new business, which we get directly as a result of our advertising, now finances its cost.

Complementing our advertising strategy and again with limited resources, we have also invested in an effort to get media coverage of our company in some of the nation's most prestigious national publications as well as in industry journals and newsletters. This effort has resulted in press coverage by the *Wall Street Journal*, *Barron's*, *Bloomberg*, the *Financial Times* and *The New York Times* as well as various trade publications distributed within our industry. This public relations effort has very proven helpful in establishing our company as a leader in our industry.

Following this offering we expect to increase our spending in both advertising and public relations as part of our effort to further build our brand and to increase the market's awareness of our company, particularly in the geographic markets which we expect to enter.

### **Our Business Model**

We were founded in 2002 to provide independent investment advisory and related family office services to ultra-high net worth individuals and endowments, foundations and other institutional investors. To this end, we are structured to provide our clients with institutional-quality investment management with a level of service that wealthy individuals have difficulty obtaining elsewhere.

To provide a high level of service, we rely on portfolio management teams and our family office services team to provide objective, conflict-free investment management selection and a fully integrated, customized family-centric approach to wealth management. We believe the combination of comprehensive family office service, excellent investment capabilities and a high level of personal service allows us to take advantage of economies of scale to service the needs of our ultra-high net worth clients.

We have dedicated investment management teams tasked with successfully implementing their respective investment strategies. To increase the probability of success in meeting this objective, our analysts are not responsible for client interaction, management of our business, marketing or compliance oversight. This enables us to effectively serve ultra-high net worth clients as well as institutions which typically perform in-depth due diligence before selecting a manager.

### ***Delivering Investment Performance***

The Investment Policy & Strategy Committee, or IPSC, which is comprised of our chief strategist and several of our senior portfolio managers, is charged with the responsibility of adding value through asset allocation and manager selection. This is done through the use of our proprietary investment management by internal analysts, and best-of-breed external managers.

## [Table of Contents](#)

The IPSC develops model asset allocations assuming differing levels of risk, liquidity and income tolerance as well as conducting outside manager due diligence. Our proprietary model portfolio structures are not merely a backward-looking, mechanical exercise based on the past performance of different asset classes. Instead, our IPSC overlays our judgment on the likely future performance of different asset classes in arriving at optimal portfolio structures. None of our dedicated investment analysts serves on this committee, which safeguards the independence of the IPSC's recommendations.

Our portfolio managers are responsible for creating a customized investment program for each client based upon the IPSC's work. An interactive dialogue ensures that each portfolio plan is based upon each client's defined written objectives. Each client's portfolio strategy takes into account that client's risk tolerance, income and liquidity requirements as well as the effect of diversifying out of low-basis and/or sentimental holdings.

Historically, the IPSC has added value to our clients' portfolios through asset allocation weightings and manager selection. The chart below shows the performance results of our company's basic asset allocation model portfolios developed by the IPSC using our proprietary and outsourced investment capabilities.

MODEL PORTFOLIO PERFORMANCE AS OF 6/30/12	INCEPTION	ANNUALIZED PERFORMANCE				INCEPTION
		1-YEAR	3-YEAR	5-YEAR	7-YEAR	
<b>Income Portfolio</b>	<b>5/1/03</b>	<b>2.3</b>	<b>10.9</b>	<b>4.8</b>	<b>5.7</b>	<b>6.5</b>
U.S. Stock/Bond Mix (50/50) <sup>1</sup>		6.5	11.7	3.5	4.8	5.9
<b>Balanced Portfolio</b>	<b>5/1/03</b>	<b>0.6</b>	<b>12.9</b>	<b>4.3</b>	<b>6.0</b>	<b>7.4</b>
U.S. Stock/Bond Mix (60/40) <sup>1</sup>		6.3	12.6	2.9	4.7	6.0
<b>Growth Portfolio</b>	<b>5/1/03</b>	<b>-1.7</b>	<b>14.9</b>	<b>3.1</b>	<b>6.1</b>	<b>8.2</b>
U.S. Stock/Bond Mix (90/10) <sup>1</sup>		5.7	15.5	0.9	4.2	6.4

<sup>1</sup> The equity benchmark is the S&P 500 Index and the fixed income benchmark is the Barclays Aggregate Bond Index.

From inception, we have employed a system of peer group reviews to ensure that client portfolios have been constructed in a manner consistent with our best collective thinking. In annual peer group reviews, the asset allocation within client portfolios is compared with the portfolios' defined objectives and portfolios which are not fully aligned with the investment objective, which are then singled out for further review and discussion. Our objective is for all clients to receive our best thinking and that portfolio managers are managing portfolios consistently with our policy. As a combination of these various factors, the client relationship is with us and not merely with an individual at our company.

We believe that it is impossible for a single manager to perform all forms of investing equally well. Thus, our core proprietary investment capabilities are focused on a narrow range of highly disciplined U.S. equity and fixed income management strategies. Our investment teams have exhibited strong performance records. With respect to these strategies, roughly 57% of our separately managed account assets are managed in our proprietary investment strategies.

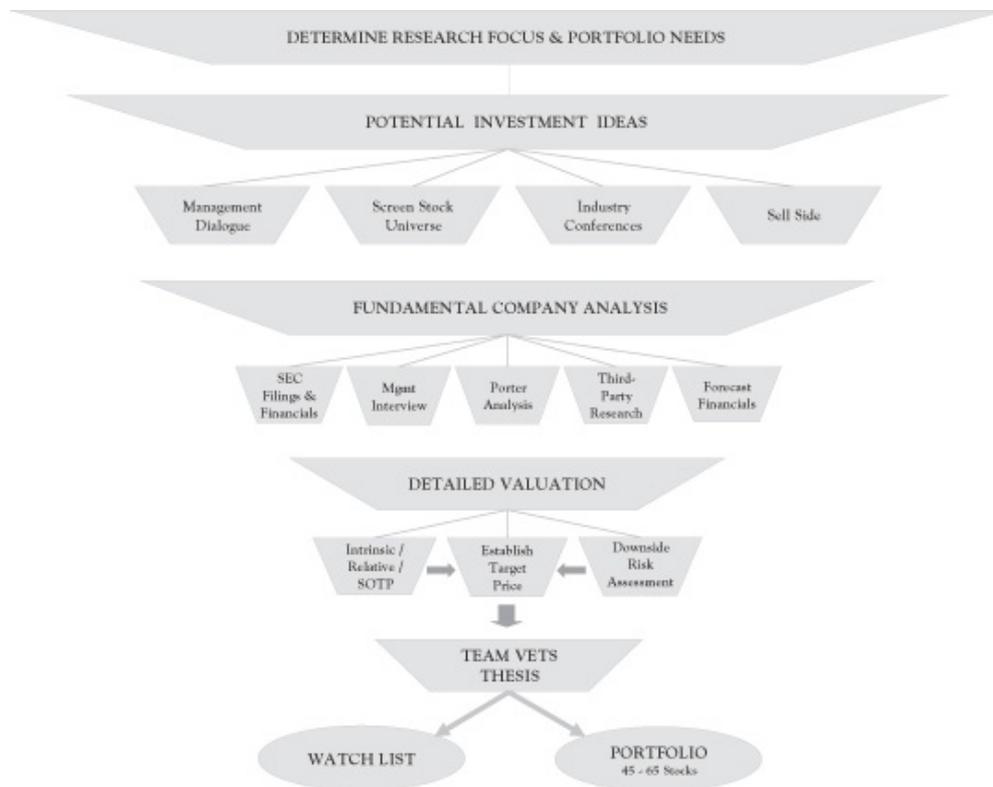
Our outsourced investment capabilities include alternative investments as well as traditional investment approaches in the categories of domestic large, mid and small cap growth equity, international equities and high yield bonds.

### *Proprietary Equity Strategies*

Our equity strategies rely on a team-based investment approach and a rigorous investment process. This approach has resulted in returns that exceed relevant market benchmarks. We believe this team approach has

## Table of Contents

provided and will continue to provide consistency to our investment process and results over the long-term. Our investment analysts are generalists who employ a “bottom-up” value oriented equity selecting methodology. Our analysts collectively monitor a universe of approximately 100 stocks which are deemed to be attractively valued relative to their business outlook and management’s history of adding value. Each proprietary equity strategy is built from the same body of research. Below is an illustration of the equity team’s investment process:



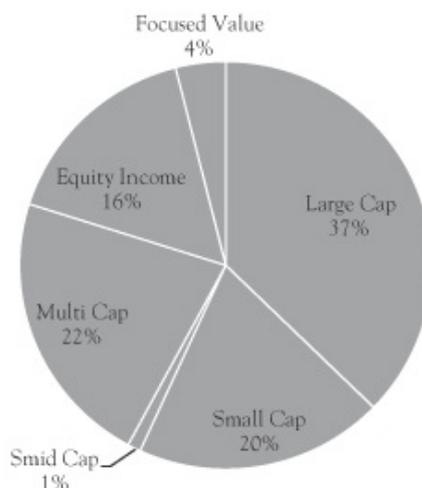
Once stocks have been approved for investment from this body of research, they become part of one or more model equity portfolios. These are generally large cap, small cap, smid cap, multi-cap, equity income and focused value. Each stock position is continually monitored against its investment thesis to ensure investment discipline, and we employ a strict discipline to trim or sell securities in the following circumstances:

- When a stock is excessively valued in our models or the best case scenario is reflected in the stock price;
- Due to a stock’s outperformance, which can adversely affect a portfolio’s diversification;
- Due to underperformance, when a stock trails relevant benchmarks by more than 10%;
- When the investment thesis changes, due to a loss of confidence in management, a change in business prospects, or the deterioration in earnings quality.

[Table of Contents](#)

Below is a breakdown of assets among the various proprietary equity strategies as of June 30, 2012:

**PROPRIETARY EQUITY ASSET BREAKDOWN**  
as of 6/30/12



Each of our equity strategies has outperformed its benchmark as illustrated by the following chart:

PROPRIETARY EQUITY PERFORMANCE AS OF 6/30/12	INCEPTION	ANNUALIZED PERFORMANCE				INCEPTION
		1-YEAR	3-YEAR	5-YEAR	7-YEAR	
<b>Large Cap Value Composite</b>	<b>4/1/02</b>	<b>-2.2</b>	<b>14.3</b>	<b>0.6</b>	<b>4.8</b>	<b>5.6</b>
Russell 1000 Value Index		3.0	15.8	-2.2	2.9	4.2
<b>Small Cap Value Composite</b>	<b>4/1/02</b>	<b>1.9</b>	<b>19.9</b>	<b>7.9</b>	<b>9.7</b>	<b>9.6</b>
Russell 2000 Value Index		-1.4	17.5	-1.1	3.4	6.1
<b>Smid Cap Value Composite</b>	<b>10/1/05</b>	<b>-0.4</b>	<b>17.4</b>	<b>3.6</b>	<b>—</b>	<b>6.5</b>
Russell 2500 Value Index		-1.5	18.8	-0.2	—	3.7
<b>Multi Cap Value Composite</b>	<b>7/1/02</b>	<b>-1.3</b>	<b>16.5</b>	<b>3.0</b>	<b>6.4</b>	<b>7.0</b>
Russell 3000 Value Index		2.6	16.0	-2.1	3.0	5.4
<b>Equity Income Composite</b>	<b>12/1/03</b>	<b>4.5</b>	<b>17.3</b>	<b>4.9</b>	<b>8.0</b>	<b>9.9</b>
Russell 3000 Value Index		2.6	16.0	-2.1	3.0	5.2
<b>Focused Value Composite</b>	<b>9/1/04</b>	<b>-5.2</b>	<b>15.9</b>	<b>2.4</b>	<b>6.5</b>	<b>8.2</b>
Russell 3000 Value Index		2.6	16.0	-2.1	3.0	4.4

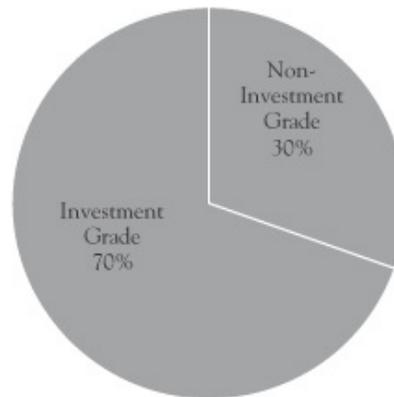
---

## [Table of Contents](#)

### *Proprietary Fixed Income Strategies*

In the management of fixed income investments, clients typically give us the mandate to produce stable returns to dampen the volatility of their portfolios as a counter-weight to equities as part of their complete asset allocation. For those investors who can take advantage of the tax exemption of municipal bonds, we have developed two high-yield municipal bond products designed to add value to the returns possible from high-grade bonds in a low interest rate environment. Below is the breakdown of assets under management by strategy as of June 30, 2012:

**PROPRIETARY FIXED INCOME ASSET BREAKDOWN**  
as of 6/30/12



Our fixed income strategy employs a bottom-up fundamental value approach designed to minimize the risk of loss. Almost all of our bond portfolios are highly customized and focused on income and liquidity generation as opposed to capital appreciation.

### ***Outsourced Manager Selection***

Recognizing the value of diversification to our clients, we offer a variety of outsourced investment capabilities designed to complement our proprietary capabilities. These outsourced capabilities include managers who have long records of success in managing growth equities, international equities, taxable high yield bonds, hedge funds and other strategies not offered on a proprietary basis by us. In selecting these managers, we utilize an investment manager database for initial screening and then a dedicated staff conducts on-site due diligence. Potential managers are reviewed and selected by our IPSC. Our selection criteria include the following:

- *Highly Consistent Returns.* We emphasize consistency of performance over strong performance marked by high volatility.
- *Tax Sensitivity.* We seek managers with a low turnover style of management designed to achieve attractive after-tax rates of return.
- *Solid Operations, Technology.* We require each manager to produce evidence that it has strong technology and operations capabilities as well as vigorous compliance adherence.
- *Alignment of Interest.* We require evidence that the strategy's key people have significant equity in their company and are motivated to stay in place.
- *Will Negotiate Fees.* We require our traditional managers to accept a significant discount in their management fees because we expect to manage all aspects of the client relationship. Their only responsibility is to manage the capital entrusted to them. No manager has refused to offer the discounts we seek.

---

## Table of Contents

In the case of hedge fund selection, for several years we have engaged the services of an outside hedge fund consultant whose team of analysts assists us in making formal hedge fund decisions. For large clients with significant hedge fund exposure, we offer a hedge fund advisory service to create customized hedge fund portfolios. Each of our funds of funds capabilities appears below:

- *Silvercrest Hedged Equity Fund* is designed to complement and diversify long-only equity portfolios through investments with managers who employ long and short strategies;
- *Silvercrest Emerging Markets Fund* provides international and non-dollar exposure and diversification focused on long, short, credit and other managers who invest in emerging markets;
- *Silvercrest Commodity Strategies Fund* seeks to give investors comprehensive commodity exposure; and
- *Silvercrest Special Situations Fund* is designed to outperform traditional benchmarks with less volatility.

We have two types of fee arrangements with outsourced managers. With respect to separately managed accounts, clients pay a discounted fee, negotiated by us, directly to the manager. With respect to outsourced fund consultants, clients pay a discounted fee negotiated by us, directly to the manager and the manager distributes a portion of the fee to us. Clients are informed of this arrangement and have signed a written acknowledgement.

### ***Delivering Client Service***

We take a holistic approach to client service, whereby a senior portfolio manager spearheads the coordination of the IPSC recommendations, family office services work and the investment management team in order to deliver the full range of our capabilities to the client. The portfolio manager helps the client define his or her portfolio needs, develop a portfolio plan designed to achieve them and execute an agreed upon plan to accomplish our client's financial objectives. The portfolio manager has regular contact with our clients to make sure our clients thoroughly understand the decisions that are made.

Portfolio managers are supported by junior portfolio managers and portfolio assistants who are thoroughly knowledgeable about a client's portfolio, investment strategy and relationship with us. Junior portfolio managers are young professionals whom we seek to train and develop as portfolio managers. This approach frees senior managers to handle more client business, without compromising service, while developing the next generation of portfolio managers to develop and handle new client accounts. The majority of our organic growth is due to client referrals and we believe the structure of our portfolio management teams, investments in technology and integrated portfolio trading programs enable us to scale future growth.

Nine out of our ten largest clients use one or more component of our family office services. We believe that this is an attractive growth area for our company and have initiated plans to increase the provision of these services to both broaden relationships with existing clients and to attract potential clients. Our family office services are profitable and are not used as a loss-leader for attracting clients. Our family office capabilities include the following:

- Financial Planning;
- Tax Planning and Preparation;
- Partnership Accounting and Fund Administration;
- Consolidated Wealth Reporting;
- Estate or Trust Agency; and
- Art Consultancy, Management.

---

## [Table of Contents](#)

For institutional client relationships, all day-to-day interfacing with our clients is handled by a dedicated institutional client service team headed by a Managing Director who also maintains our relationships with institutional investment consultants. This structure permits our investment professionals to maintain their focus on achieving superior investment results without the distraction of client demands. For the regularly scheduled portfolio review sessions with a client, generally a senior investment professional attends the face-to-face meetings with the head of institutional client services. The result is an efficient client-oriented service approach that is significantly scalable in size.

### **Competition**

The wealth management industry is highly competitive and is comprised of many players. We compete directly with some of the largest financial service companies, as well as some of the smallest. Virtually all of our new business is gained from our success in taking market share from these firms. We primarily compete on the basis of several factors, including our level of service, the quality of our advice, independence, stability, performance results, breadth of our capabilities and fees. In general, these competitors fall into one of the following categories:

- **Diversified Financial Institutions** have divisions aimed at providing wealth management solutions to the high net worth segment that are usually staffed by brokers.
- **Asset Management Firms** offer proprietary institutional and retail asset management services catering to the high net worth segment largely with off-the-shelf products.
- **Trust Companies** combine fiduciary and investment services as well as ancillary financial services.
- **MFO/RIAs** focus exclusively on the high net worth segment and are frequently dominated by one or two families.

As a registered investment adviser that is not affiliated with other financial firms, we are free from the conflicts associated with brokerage or investment banking firms. In advising our clients on portfolio strategies, we are motivated to meet our clients' investment objectives—not to generate commissions or placement fees—and to focus solely on providing excellent service and investment performance.

We have the size and resources to compete with larger organizations, and unlike many smaller firms, to provide our clients with fully customized, full-service wealth management and integrated family office solutions. While many competitors outsource investment management, we have chosen to compete with excellent proprietary investment capabilities coupled with a focused array of complementary non-proprietary capabilities offered by unaffiliated firms. This combination enables us to compete for and win the business of wealthy investors. We believe this is a key to our past and future success.

### **Employees**

As of June 30, 2012, we had 85 full-time employees and two part-time employees.

### **Facilities**

Our corporate headquarters are principally located at 1330 Avenue of the Americas, 38th Floor, New York, New York 10019, where we occupy approximately 41,000 square feet of space under a lease, the terms of which expire on September 30, 2017. We believe our current facilities are adequate for our current needs and that suitable additional space will be available as and when needed.

### **Legal Proceedings**

In the normal course of business, we may be subject to various legal and administrative proceedings. Currently, there are no legal proceedings pending or threatened against us.

## REGULATORY ENVIRONMENT

Our business is subject to extensive regulation in the United States at the federal level and, to a lesser extent, the state level. Under these laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with such laws and regulations. Possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines.

The legislative and regulatory environment in which we operate has undergone significant changes in the recent past. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and our clients may adversely affect our business. Our ability to function in this environment will depend on our ability to monitor and promptly react to legislative and regulatory changes. There have been a number of highly publicized regulatory inquiries that have focused on the investment management industry. These inquiries have resulted in increased scrutiny of the industry and new rules and regulations for investment advisers. This regulatory scrutiny may limit our ability to engage in certain activities that might be beneficial to our stockholders.

In addition, as a result of recent market events, acts of serious fraud in the investment management industry and perceived lapses in regulatory oversight, U.S. and non-U.S. governmental and regulatory authorities may increase regulatory oversight of our businesses. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the CFTC, other U.S. or non-U.S. regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations, as well as by U.S. and non-U.S. courts. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed on us or the markets in which we trade, or whether any of the proposals will become law. Compliance with any new laws or regulations could add to our compliance burden and costs and affect the manner in which we conduct our business.

### SEC Regulation

Silvercrest Asset Management Group LLC is registered with the SEC as an investment adviser under the Advisers Act. The Advisers Act, together with the SEC's regulations and interpretations thereunder, imposes substantive and material restrictions and requirements on the operations of investment advisers. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act, ranging from fines and censures to termination of an adviser's registration.

The Advisers Act imposes substantive regulation on virtually all aspects of our business and relationships with our clients. As a registered investment adviser, we are subject to many requirements that cover, among other things, disclosure of information about our business to clients; maintenance of written policies and procedures; maintenance of extensive books and records; restrictions on the types of fees we may charge, including performance fees; solicitation arrangements; engaging in transactions with clients; maintaining an effective compliance program; custody of client assets; client privacy; advertising; and proxy voting. The SEC has authority to inspect any registered investment adviser and typically inspects a registered investment adviser periodically to determine whether the adviser is conducting its activities (i) in accordance with applicable laws, (ii) consistent with disclosures made to clients and (iii) with adequate systems and procedures to ensure compliance.

As an investment adviser, we have a fiduciary duty to our clients. The SEC has interpreted this duty to impose standards, requirements and limitations on, among other things: trading for proprietary, personal and client accounts; allocations of investment opportunities among clients; use of soft dollars; execution of transactions; and recommendations to clients. We manage 72% of our accounts on a discretionary basis, with

---

## Table of Contents

authority to buy and sell securities for each portfolio, select broker-dealers to execute trades and negotiate brokerage commission rates. In connection with these transactions, we receive soft dollar credits from broker-dealers that have the effect of reducing certain of our expenses. Section 28(e) of the Exchange Act provides a “safe harbor” to an investment adviser against claims that it breached its fiduciary duty under state or federal law (including ERISA) solely because the adviser caused its clients’ accounts to pay more than the lowest available commission for executing a securities trade in return for brokerage and research services. To rely on the safe harbor offered by Section 28(e), (i) we must make a good-faith determination that the amount of commissions is reasonable in relation to the value of the brokerage and research services being received and (ii) the brokerage and research services must provide lawful and appropriate assistance to us in carrying out our investment decision-making responsibilities. In permissible circumstances, we may receive technology-based research, market quotation and/or market survey services which are paid for in whole or in part by soft dollar brokerage arrangements. If our ability to use soft dollars were reduced or eliminated as a result of the implementation of statutory amendments or new regulations, our operating expenses would increase.

Under the Advisers Act, our investment management agreements may not be assigned without the client’s consent. The term “assignment” is broadly defined and includes direct assignments as well as assignments that may be deemed to occur upon the transfer, directly or indirectly, of a controlling interest in an investment adviser.

The failure of Silvercrest Asset Management Group LLC to comply with the requirements of the Advisers Act, and the regulations and interpretations thereunder, could have a material adverse effect on us.

### **CFTC Regulation**

Due to recent rule amendments by the CFTC, Silvercrest Asset Management Group LLC and certain of its affiliates may be required to register with the CFTC and the National Futures Association, or the NFA, as a commodity pool operator and/or commodity trading advisor. Registration will subject us and our affiliates to substantive and material restrictions and requirements, including, among other things, reporting, recordkeeping, disclosure, self-examination and training requirements. Registration may also subject us to periodic on-site audits, and the CFTC is authorized to institute proceedings and impose sanctions for violations of the Commodity Exchange Act and/or CFTC rules.

### **Dodd-Frank**

While the Dodd-Frank Act has not yet caused us to reconsider our business model, certain provisions will, and other provisions may, increase regulatory burdens and reporting and related compliance costs. In addition, the scope of many provisions of the Dodd-Frank Act are being determined by implementing regulations, some of which will require lengthy proposal and promulgation periods. Moreover, the Dodd-Frank Act mandates many regulatory studies, some of which pertain directly to the investment management industry, which could lead to additional legislation or regulation. The SEC and the CFTC jointly issued final rules that require investment advisers registered with the SEC that advise one or more private funds, as well as commodity pool operators and commodity trading advisors registered with the CFTC, to provide certain information on Form PF about their funds and assets under management, including the amount of borrowings, concentration of ownership and other performance information, which will be used by the Financial Stability Oversight Council for purposes of assessing the systemic risk posed by private funds and by the SEC and CFTC for other purposes. We are subject to these rules and will have to provide a Form PF to the SEC. The Dodd-Frank Act will affect a broad range of market participants with whom we interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers. Regulatory changes that will affect other market participants are likely to change the way in which we conduct business with our counterparties. The uncertainty regarding further implementation of the Dodd-Frank Act and its impact on the investment management industry and us cannot be predicted at this time but will continue to be a risk for our business.

---

## [Table of Contents](#)

### **ERISA-Related Regulation**

To the extent that Silvercrest Asset Management Group LLC or any other of our affiliates is a “fiduciary” under ERISA with respect to benefit plan clients, it is subject to ERISA and to regulations promulgated thereunder. Among other things, ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving benefit plan clients and provide monetary penalties for violations of these prohibitions. Our failure to comply with these requirements could have a material adverse effect on our business.

### **Compliance**

Our legal and compliance functions are integrated into a team of professionals. This group is responsible for all legal and regulatory compliance matters, as well as monitoring adherence to client investment guidelines. Senior management is involved at various levels in all of these functions.

For information about our regulatory environment, see “Risk Factors—Risks Related to the Regulatory Environment in which We Operate—The regulatory environment in which we operate is subject to continual change and regulatory developments designed to increase oversight may adversely affect our business.”

## MANAGEMENT

### Executive Officers and Directors

The following table provides information regarding our directors, nominees to our board of directors and executive officers.

<u>Name</u>	<u>Age</u>	<u>Position</u>
G. Moffett Cochran	61	Chairman, Chief Executive Officer and Director
Richard R. Hough III	42	President, Chief Operating Officer and Director
Scott A. Gerard	44	Chief Financial Officer
David J. Campbell	43	General Counsel and Secretary
Winthrop B. Conrad, Jr.	67	Director
Wilmot H. Kidd III	70	Director
Richard S. Pechter	67	Director

**G. Moffett Cochran** is our Chief Executive Officer and Chairman of our board of directors. As our Chief Executive Officer, Mr. Cochran is responsible for the oversight and management of our company. Mr. Cochran has been the Chairman and Chief Executive Officer of Silvercrest Asset Management Group LLC, since he co-founded it in 2001. Prior to forming Silvercrest Asset Management Group LLC, Mr. Cochran served as Chairman of Donaldson, Lufkin & Jenrette (DLJ) Asset Management Group and then as President of Credit Suisse Asset Management LLC following the acquisition of DLJ by Credit Suisse in 2000. He also currently serves as Chairman of the Board of Directors of the Jefferson Scholars Foundation and as a member of the Board of Trustees of the Virginia Museum of Fine Arts. Mr. Cochran holds a B.A. from the University of Virginia and a J.D. from the University of Virginia School of Law.

As co-founder of Silvercrest Asset Management Group LLC, Mr. Cochran has been involved in guiding our business since its inception. Mr. Cochran has over 25 years of experience in senior management positions in the investment management industry and has dealt with a wide range of issues that face the industry and us in particular. These two facets provide him with strong insights into all aspects of our business and the types of management issues that face companies in our sector. Based on his experience and qualifications, Mr. Cochran was elected as a member of our board.

**Richard R. Hough III** is our President and Chief Operating Officer and a member of our board of directors. Mr. Hough has served as President of Silvercrest Asset Management Group LLC since January 2012 and as its Chief Operating Officer since July 2010. He has been a member of the Executive Committee of Silvercrest L.P. since 2007. Mr. Hough, who joined us in 2003, has responsibility for all aspects of our operations, including corporate strategy and development. Previously, Mr. Hough served as the founding national program director of Children's Scholarship Fund. Mr. Hough also worked in Washington, DC, as a managing editor and policy analyst. Mr. Hough is a member of the Board of Governors of the Investment Adviser Association, a not-for-profit organization that represents the interests of SEC-registered investment adviser firms. He serves on the advisory board of the *New Criterion*, a monthly review of the arts and intellectual life and on the executive board of Monmouth Council, Boy Scouts of America. Mr. Hough graduated with a degree in politics from Princeton University.

Mr. Hough has been involved in the strategy of our company for almost ten years. His various leadership roles enable him to provide valuable insight on the strategic direction of the Company. Based on his experience and qualifications, Mr. Hough was elected as a member of our board.

**Scott A. Gerard** is our Chief Financial Officer. Mr. Gerard has served as Chief Financial Officer of Silvercrest Asset Management Group LLC since 2010. Prior to joining Silvercrest, Mr. Gerard was Chief Financial Officer of Brand Connections, LLC, a private equity-backed marketing and media company from

---

## Table of Contents

December 2008 through November 2009. Previously, he was Chief Financial Officer of Guideline, Inc., a publicly-held business research firm. Prior to Guideline, Mr. Gerard was a Division Controller with Citigroup Inc. and began his career with KPMG LLP. Mr. Gerard is a Certified Public Accountant and received a B.S. in accounting from the University of Buffalo.

**David J. Campbell** is our General Counsel and Secretary. Mr. Campbell has served as the General Counsel of Silvercrest Asset Management Group LLC since 2009. Prior to joining Silvercrest, Mr. Campbell served as a Managing Director and Associate General Counsel at Jefferies & Company, Inc. from 2006 to 2009. Mr. Campbell began his career at Donaldson, Lufkin & Jenrette Securities Corporation, where as a Senior Vice President he provided advice and counsel to DLJ's Pershing Division, Investment Services Group and DLJdirect. In 2001, he joined the law firm of Bressler, Amery & Ross, P.C., where he was a partner. He graduated with a B.A. from The George Washington University and a J.D. from Villanova University School of Law.

**Winthrop B. Conrad, Jr.** is a member of our board of directors. Winthrop B. Conrad, Jr. is Senior Counsel, retired, of Davis Polk & Wardwell, LLP, a New York based global law firm. Prior to July 2007, Mr. Conrad was a senior partner at Davis Polk, specializing in capital markets transactions, mergers and acquisitions and general corporate matters. Mr. Conrad is a graduate of Yale College and received his J.D. from Harvard Law School. Davis Polk has not performed and does not perform legal services for us.

Mr. Conrad has extensive experience with corporate transactions, as well as finance, which provides us with important perspectives in those areas. With his broad experience in corporate legal matters, Mr. Conrad is uniquely equipped to provide the board with insight into capitalization strategies, fiduciary matters, capital markets mechanics and strategic expansion opportunities. Based on his experience and qualifications, Mr. Conrad was elected as a member of our board.

**Wilmot H. Kidd III** is a member of our board of directors. Mr. Kidd is Chairman of the Board and President of Central Securities Corporation, a non-diversified, publicly traded, investment company. Mr. Kidd has served as its President since 1973 and became Chairman of its Board of Directors in 2010. Mr. Kidd graduated from Washington & Lee University with a B.S. and from Northwestern University with an M.B.A.

Mr. Kidd has been involved in the financial services industry generally and the financial aspects of the investment company environment specifically for many years. He has extensive financial expertise through his various roles in publicly traded investment companies. In addition, Mr. Kidd's service as chairman of the board of another public company provides our company with valuable insights on corporate governance issues that face the board and our company. Based on his experience and qualifications, Mr. Kidd was elected as a member of our board.

**Richard S. Pechter** is a member of our board of directors. Mr. Pechter joined Donaldson, Lufkin & Jenrette, or DLJ, in 1969 and spent his career there, retiring in 2000 as a Director of the parent and Chairman of DLJ's Financial Services Group and DLJdirect. He is currently a Director of the Financial Industry Regulatory Authority, Inc., or FINRA, and the New York Stock Exchange Regulatory Authority. Mr. Pechter graduated from Yale and received his M.B.A. from the Harvard Business School, where he was a Baker Scholar.

Mr. Pechter has 42 years of experience in the investment management sector in various business, finance and strategic leadership roles. He has broad expertise and knowledge of the investment management business. Through his experience, Mr. Pechter has gained and developed extensive business, finance, distribution, marketing and leadership skills. Further, Mr. Pechter possesses an understanding of the regulatory aspects affecting our business through his relationships with FINRA and the New York Stock Exchange Regulatory Authority. These unique characteristics make him an important asset to our board, providing insight into the regulatory developments within our sector. Based on his experience and qualifications, Mr. Pechter was elected as a member of our board.

---

## [Table of Contents](#)

### **Board Composition**

Our board of directors currently consists of five directors. Messrs. Conrad, Kidd and Pechter qualify as independent directors under the corporate governance standards of Nasdaq. Our board of directors consists of a majority of independent directors within the meaning of the applicable rules of the SEC and Nasdaq and at least one member, Mr. Kidd, who is an Audit Committee financial expert within the meaning of the applicable rules of the SEC and Nasdaq.

As described under “The Reorganization and Our Holding Company Structure—Stockholders’ Agreement Among Class B Stockholders,” the holders of our Class B common stock and our employees who are granted restricted shares of our Class A common stock will enter into a stockholders’ agreement pursuant to which they will agree to vote their shares of Class A common stock and Class B common stock they hold at such time, or may acquire in the future in accordance with the decision of the Executive Committee of Silvercrest L.P. The votes of the members of the Executive Committee will be weighted based upon their relative holdings of Class B units. As a result of his equity ownership and position on the Executive Committee, following this offering, G. Moffett Cochran will initially control the vote of the Executive Committee of Silvercrest L.P., and therefore, the vote of all of the shares of Class A common stock and Class B common stock held by our employees. The parties of the stockholders’ agreement collectively will hold % of the combined voting power of our capital stock immediately after this offering (or approximately % if the underwriters exercise in full their option to purchase additional shares).

### ***Staggered Board***

Effective upon the consummation of this offering, our board of directors will be divided into three staggered classes of directors of the same or nearly the same number and each director will be assigned to one of the three classes. At each annual meeting of the stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the years 2013 for Class I directors, 2014 for Class II directors and 2015 for Class III directors.

- Our Class I directors will be Mr. Kidd and Mr. Pechter;
- Our Class II directors will be Mr. Conrad and Mr. Hough; and
- Our Class III director will be Mr. Cochran.

Our board of directors is set at five directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide that the number of our board of directors shall be fixed from time to time by a resolution of a majority of our board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class shall consist of one-third of the board of directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our management or a change in control. See “Description of Capital Stock—Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation—Classified Board of Directors” and “Risk Factors—Risks Related to this Offering—Anti-takeover provisions in our amended and restated certificate of incorporation and bylaws could discourage a change of control that our stockholders may favor, which also could adversely affect the market price of our Class A common stock.”

Our board of directors currently consists of five directors. Messrs. Conrad, Kidd and Pechter qualify as independent directors under the corporate governance standards of Nasdaq. Silvercrest was incorporated on July 11, 2011. As such, we have had only one annual meeting during the most recent fiscal year in which all directors attended. Upon being registered as a public company, we intend to have required annual meetings.

---

## [Table of Contents](#)

### ***Board Leadership Structure***

Our board of directors includes our Chief Executive Officer who also serves as Chairman of the board. Our board understands that there is no single, generally accepted approach to providing board leadership and that given the dynamic and competitive environment in which we operate, the right board leadership structure may vary as circumstances warrant. To this end, our board of directors has no policy mandating the combination or separation of the roles of Chairman of the board and Chief Executive Officer and believes the matter should be discussed and considered from time to time as circumstances change. Mr. Cochran will serve as both our Chief Executive Officer and Chairman, which we believe provides strong leadership for us and promotes a close relationship between management and our board of directors and assists in the development and implementation of corporate strategy.

### ***Board Oversight of Risk Management***

Our board of directors is responsible for overseeing management in the execution of its responsibilities and for assessing our general approach to risk management. In addition, an overall review of risk is inherent in our board's consideration of our long-term strategies and other matters presented to our board. Our board exercises its responsibilities periodically as part of its meetings and also through our board's three committees, which will be established prior to the consummation of this offering, each of which will examine various components of enterprise risk as part of their responsibilities. For example, the Audit Committee has primary responsibility for addressing risks relating to financial matters, particularly financial reporting, accounting practices and policies, disclosure controls and procedures and internal control over financial reporting. The Audit Committee has primary responsibility for reviewing and discussing our practices regarding risk assessment and management, including any guidelines or policies that govern the process by which we identify, monitor and handle major risks. The Nominating and Corporate Governance Committee oversees risks associated with the independence of our board and potential conflicts of interest. The Compensation Committee has primary responsibility for risks and exposures associated with our compensation policies, plans and practices, regarding both executive compensation and the compensation structure generally, including whether it provides appropriate incentives that do not encourage excessive risk-taking. Senior management is responsible for assessing and managing our various exposures to risk on a day-to-day basis, including the creation of appropriate risk management programs and policies.

Our board's role in risk oversight of our company is consistent with our leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for assessing and managing our risk exposure, with our board and its committees providing oversight in connection with those efforts. We believe this division of risk management responsibilities presents a consistent, systematic and effective approach for identifying, managing and mitigating risks throughout our company.

### **Board Committees**

Prior to the consummation of this offering, we will establish an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee, each consisting only of independent directors.

### ***Audit Committee***

Our Audit Committee will assist our board of directors in its oversight of our internal audit function, the integrity of our financial statements, our independent registered public accounting firm's qualifications and independence and the performance of our independent registered public accounting firm.

Our Audit Committee's responsibilities will include, among others:

- reviewing the audit plans and findings of our independent registered public accounting firm and our internal audit and risk review staff, as well as the results of regulatory examinations, and tracking management's corrective action plans where necessary;

---

## Table of Contents

- reviewing our financial statements, including any significant financial items and/or changes in accounting policies, with our senior management and independent registered public accounting firm;
- reviewing our financial risk and control procedures, compliance programs regarding risk assessment and management and significant tax, legal and regulatory matters; and
- appointing annually our independent registered public accounting firm, evaluating its independence and performance, determining its compensation and setting clear hiring policies for employees or former employees of the independent registered public accounting firm.

We anticipate that Messrs. Conrad, Kidd and Pechter will serve on the Audit Committee and that Mr. Kidd will serve as its chairman. Each of Messrs. Conrad, Kidd and Pechter is independent under Rule 10A-3 of the Exchange Act. Mr. Kidd serves as our Audit Committee “financial expert”, as that term is defined under the SEC rules implementing Section 407 of Sarbanes-Oxley, and has experience that results in his financial sophistication as defined under Nasdaq rules.

### *Nominating and Corporate Governance Committee*

Our Nominating and Corporate Governance Committee’s responsibilities will include, among others:

- making recommendations to the board regarding the selection of candidates, qualification and competency requirements for service on the board and the suitability of proposed nominees as directors;
- advising the board with respect to the corporate governance principles applicable to us;
- overseeing the evaluation of the board and management;
- reviewing and approving in advance any related party transaction, other than those that are pre-approved pursuant to pre-approval guidelines or rules established by the committee;
- reviewing periodically the form and amounts of director compensation and making recommendations to the board with respect thereto; and
- establishing guidelines or rules to cover specific categories of transactions.

We anticipate that Messrs. Conrad, Kidd and Pechter will serve on the Nominating and Corporate Governance Committee, each of whom qualifies as an “independent” director as defined under the applicable rules and regulations of the SEC, Nasdaq and the Internal Revenue Service. Mr. Conrad will serve as the chairman of the Nominating and Corporate Governance Committee.

### *Compensation Committee*

Our Compensation Committee will assist our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers.

Our Compensation Committee’s responsibilities will include, among others:

- reviewing and approving, or making recommendations to our board of directors with respect to, the compensation of our executive officers;
- overseeing and administering, and making recommendations to our board of directors with respect to, our cash and equity incentive plans; and
- reviewing and making recommendations to the board of directors with respect to director compensation.

---

## [Table of Contents](#)

We anticipate that Messrs. Conrad, Kidd and Pechter will serve on the Compensation Committee, each of whom qualifies as an “independent” director as defined under the applicable rules and regulations of the SEC, Nasdaq and the Internal Revenue Service. Mr. Pechter will serve as the chairman of the Compensation Committee.

### ***Compensation Committee Interlocks and Insider Participation***

Upon the effectiveness of the registration statement of which this prospectus forms a part, our board of directors will form a Compensation Committee as described above. Prior to this offering, the compensation of our executive officers was determined by our Chief Executive Officer and the Executive Committee of Silvercrest L.P. Following this offering, the Compensation Committee of our board of directors will have responsibility for establishing and administering compensation programs and practices with respect to our executive officers, including the named executive officers. None of our executive officers serves as a member of the board of directors or Compensation Committee, or other committee serving an equivalent function, of any entity that has one or more of its executive officers serving as a member of our board of directors or our Compensation Committee.

## COMPENSATION DISCUSSION AND ANALYSIS

*The following discussion and analysis of compensation arrangements of our named executive officers for 2011 should be read together with the compensation tables and related disclosures set forth below. This discussion contains certain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from currently planned programs as summarized in this discussion.*

This section summarizes the material elements and principles underlying our compensation policies, including those relating to our named executive officers. It generally describes the manner and context in which compensation is earned by, and awarded and paid to, our management and senior executives, who we refer to as our principals, and provides perspective on the tables and narratives that follow. The named executive officers of Silvercrest are G. Moffett Cochran, Chairman and Chief Executive Officer, Richard R. Hough III, President and Chief Operating Officer, Scott A. Gerard, Chief Financial Officer, and David J. Campbell, General Counsel and Secretary. During 2011 and through the consummation of this offering, we were a private company. We expect that some of our policies and practices with respect to compensation will change when we are a public company. This section also highlights some of those expected changes.

References to “we”, “our” or “company” in this Compensation Discussion and Analysis section that describe our historical compensation practices refer to Silvercrest L.P. and our predecessor Silvercrest GP LLC, and references to “we”, “our” or “company” in this Compensation Discussion and Analysis section that describe our compensation practices following the consummation of this offering refer to Silvercrest and its subsidiaries.

### ***Philosophy and Objectives of Compensation Program***

Our compensation program is designed to reward past performance on an individual, team, and company level, and encourages future contributions to achieving our strategic goals and enhancing stockholder value. Our method of compensating our principals is intended to meet the following objectives: (i) support our overall business strategy; (ii) attract, retain and motivate top-tier professionals within the investment management industry; and (iii) align the interests of our principals with those of our stockholders.

We believe that to create long-term value for our stockholders, we need a skilled and experienced management team focused on achieving profitable and sustainable financial results, expanding our investment capabilities through disciplined growth, continuing to diversify sources of revenue and delivering superior client service. We depend on our management team to execute the strategic direction of our company and maintain our standards for ethical, responsible and professional conduct. We also rely on our management team to manage our professionals and distribution channels and provide the operational infrastructure that allows our investment professionals to focus on achieving attractive investment returns and superior client service. In addition, we depend on our management team to encourage an entrepreneurial and collegial business culture.

The elements of our compensation and equity participation programs have contributed to our ability to attract and retain a highly qualified team of professionals. For our principals, we use, and expect to continue to use, cash and equity compensation programs and equity participation in a combination that has been successful for us in the past and that we believe will continue to be successful for us as a public company. In addition to cash compensation for our principals, we have recognized performance and value, which enhance our overall compensation objectives, by (i) offering interests in Silvercrest L.P. and its general partner and our predecessor, Silvercrest GP LLC, for purchase by employees at fair market value and (ii) awarding deferred equity units in Silvercrest L.P. and Silvercrest GP LLC which vest over time. In some cases, these deferred equity units are complemented by performance units of additional equity interests in Silvercrest L.P. and Silvercrest GP LLC that vest upon the achievement of defined, long-term company performance hurdles. By doing so, we have enabled our principals to share in the future profits, growth and success of our business.

---

## [Table of Contents](#)

Our cash compensation and equity participation programs align the interests of our principals with those of our stockholders and create long-term stockholder value. After becoming a public company, we intend to maintain overall compensation at highly competitive levels. In addition, we expect to award equity-based compensation as part of our compensation programs for our principals.

As a public company, we intend to focus compensation programs on rewarding performance that increases long-term stockholder value, including growing revenues, retaining clients, developing new client relationships, developing new products, improving operational efficiency and managing risks. We intend to periodically evaluate the success of our compensation and equity participation programs in achieving these objectives and adapt these programs as our company grows in order to enable us to better achieve these, and future, objectives.

### ***Determination of Compensation and Role of Directors and Principals in Compensation Decisions***

Our executive compensation and equity participation programs were developed and implemented while we were a private company. We have not identified a specific peer group of companies for comparative purposes and have not engaged in formal competitive benchmarking of compensation against specific peer companies. In addition, we have not engaged a compensation consultant to assist in the annual review of our compensation practices or the development of compensation or equity participation programs for our principals.

Compensation of our employees is not determined using rigid metrics or formulae and all compensation decisions are subject to the discretion of the Executive Committee of Silvercrest L.P. and, ultimately, our Chairman and Chief Executive Officer. Historically, base salaries, annual bonuses and incentive compensation of our employees are reviewed by the Executive Committee of Silvercrest L.P. and adjusted as deemed necessary after taking into account both individual and company performance. In addition, pursuant to the terms of our governing documents, aggregate compensation levels historically have been subject to the approval of our independent board member and independent investor when they exceeded a specified percentage of annual revenue.

In connection with this offering, our board of directors will form a Compensation Committee comprised solely of independent directors to assist our board of directors in the discharge of its responsibilities relating to the compensation of our named executive officers. For a discussion of the Compensation Committee's role and responsibilities, see "Management—Board Committees—Compensation Committee" included in this prospectus. In making its decisions, the Compensation Committee will be guided by the recommendations of the Chief Executive Officer and Executive Committee of Silvercrest L.P.

We have not adopted policies with respect to cash versus non-cash compensation (or among different forms of non-cash compensation), although we have determined that it is important to encourage or provide a meaningful opportunity to acquire an amount of equity ownership by our principals to help align their interests with those of our company. The allocation between cash and non-cash compensation has historically been based on a number of factors, including individual performance, company performance and company liquidity. These determinations vary from year to year. We may decide in future years to pay some or all of short-term and long-term incentives in equity depending upon the facts and circumstances existing at that time.

We have also not adopted policies with respect to current versus long-term compensation, but believe that both elements are necessary for achieving our compensation objectives for all employees. As a public company, we expect that base salaries and performance bonuses will remain competitive for all employees. Equity awards for principals will reward achievement of strategic long-term objectives and we believe will contribute toward overall stockholder value.

In the future, we also expect that our Chief Executive Officer will continue to have discretion to determine the compensation of the named executive officers (other than himself), which he will do in consultation with our Compensation Committee. Our Compensation Committee is also expected to assume overall oversight

---

## Table of Contents

responsibility for our compensation policies, plans and programs, by reviewing our company's achievements and the achievements of our employees, and providing input and guidance to our Chairman and Chief Executive Officer in the determination of the specific type and level of compensation of our other named executive officers. Our Compensation Committee will also set the compensation of our Chairman and Chief Executive Officer.

### ***Principal Components of Compensation***

We have established compensation practices that directly link compensation with individual and company performance, as described below. These practices apply to all of our principals, including our named executive officers. Ultimately, ownership in our company has been the primary tool we have used to attract and retain senior professionals. As of June 30, 2012, on a pro forma basis to take into account the reorganization and the consummation of this offering, our principals indirectly held approximately % of the interests in Silvercrest L.P. The substantial majority of employee-owned interests are held by Mr. Cochran. In connection with the reorganization, all units in Silvercrest GP LLC, our predecessor, held by our principals will be converted into interests in Silvercrest L.P. The interests in Silvercrest L.P. currently held by our principals will continue to be held by them and will entitle them to continue to receive distributions from Silvercrest L.P. after the consummation of this offering.

In 2011, we provided the following elements of compensation to our principals, the relative value of each of these components for individual principals varying based on job role and performance: (i) base salary; (ii) annual cash bonus; (iii) deferred equity-based compensation; and (iv) other benefits and perquisites, each of which is described below.

- *Base Salary.* Base salaries are intended to provide the named executive officers with a degree of financial certainty and stability that does not depend entirely upon company or individual performance. The intent behind all salaries is to provide a source of stable and predictable cash flow for each of our principals. The base salaries of our named executive officers for 2011 are set forth below in our "Summary Compensation Table."
- *Annual Cash Bonus.* Annual cash bonus is determined at or after the end of each fiscal year and is based on a number of variables that are linked to individual and company-wide performance for that year and over the longer term. Our principals' annual bonus awards have been granted in the sole and absolute discretion of our Chairman and Chief Executive Officer. Historically, our Chairman and Chief Executive Officer has determined his own bonus, if any, based upon the performance of our company. As a public company, we anticipate that our Compensation Committee will assume oversight for all of our compensation programs, including the approval of compensation of our Chief Executive Officer. The annual cash incentive compensation awarded to our named executive officers for fiscal 2011 is set forth below in our "Summary Compensation Table."
- *Deferred Equity-Based Compensation.* All of our named executive officers and all of our principals own equity interests in our company. As part of our annual incentive compensation for some of our named executive officers and other principals, we awarded deferred equity units which vest over a four-year period and performance units in each of 2011 and 2012 for performance in the prior year. Units granted represented 25% of annual incentive compensation in 2011 for all of our named executive officers except Mr. Cochran, whose bonus was comprised entirely of units. In 2012, the percentage varied by officer. Each performance unit represents the unsecured right to receive additional interests in Silvercrest L.P. and Silvercrest GP LLC, but only if: (i) the recipient continues to hold the underlying deferred equity units at the time the performance units vest, which is four years from the date of issuance; and (ii) interests in Silvercrest L.P. and Silvercrest GP LLC have increased in value from date of issuance by at least 15% in year four. The value of the deferred equity and performance units when awarded is set forth below in our "Summary Compensation Table."
- *Other Benefits and Perquisites.* Each of our employees participates in the employee health benefit programs we maintain, including medical, group life and long-term disability insurance, on the same

---

## Table of Contents

basis as all other employees, subject to satisfying any eligibility requirements and applicable law. We also provide other perquisites such as an automobile program, by which our present and former Management Committee members are provided \$500 per month toward auto lease or financing payments. In addition, we offer each of our employees our investment management services, if they place their funds in a separately-managed account with us, at a discounted advisory fee typically associated with these services. Currently we do not have plans to change the levels of perquisites received, but continue to monitor them and may make adjustments from time to time. The perquisites provided to our named executive officers in the fiscal year ending December 31, 2011 are described below in our “Summary Compensation Table.”

### *Stock Ownership Guidelines*

While the compensation of our principals has primarily included a set salary and a discretionary bonus, virtually all of our principals own equity interests in Silvercrest L.P. and Silvercrest GP LLC. As stated, we believe that equity ownership in our company causes principals to have a long-term view of our success, and a healthy concern for the entire company, rather than merely improving their own compensation. Principals are incentivized to grow and increase the value of their equity interests by adding to our overall revenue and guarding our expenses in a way that a non-equity owner would not. All of our principals have been offered multiple opportunities to acquire ownership interests in our company value based on a multiple of earnings that serves as a proxy for fair market value, and in many cases, have received annual incentive compensation awards which include such interests.

To date, only those employees who attained the title of Senior Vice President, Managing Director or higher were invited to purchase equity interests in Silvercrest L.P. and Silvercrest GP LLC or receive them as annual incentive compensation awards. These transactions have taken a variety of forms. Some equity owners received equity interests in Silvercrest L.P. and Silvercrest GP LLC upon the acquisition by our company of their prior firm. We have made four of these acquisitions. Some equity owners were invited to purchase equity interests in Silvercrest L.P. and Silvercrest GP LLC upon commencement of employment at our company or upon achieving a specified seniority level at our company. On other occasions, we offered the opportunity to existing principals to purchase equity interests in Silvercrest L.P. and Silvercrest GP LLC that were redeemed by departing principals or issued new equity interests. In these cases, the principals purchased the equity interests by issuing promissory notes to us in the amount of the value of the equity interests purchased, some of which notes provided for annual amortization and others of which provided for a balloon payment. In addition, in 2011 and 2012, some principals received additional equity interests as annual incentive compensation awards.

Our principals have not historically been subject to mandated equity ownership or retention guidelines. It is our belief that the equity component of our compensation program ensures that our principals are also owners whose incentives are directly aligned with those of our company and our clients. As a public company, we intend to continue to promote broad and substantial equity ownership by our principals by using both equity-based compensation awards which may be granted on an annual basis, and performance awards that will be granted in appropriate circumstances. We may expand our equity ownership by creating opportunities for all employees, and not only our principals, to acquire equity interests in our company. In addition, following this offering, while an employee of Silvercrest L.P., our principals will be required to retain at least 25% of the Class B units in Silvercrest L.P. owned by the principal on the date of consummation of this offering.

Each holder’s profits percentage is fixed at the date of acquisition of the equity interests in Silvercrest L.P. and Silvercrest GP LLC, subject to dilution when additional equity interests in these entities are issued or accretion if existing equity interests in their entities are redeemed and not resold. Under the terms of its limited partnership agreement, Silvercrest L.P. may retain profits for future needs of the partnership.

An equity interest in Silvercrest L.P. and Silvercrest GP LLC also allows the holder to participate in the appreciation or depreciation in the value of Silvercrest L.P. and Silvercrest GP LLC, respectively, from and after

---

## Table of Contents

the date of the grant of the equity interest, by participating in defined capital or liquidity events (as defined in the limited partnership agreement and limited liability company agreement) or by redemption following termination of employment. The redemption of these equity interests is described in detail below under “Potential Payments Upon Termination or Change in Control.”

In connection with the reorganization, the terms of the equity interests held by our named executive officers will change in several significant respects, described in greater detail under “The Reorganization and Our Holding Company Structure” in this prospectus. As part of our reorganization, interests in Silvercrest L.P. will be exchanged for Class B units of Silvercrest L.P. and shares of our Class B common stock. Class A units in Silvercrest L.P. will be held by Silvercrest, the new general partner of Silvercrest L.P. Each Class A unit and Class B unit gives its holder the right to a percentage of the current profits of Silvercrest L.P. (as defined in the limited partnership agreement). Following this offering, a substantial portion of the economic return of our principals will continue to be obtained through their equity ownership in Silvercrest L.P. We believe that the continued link between the economic return they realize and our performance will encourage their continued exceptional performance. In addition, we believe that the restrictions on transfer and the ownership requirements to which they will be subject will align their interests with those of our stockholders. See “The Reorganization and Our Holding Company Structure” for a more detailed description of the ownership structure and the rights of the limited partners in Silvercrest L.P. after this offering.

Following this offering, as an element of compensation we intend to grant equity-based awards to those individuals considered to be critical to our company’s future success.

### ***Tax Considerations***

Our Compensation Committee is expected to consider the anticipated tax and accounting treatment of various payments and benefits to us and, when relevant, to our principals, although these considerations are not dispositive. Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to a publicly-traded corporation that pays compensation in excess of \$1 million to any of its named executive officers (other than the chief financial officer) in any taxable year, unless the compensation plan and awards meet certain requirements. As a private company, Section 162(m) does not currently apply to our compensation program. To the extent Section 162(m) becomes applicable to us, we will endeavor to structure compensation to qualify as performance-based under Section 162(m), where it is reasonable to do so while meeting our compensation objectives. Notwithstanding the foregoing, we reserve the right to pay amounts that are not deductible under Section 162(m) during any period when Section 162(m) is applicable to us.

### ***Risk Considerations in our Compensation Program***

In evaluating our compensation program, we have identified two primary risks relating to compensation: (i) the risk that compensation will not be sufficient to retain talent and (ii) the risk that compensation may provide unintended incentives. To combat the risk that our compensation might not be sufficient, we strive to use a compensation structure and set compensation levels for all employees in a way that we believe contributes to low rates of employee attrition. We do not use compensation consultants, but we receive regular and ongoing input from industry representatives and other market sources through our (1) participation on the Pershing Advisor Solutions, a service which provides a customized approach to understanding the RIA business and a range of solutions to help meet demand, with MFO/RIA peers; (2) participation in other custodian advisor forums and industry events; (3) review of compensation surveys by companies such as The Bower Group, which provides international consulting services to a range of clients; (4) review of industry publications featuring stories on compensation practices and metrics; and (5) reviewing the Moss Adams Adviser Compensation and Staffing Study, which is prepared by Pershing Advisor Solutions, Moss Adams LLP and IN Advisor Solutions and includes data on hundreds of advisory firms. We also make equity awards subject to multi-year vesting schedules to provide a long-term component to our compensation program and impose ongoing restrictions on

## Table of Contents

the ability of our principals to dispose of their equity holdings acquired through equity awards. We believe that both the structure and levels of compensation have aided us in retaining key personnel as evidenced by the long-term tenure of our principals.

To address the risk that our compensation programs might provide unintended incentives, we keep our compensation programs simple and we tie the long-term component of equity-based compensation to our company-wide results. We have not seen any employee behaviors motivated by our compensation policies and practices that create increased risks for our stockholders or our clients.

Based on the foregoing, we do not believe that our compensation policies and practices motivate imprudent risk taking. Consequently, we are satisfied that any potential risks arising from our employee compensation policies and practices are not reasonably likely to have a material adverse effect on us. As mentioned, our Compensation Committee, which will be comprised entirely of independent directors upon the consummation of this offering, will review our compensation plans and policies periodically to ensure proper alignment with overall company goals and objectives. Our Compensation Committee is also expected to review the risks arising from our compensation policies and practices and assesses whether any such risks are reasonably likely to have a material adverse effect on us.

### **Summary Compensation Table**

The following table shows the annual compensation of our principal executive officer, principal financial officer and the two most highly compensated executive officers other than our principal executive officer and principal financial officer, who were serving as executive officers on December 31, 2011. These officers are referred to in this prospectus as the “named executive officers.” The following table shows four executive officers rather than five because no other executive officer of our company has total compensation in excess of \$100,000.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)<sup>(2)</sup></u>	<u>Bonus (\$)<sup>(3)</sup></u>	<u>Stock Awards (\$)<sup>(4)</sup></u>	<u>All Other Compensation Earnings (\$)<sup>(5)</sup></u>	<u>Total (\$)</u>
G. Moffett Cochran, Chief Executive Officer	2011	\$500,000	—	\$409,031	\$ 230,523	\$1,139,554
Richard R. Hough, President and Chief Operating Officer (1)	2011	\$400,000	\$225,000	\$ 76,645	—	\$ 701,645
Scott A. Gerard, Chief Financial Officer	2011	\$325,000	\$200,000	\$ 67,982	—	\$ 592,982
David J. Campbell, General Counsel and Secretary	2011	\$325,000	\$175,000	\$ 59,530	—	\$ 559,530

- (1) Mr. Hough was named our Chief Operating Officer in July 2010 and was named President in February 2012.
- (2) Amounts represent guaranteed payments made to our named executive officers.
- (3) Amounts represent cash bonuses earned at December 31, 2011 and paid in February 2012.
- (4) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718, or ASC 718, associated with deferred equity units in Silvercrest L.P., including distributions in respect of such units, calculated pursuant to ASC 718. Pursuant to ASC 718, Silvercrest L.P. recognizes compensation expense associated with the granting of equity-based compensation based on the grant-date fair value of the award if it is classified as an equity instrument, and on the changes in settlement amount for awards that are classified as liabilities. Silvercrest L.P.’s deferred equity unit-based awards have redemption features that necessitate their classification as liabilities and, accordingly, changes to their redemption values subsequent to the grant date have been included as a component of compensation expense. For the year ended December 31, 2011, distributions attributable to the deferred equity units held by the named executive

## Table of Contents

officers were made as follows: Mr. Cochran—\$12,281; Mr. Hough—\$2,151; Mr. Gerard—\$1,974; and Mr. Campbell—\$1,774. See Note 17 to the audited consolidated financial statements of Silvercrest L.P. included elsewhere in this prospectus.

- (5) Amounts in this column represent the aggregate dollar amount of all other compensation received by Mr. Cochran, consisting of employer-paid car allowances equal to \$6,000, insurance premiums for life and disability insurance benefiting Mr. Cochran equal to \$6,200 and the savings of \$218,323 to Mr. Cochran for the discounted advisory fee for investment management services on his funds placed in a separately managed account with our company. None of the perquisites received by our other named executive officers exceeded \$10,000 in 2011.

### **Employment Agreements**

During fiscal 2011 Silvercrest Asset Management Group LLC was a party to employment agreements with each of Messrs. Gerard and Campbell that provided for at-will employment. These agreements did not provide compensation terms or duration of employment. They did include restrictive covenants concerning the protection of our confidential information and solicitation of our employees and clients. We do not have employment agreements with Mr. Hough or Mr. Cochran. As limited partners of Silvercrest L.P., each of our named executive officers (other than Mr. Cochran) may not, while employed and during the one-year period following termination of employment by the employee, without good reason, (i) contact any of our clients or vendors or otherwise solicit any of our clients or vendors to terminate their relationship with us; (ii) accept any business from any of our clients with whom the employee dealt while at our company; or (iii) hire any of our employees. As a founding partner of our company, Mr. Cochran is bound by more restrictive covenants that prevent him during his employment and for two years following termination of employment from (i) contacting any of our clients or vendors or otherwise soliciting any of our clients or vendors to terminate their relationship with us; (ii) accepting any business from any of our clients with whom he dealt with while at our company; (iii) competing with us; or (iv) hiring any of our employees.

### **Outstanding Equity Awards at Fiscal Year End 2011**

The following table sets forth information relating to equity interests in Silvercrest L.P. and Silvercrest GP LLC issued to our named executive officers subject to vesting provisions.

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (as of 12/31/2011) (\$) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
G. Moffett Cochran (2)	2,525	\$ 611,156	—	\$ —
Richard R. Hough (3)	1,391	\$ 336,747	—	\$ —
Scott A. Gerard (4)	420	\$ 101,678	—	\$ —
David J. Campbell (5)	826	\$ 199,966	—	\$ —

- (1) Represents (i) \$242.09 per unit, which is the effective per unit value as of December 31, 2011, multiplied by (ii) the number of unvested units.
- (2) 420.75 shares vest on each of February 28, 2012, 2013, 2014 and 2015. 842 shares, which represent performance units, may vest on February 28, 2015 if performance targets are met.
- (3) 183.50 shares vest on each of February 24, 2011, 2012, 2013 and 2014. 367 shares, which represent performance units, may vest on February 24, 2014 if performance targets are met. 79 shares vest on each of February 28, 2012, 2013, 2014 and 2015. 158 shares, which represent performance units, may vest on February 28, 2015 if performance targets are met.

## [Table of Contents](#)

- (4) 70 shares vest on each of February 28, 2012, 2013, 2014 and 2015. 140 shares, which represent performance units, may vest on February 28, 2015 if performance targets are met.
- (5) 91.75 shares vest on each of February 24, 2011, 2012, 2013 and 2014. 184 shares, which represent performance units, may vest on February 24, 2014 if performance targets are met. 61.25 shares vest on each of February 28, 2012, 2013, 2014 and 2015. 123 shares, which represent performance units, may vest on February 28, 2015 if performance targets are met.

### **Option Exercises and Stock Vested Table**

The following table sets forth information concerning interests in Silvercrest L.P. acquired upon the vesting of deferred equity units by the named executive officers.

Name	Equity Awards	
	Number of L.P. Interests Acquired on Vesting (#)	Value Realized on Vesting (\$) (1)
G. Moffett Cochran	—	\$ —
Richard R. Hough	184	\$ 27,296
Scott A. Gerard	—	\$ —
David J. Campbell	92	\$ 13,648

- (1) Reflects the vesting date fair value computed in accordance with ASC 718 associated with deferred equity units in Silvercrest L.P.

### **Pension Benefits**

We do not sponsor or maintain any benefit pension or retirement benefits for the benefit of our employees.

### **Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans**

We do not sponsor or maintain any nonqualified defined contribution or other nonqualified deferred compensation plans for the benefit of our employees.

### **Potential Payments Upon Termination or Change in Control**

The following summarizes the potential payments and benefits that we would provide to our named executive officers in connection with a termination of employment and/or a change in control. In determining amounts payable, we have assumed in all cases that the termination of employment occurred on December 31, 2011 and prior to this offering.

### **Severance Benefits**

We do not offer or have in place any formal retirement, severance, or similar compensation programs providing for additional benefits or payments in connection with a termination of employment, change in job responsibility or change in control. Our named executive officers, therefore, do not have employment, severance, change in control or other agreements with us that would require any payments to them in the event of a termination of employment and/or a change in control. Our named executive officers are all employed on an "at will" basis, which enables us to terminate their employment at any time. Under certain circumstances, a named executive officer may be offered severance benefits to be negotiated at the time of termination.

### **Deferred Equity Units and Performance Units**

As part of bonus compensation for performance during 2009, Silvercrest Asset Management Group LLC awarded to its principals 50% of the annual bonus earned by them in deferred equity units and performance units.

---

## [Table of Contents](#)

For performance during 2010, the percentage was 25%, except in the case of Mr. Cochran, for whom the percentage in 2010 was 100%. As of December 31, 2011, there were 22,353 deferred equity units and 12,795 performance units outstanding. The deferred equity units and performance units were not issued pursuant to a plan.

### ***Deferred Equity Units***

Each deferred equity unit represents the right to receive one unit of Silvercrest GP LLC and 99 units of Silvercrest L.P. All deferred equity units receive distributions to the same extent as if underlying units exercisable therefor were deemed outstanding. As part of the reorganization, all deferred equity units outstanding immediately prior to the consummation of this offering will represent the right to receive an equal number of Class B units of Silvercrest L.P. Each deferred equity unit vests in four annual increments of 25% beginning on the first anniversary of the date of grant. On each vesting date, each deferred equity unit will entitle the holder thereof to receive 100 Class B units of Silvercrest L.P. On each vesting date, the holder of a deferred equity unit will have the right to require Silvercrest Asset Management Group LLC to pay the holder cash for a specified percentage of the deferred equity units in lieu of issuing Class B units to the holder for that percentage. The Executive Committee of Silvercrest L.P. sets the specified percentage that may be paid in cash at the option of the holder of the deferred equity units each year.

### ***Performance Units***

Silvercrest Asset Management Group LLC also granted to each employee who received an award of deferred equity units, a number of performance units which represent the right to receive (i) one unit of Silvercrest GP LLC for every two units of Silvercrest GP LLC issued upon vesting of the deferred equity units awarded to the employee and (ii) one unit of Silvercrest L.P. for every two units of Silvercrest L.P. issued upon vesting of the deferred equity units awarded to the employee. Immediately prior to the consummation of this offering, as part of the reorganization, each performance unit will become exercisable for one Class B unit for every two Class B units issued upon vesting of the deferred equity units awarded to the employee. Each performance unit is subject to forfeiture if (i) the Class B units granted to the employee pursuant to the corresponding deferred equity unit are not held by such employee on the earlier of (A) February 28, 2015 for the fiscal 2010 performance units and February 24, 2014 for the fiscal 2009 performance units and (B) the consummation of a change of control transaction or (ii) the value per Class B unit did not increase at least 15% per annum based on the Adjusted EBITDA (as defined in the unit award agreement) of Silvercrest L.P. calculated as of December 31, 2014.

### ***Dividend Equivalents***

Each deferred equity unit also entitles the holder to receive distributions from Silvercrest L.P. in the same amounts and at the same times as the holder would have received the distributions had the Class B units underlying the deferred equity units been awarded on the date of grant.

### ***Treatment upon Termination of Employment***

#### *Voluntary Resignation and Termination with Cause*

All deferred equity units and performance units are automatically forfeited upon a voluntary resignation or termination with cause. The right to receive dividend equivalents on the deferred equity units also terminates upon a termination of employment for the reasons stated above.

#### *Involuntary Termination without Cause, Death, Disability and Retirement*

Upon an employee's involuntary termination by us, the disability of the employee, the retirement by the employee or an employee's death, all deferred equity units become fully and immediately vested. The Executive

---

## Table of Contents

Committee of Silvercrest L.P. may determine as of the date of termination of employment the percentage of the deferred equity units held by the terminated employee that may be settled in cash. If an employee is terminated for any of the reasons set forth above, the terminated employee will receive a prorated number of Class B units based on the period of time employed between the date of grant and the settlement of the performance units when the performance target is achieved. The performance units will not be settled until the achievement of the performance target, if at all. In addition, the right to receive dividend equivalents on the deferred equity units will continue until the deferred equity units are settled.

### *Change in Control*

All of the deferred equity units automatically vest in full upon the consummation of a change in control transaction. The Executive Committee of Silvercrest L.P. will determine whether the performance target for the performance units was achieved as of the closing date of the change in control transaction. If the performance target is achieved, the holder will receive settlement in full of the performance units upon the closing of the change in control transaction.

### *Vesting and Redemption of Silvercrest L.P. Interests*

Under the terms of the limited partnership agreement, which governs the rights and liabilities of our named executive officers with respect to the ownership of their interests in Silvercrest L.P., those interests are subject to redemption at the option of the employee or Silvercrest L.P. upon the termination of their employment. The terms of the limited partnership agreement governing the redemption of interests held by Mr. Cochran are different from those governing Messrs. Hough, Gerard, and Campbell, as set forth below.

Upon the termination of employment of any of Messrs. Hough, Gerard, or Campbell, the terminated employee and Silvercrest L.P. each have a right to require the redemption of the terminated employee's interests in Silvercrest L.P. Redemption is typically effected on a date that is at least sixty, but not more than ninety, days after of the date of termination of employment. Payment for the interests is made by issuance of a promissory note by Silvercrest L.P. to the terminated employee and payments under that note are scheduled over a four or five-year period beginning with a payment immediately after the termination date or on the one-year anniversary of the termination date, depending on the circumstances of the termination. The payment amount also differs based on the circumstances of the termination. Payments on the note may be reduced in the event of a violation of non-solicitation or confidentiality covenants applicable to the terminated employee in the limited partnership agreement. Redemption is also triggered upon termination of employment due to death or disability.

Pursuant to the limited partnership agreement, in the event of a termination of employment of Mr. Cochran prior to April 30, 2013, other than due to his death or disability, neither Silvercrest L.P. nor Mr. Cochran has the right to redeem his interests in Silvercrest L.P. In the event of a termination of his employment after April 30, 2013, both Mr. Cochran and Silvercrest L.P. will have the right to redeem Mr. Cochran's interests. In such event, redemption of Mr. Cochran's interests will be made by issuance of a note by Silvercrest L.P. to Mr. Cochran which will be payable in either two or three annual installments, depending on the circumstances of his termination.

In the event of termination of employment of a named executive officer due to death or disability on December 31, 2011, the payment upon redemption of his interest in Silvercrest L.P. would be approximately as follows: \$27,393,694 for Mr. Cochran; \$1,962,382 for Mr. Hough; \$733,533 for Mr. Gerard; and \$1,128,624 for Mr. Campbell. Those redemption payments may be made over a period of two through five years and, in the case of Mr. Cochran, the first payment may be withheld through April 30, 2013. Those payments would vary in the event of termination of employment of any of the named executive officers for any reason other than death or disability.

---

## [Table of Contents](#)

### **Director Compensation**

We did not pay our directors any compensation for their service as directors during the year ended December 31, 2011. Upon completion of this offering, we do not expect to pay our directors who are also our employees any compensation for their services as directors. We anticipate that our independent, non-employee directors will initially be compensated with an annual retainer of \$50,000 and an additional \$5,000 annually per committee on which the director serves. In addition, all directors will be reimbursed for reasonable out-of-pocket expenses incurred by them in connection with attending board of directors, committee and stockholder meetings, including those for travel, meals and lodging. We reserve the right to change the manner and amount of compensation to our directors at any time.

### **2012 Equity Incentive Plan**

Our board of directors will adopt, and our stockholders will approve, the Silvercrest Asset Management Group Inc. 2012 Equity Incentive Plan, or the 2012 Equity Incentive Plan, prior to the consummation of this offering.

The purposes of the 2012 Equity Incentive Plan are to (i) align the long-term financial interests of our employees, directors, consultants and advisers with those of our stockholders; (ii) to attract and retain those individuals by providing compensation opportunities that are consistent with our compensation philosophy; and (iii) to provide incentives to those individuals who contribute significantly to our long-term performance and growth. To accomplish these purposes, the 2012 Equity Incentive Plan will provide for the grant of units of Silvercrest L.P. (All references to units or interests of Silvercrest L.P. refer to Class B units of Silvercrest L.P. and accompanying shares of Class B common stock of our company). The 2012 Equity Incentive Plan will also provide for the grant of stock options (both stock options intended to be incentive stock options under Section 422 of the Internal Revenue Code and non-qualified stock options), stock appreciation rights, or SARs, restricted stock awards, restricted stock units, performance-based stock awards and other stock-based awards (collectively, stock awards) based on our Class A common stock. Incentive stock options may be granted only to employees; all other awards may be granted to employees, including officers, members, limited partners or partners who are engaged in the business of one or more of our subsidiaries, as well as non-employee directors and consultants.

It is initially anticipated that awards under the 2012 Equity Incentive Plan granted to our employees will be in the form of units of Silvercrest L.P. that will not vest until a specified period of time has elapsed, or other vesting conditions have been satisfied as determined by the Compensation Committee, and which may be forfeited if the vesting conditions are not met. During the period that any vesting restrictions apply, unless otherwise determined by the Compensation Committee, the recipient of the award will be eligible to participate in distributions of income from Silvercrest L.P. In addition, before the vesting conditions have been satisfied, the transferability of such units is generally prohibited and such units will not be eligible to be exchanged for cash or shares of our Class A common stock pursuant to the exchange agreement.

Awards under the 2012 Equity Incentive Plan will be structured to comply with Section 409A of the Internal Revenue Code.

### ***Shares Subject to the 2012 Equity Incentive Plan***

A total of        shares of our Class A common stock, representing 15% of the shares of our Class A common stock and our Class B common stock outstanding as of the closing of this offering, will be reserved and available for issuance under the 2012 Equity Incentive Plan. The equity interests may be issued in the form of shares of our Class A common stock or Class B units of Silvercrest L.P.

If an equity award granted under the 2012 Equity Incentive Plan expires or otherwise terminates without being exercised in full, or is settled in cash, the equity interests not acquired pursuant to the award will again

---

## Table of Contents

become available for subsequent issuance under the 2012 Equity Incentive Plan. In addition, equity awards that are forfeited, cancelled, exchanged or surrendered prior to becoming fully vested, may become available for the grant of new equity awards under the 2012 Equity Incentive Plan.

The aggregate number of equity interests that may be granted to any single individual during a calendar year in the form of stock awards may not exceed \_\_\_\_\_ shares of Class A common stock and/or Class B units.

### ***Administration of the 2012 Equity Incentive Plan***

The 2012 Equity Incentive Plan will be administered by our Compensation Committee. Subject to the terms of the 2012 Equity Incentive Plan, the Compensation Committee will determine which employees, directors, consultants and advisers will receive grants under the 2012 Equity Incentive Plan, the dates of grant, the numbers and types of stock awards to be granted, the exercise or purchase price of each award, and the terms and conditions of the stock awards, including the period of their exercisability and vesting and, in certain instances, the fair market value applicable to a stock award. In addition, the Compensation Committee will interpret the 2012 Equity Incentive Plan and may adopt any administrative rules, regulations, procedures and guidelines governing the 2012 Equity Incentive Plan or any awards granted under the 2012 Equity Incentive Plan as it deems appropriate.

The Compensation Committee may cancel, with the consent of the affected participants, any or all of the outstanding stock options or SARs in exchange for (i) new stock options or SARs covering the same or a different number of shares of our Class A common stock, but with an exercise price or base amount per share not less than the fair market value per share of our Class A common stock on the new grant date; or (ii) cash or shares of our Class A common stock, whether vested or unvested, equal in value to the value of the cancelled stock options or SARs.

### ***Types of Equity-Based Awards***

The types of awards that may be made under the 2012 Equity Incentive Plan are described below. These awards may be made singly or in combination, as part of compensation awards or ownership awards, or both. All of the awards described below are subject to the conditions, limitations, restrictions, vesting and forfeiture provisions determined by the Compensation Committee, in its sole discretion, subject to certain limitations provided in the 2012 Equity Incentive Plan. Awards under the 2012 Equity Incentive Plan may be granted without any vesting or forfeiture conditions, as determined by the Compensation Committee. Each award granted under the 2012 Equity Incentive Plan will be evidenced by an award agreement, which will govern that award's terms and conditions.

#### *Non-qualified Stock Options*

A non-qualified stock option is an option that does not meet the qualifications of an incentive stock option as described below. An award of a non-qualified stock option grants a participant the right to purchase a certain number of shares of our Class A common stock during a specified term in the future, after a vesting period, at an exercise price equal to at least 100% of the fair market value of our Class A common stock on the grant date. The term of a non-qualified stock option may not exceed ten years from the date of grant. Except as provided in the award agreement or as otherwise determined by the Compensation Committee, an option may only be exercised while the participant is employed by, or providing services to, us or our subsidiaries, or during an applicable period after termination of employment or service.

#### *Incentive Stock Options*

An incentive stock option is a stock option that meets the requirements of Section 422 of the Internal Revenue Code. Incentive stock options may be granted only to our employees and must have an exercise price of

---

## Table of Contents

no less than 100% of fair market value on the grant date, a term of no more than ten years, and be granted from a plan that has been approved by our stockholders. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates, or more than 10% of the value of all classes of our stock, unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and (ii) the term of the incentive stock option does not exceed five years from the date of grant.

### *SARs*

A SAR entitles the participant to receive an amount equal to the difference between the fair market value of our Class A common stock on the exercise date and the exercise price of the SAR (which may not be less than 100% of the fair market value of a share of our Class A common stock on the grant date), multiplied by the number of shares subject to the SAR. The term of a SAR may not exceed ten years from the date of grant. Payment to a participant upon the exercise of a SAR may be either in cash, shares of our Class A common stock or a combination of the two as determined by the Compensation Committee. Except as provided in the award agreement or as otherwise determined by the Compensation Committee, a SAR may only be exercised while the participant is employed by, or providing services to, us or our subsidiaries, or during an applicable period after termination of employment or service.

### *Restricted Stock*

A restricted stock award is an award of outstanding shares of our Class A common stock that does not vest until a specified period of time has elapsed, or other vesting conditions have been satisfied as determined by the Compensation Committee, and which may be forfeited if the conditions to vesting are not met. During the period that any restrictions apply, the transferability of stock awards is generally prohibited. Participants generally have all of the rights of a stockholder as to those shares, including the right to receive dividend payments on the shares subject to their award during the vesting period (unless the awards are subject to performance-vesting criteria) and the right to vote those shares. Dividends will be subject to the same restrictions as the underlying restricted stock unless otherwise provided by the Compensation Committee. All unvested restricted stock awards are forfeited if the participant's employment or service is terminated for any reason, unless the Compensation Committee determines otherwise.

### *Restricted Stock Units*

A restricted stock unit is a phantom unit that represents shares of our Class A common stock. Restricted stock units become payable on terms and conditions determined by the Compensation Committee and will be settled either in cash, shares of our Class A common stock or Class B units of Silvercrest L.P. or a combination of any of the three as determined by the Compensation Committee. All unvested restricted stock units are forfeited if the participant's employment or service is terminated for any reason, unless the Compensation Committee determines otherwise.

### *Performance Awards*

The 2012 Equity Incentive Plan permits the grant of performance-based stock that may qualify as performance-based compensation, not subject to the \$1 million limitation on the income tax deductibility of compensation paid per covered principal imposed by Section 162(m) of the Internal Revenue Code, to the extent Section 162(m) is applicable to us. To assure that the compensation attributable to performance-based stock will so qualify, our Compensation Committee can, but will not be required to, structure these awards so that stock will be issued or paid pursuant to the award only upon the achievement of certain pre-established performance goals during a designated performance period.

The performance goals, to the extent designed to meet the requirements of Section 162(m) of the Internal Revenue Code, will be based on one or more of the following criteria: (i) earnings including operating income,

---

## Table of Contents

economic income, economic net income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items or book value per share (which may exclude nonrecurring items); (ii) pre-tax income or after-tax income; (iii) earnings per common share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment, return on capital, or return on equity; (vii) return on sales or revenues; (viii) operating expenses; (ix) stock price appreciation; (x) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (xi) implementation or completion of critical projects or processes; (xii) economic value created; (xiii) cumulative earnings per share growth; (xiv) operating margin or profit margin; (xv) common stock price or total stockholder return; (xvi) cost targets, reductions and savings, productivity and efficiencies; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation, information technology and goals relating to acquisitions, divestitures, joint ventures and similar transactions and budget comparisons; (xviii) personal professional objectives, including any of the foregoing performance goals, implementation of policies and plans, negotiation of transactions, development of long-term business goals, formation of joint ventures, research or development collaborations, and completion of other corporate transactions; and (xix) any combination of any of the foregoing.

### *Dividend Equivalents*

Dividend equivalents entitle the participant to receive amounts equal to ordinary dividends that are paid on the shares underlying a grant while the grant is outstanding and may be awarded in connection with grants other than stock options or SARs. The Compensation Committee will determine whether dividend equivalents will be paid currently or credited to a bookkeeping account as a dollar amount or in the form of restricted stock units. Dividend equivalents may be paid in cash, in shares of our Class A common stock or in a combination of the two. The Compensation Committee will determine whether dividend equivalents will be conditioned upon the exercise, vesting or payment of the grant to which they relate and the other terms and conditions of the grant.

### *Class B Units*

Under the 2012 Equity Incentive Plan, the Compensation Committee may also grant equity-based incentives related to Class B units of Silvercrest L.P. to encourage ownership in our operating partnership. The Compensation Committee may grant the same types of awards available under the 2012 Equity Incentive Plan related to our Class A common stock as awards related to the Class B units of Silvercrest L.P., including options to purchase Class B units. Any award granted covering units will reduce the overall limit with respect to the number of shares of Class A common stock that may be granted under the 2012 Equity Incentive Plan on a one-for-one basis.

### *LTIP Awards*

The 2012 Equity Incentive Plan allows for the grant of LTIP units that may, upon the occurrence of certain events or the participant's achievement of certain performance goals, convert into Class B units of Silvercrest L.P. To the extent provided in an award agreement, LTIP units, whether or not vested, would entitle the participant to receive, currently or on a deferred or contingent basis, distributions or distribution equivalent payments with respect to the number of Class B units of Silvercrest L.P. corresponding to the LTIP units. The Compensation Committee may award LTIP units as free-standing awards or in tandem with other awards under the 2012 Equity Incentive Plan. Any award granted covering LTIP units will reduce the overall limit with respect to the number of shares of Class A common stock that may be granted under the 2012 Equity Incentive Plan on a one-for-one basis.

---

## Table of Contents

### *Other Equity-Based Awards*

Under the 2012 Equity Incentive Plan, the Compensation Committee may grant other types of awards that are based on, or measured by reference to, shares of our Class A common stock or Class B units of Silvercrest L.P. The Compensation Committee will determine the terms and conditions of such awards. Other stock-based awards may be settled in either cash or equity, as determined by the Compensation Committee.

### *Adjustments*

In connection with stock splits, stock dividends, recapitalizations and certain other events affecting our Class A common stock, the Compensation Committee will make adjustments as it deems appropriate in (i) the number and kind of shares covered by outstanding grants and (ii) the exercise price of all outstanding stock awards, if applicable.

### *Change of Control*

If we experience a change of control, unless otherwise determined by our Compensation Committee or evidenced in the applicable award or other agreement, our Compensation Committee will have discretion to provide, among other things, (i) for the continuation of outstanding awards after the change in control without change; (ii) the cash-out of outstanding options as of the time of the change in control transaction as part of the transaction; (iii) a requirement that the buyer assume or substitute outstanding awards; and (iv) the acceleration of outstanding options and awards. In the event of a change in control in which the consideration paid to the holders of shares of Class A common stock and Class B units of Silvercrest L.P. is solely cash, our Compensation Committee may, in its discretion, provide that each award shall, upon the occurrence of a change in control, be cancelled in exchange for a payment, in cash or Class A common stock, in an amount equal to (x) the excess of the consideration paid per share of Class A common stock and Class B units of Silvercrest L.P. in the change of control over the exercise or purchase price (if any) per share of Class A common stock or Class B units of Silvercrest L.P. subject to the award, multiplied by (y) the number of shares of Class A common stock or Class B units of Silvercrest L.P. granted under the award.

In general terms, a change of control under the 2012 Equity Incentive Plan occurs:

- if a person, entity or affiliated group (with certain exceptions) acquires more than 50% of our then outstanding voting securities;
- if we merge into another entity, unless the holders of our voting shares immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent;
- if we sell or dispose of all or substantially all of our assets;
- if we are liquidated or dissolved;
- if a majority of the members of our board of directors is replaced during any 12-month or shorter period by directors whose appointment or election is not endorsed by a majority of the incumbent directors; or
- We cease to be the general partner of Silvercrest L.P.

### *Section 162(m) Stockholder Approval Requirements*

In compliance with the transition rules under Section 162(m) of the Internal Revenue Code, and after this offering, to the extent Section 162(m) is applicable to us, our stockholders will approve the 2012 Equity Incentive Plan no later than the first occurrence of: (i) the expiration of the 2012 Equity Incentive Plan; (ii) a material modification of the 2012 Equity Incentive Plan (in accordance with Section 162(m) of the Internal Revenue Code); (iii) the issuance of all our Class A common stock authorized for issuance under the 2012 Equity Incentive Plan; or (iv) our first stockholders' meeting (during which our directors are elected) that occurs after the end of the third calendar year following the year in which this offering occurs.

---

[Table of Contents](#)

***Amendment; Termination***

Our board of directors may amend or terminate the 2012 Equity Incentive Plan at any time. Our stockholders must approve any amendment if their approval is required in order to comply with the Internal Revenue Code, applicable laws, or applicable stock exchange requirements. Unless terminated sooner by our board of directors or extended with stockholder approval, awards may be granted under the 2012 Equity Incentive Plan at any time in the period commencing on the date of approval of the 2012 Equity Incentive Plan by the board of directors and ending on the issuance of all of the shares of Class A common stock subject to the 2012 Equity Incentive Plan. Awards granted pursuant to the 2012 Equity Incentive Plan within that period shall not expire solely by reason of the termination of the 2012 Equity Incentive Plan.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Reorganization

Prior to the effectiveness of the registration statement of which this prospectus forms a part, we entered into a series of transactions to reorganize our capital structure. We also entered into agreements with certain related persons in connection with the reorganization. See “The Reorganization and Our Holding Company Structure.”

In addition, we expect to enter into an indemnification agreement with each of our executive officers and directors that provides, in general, that we will indemnify them to the fullest extent permitted by law in connection with their service to us or on our behalf. Due to the nature of the indemnification agreements, they are not the type of agreements that are typically entered into with or available to unaffiliated third parties.

### Purchase of Class B Units

Immediately following the consummation of this offering, we will purchase an aggregate of \_\_\_\_\_ Class B units of Silvercrest L.P. from existing limited partners of Silvercrest L.P., including Vulcan Wealth Management LLC, G. Moffett Cochran and Martin Jaffe, for approximately \$ \_\_\_\_\_. The purchase price for the Class B units will be determined by the public offering price of our Class A common stock in this offering less the per share amount of offering expenses incurred by us.

### Promissory Notes

On September 18, 2012, Mr. Hough repaid in full the principal amount and all accrued interest on five promissory notes issued by Mr. Hough in favor of Silvercrest L.P. The principal amounts at the time of repayment were \$542,220.00, \$122,812.50, \$44,544.00, \$77,520.00, and \$222,837.51 with interest accruing at 3.53%, 2.77%, 4.40%, 2.64% and 2.42%, per annum, respectively.

On September 18, 2012, Mr. Gerard repaid in full the principal amount and all accrued interest on two promissory notes issued by Mr. Gerard in favor of Silvercrest L.P. The principal amounts at the time of repayment were \$261,513.54 and \$133,640.17 with interest accruing at 1.62% and 2.66%, per annum, respectively.

On September 18, 2012, Mr. Campbell repaid in full the principal amount and all accrued interest on two promissory notes issued by Mr. Campbell in favor of Silvercrest L.P. The principal amounts at the time of repayment were \$77,520.00 and \$270,187.51 with interest accruing at 2.64% and 2.84%, per annum, respectively.

### Shares Subject to Redemption

Prior to this offering, under the terms of the limited partnership agreement, which governs the rights and liabilities of our named executive officers with respect to the ownership of their interests in Silvercrest L.P., those interests are subject to redemption at the option of the employee or Silvercrest L.P. upon the termination of their employment. See “Compensation Discussion and Analysis—Potential Payments Upon Termination or Change in Control—Vesting and Redemption of Silvercrest L.P. Interests” for further discussion of these redemption obligations.

### Management Fees

Silvercrest Asset Management Group LLC manages the personal funds of many of its employees and members of the families of those employees, including Messrs. Cochran, Hough, Gerard, and Campbell pursuant to investment management agreements in which it has agreed to reduce the advisory fees it charges its employees and members of their families. The value of the discount to the investment advisory services provided to Mr. Cochran by our company in 2011 was approximately \$218,000. The value of services provided to other executives by our company was not significant.

---

## [Table of Contents](#)

### **Policies and Procedures Regarding Transactions with Related Persons**

Upon the consummation of this offering, our board of directors will adopt written policies and procedures for transactions with related persons. As a general matter, the policy will require our Audit Committee to review and approve or disapprove the entry by us into certain transactions with related persons. The policy will contain transactions which are pre-approved transactions. The policy will only apply to transactions, arrangements and relationships where the aggregate amount involved could reasonably be expected to exceed \$120,000 in any calendar year and in which a related person has a direct or indirect interest. A related person is (i) any of our directors, nominees for director or executive officers, (ii) any immediate family member of any of our directors, nominees for director or executive officers and (iii) any person, and his or her immediate family members, or entity, including affiliates, that was a beneficial owner of 5% or more of any of our outstanding equity securities at the time the transaction occurred or existed.

The policy will provide that if advance approval of a transaction subject to the policy is not obtained, it must be promptly submitted to the Audit Committee for possible ratification, approval, amendment, termination or rescission. In reviewing any transaction, the Audit Committee will take into account, among other factors the Audit Committee deems appropriate, recommendations from senior management, whether the transaction is on terms no less favorable than the terms generally available to a third party in similar circumstances and the extent of the related person's interest in the transaction. Any related person transaction must be conducted at arm's length. Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote on the approval or ratification of the transaction. However, such a director may be counted in determining the presence of a quorum at a meeting of the Audit Committee that considers a transaction.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A beneficial owner of a security includes any person who directly or indirectly has or shares voting power and/or investment power with respect to that security or has the right to obtain voting power and/or investment power within 60 days. Except as otherwise noted, each beneficial owner in the table below has sole voting power with respect to the shares of Class A common stock and Class B common stock listed. The following table sets forth beneficial ownership of our common stock by:

- each person who beneficially owns more than 5% of the shares;
- each of our named executive officers listed in the summary compensation table;
- each member of our board of directors; and
- all executive officers and directors as a group.

Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power with respect to all shares of Class A common stock and Class B common stock beneficially owned, subject to community property laws where applicable. Unless otherwise indicated in the footnotes below, the address of each stockholder is c/o Silvercrest Asset Management Group Inc., 1330 Avenue of the Americas, 38th Floor, New York, New York 10019.

This beneficial ownership information is presented on the following basis:

- after giving effect to the issuance of an aggregate of \_\_\_\_\_ shares of Class B common stock to the continuing members of Silvercrest L.P.;
- after giving effect to the issuance of \_\_\_\_\_ shares of Class A common stock in this offering; and
- after giving effect to each of the issuances described in the preceding bullet point, plus the exercise by the underwriters of their option to purchase an additional \_\_\_\_\_ shares of Class A common stock in this offering to cover over-allotments.

## Table of Contents

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage of ownership held by that person, shares of common stock subject to equity awards held by that person that are currently exercisable or will become exercisable within 60 days after September 1, 2012 are deemed outstanding, while these shares are not deemed outstanding for computing percentage ownership of any other person.

Beneficial Owner	Class A				Class B			
	No. of Shares Before Offering	Percentage	No. of Shares after Offering	Percentage	No. of Shares Before Offering	Percentage	No. of Shares after Offering	Percentage
<b>Officers and Directors</b>								
G. Moffett Cochran (1)	10	—	10	—	2,152,206	21.06%		%
Richard R. Hough III	—	—	—	—	144,298	1.63%		%
Scott A. Gerard	—	—	—	—	54,241	*		
David J. Campbell	—	—	—	—	82,608	*		
Winthrop B. Conrad, Jr.	—	—	—	—	—	—		
Wilmot H. Kidd III	—	—	—	—	—	—		
Richard S. Pechter	—	—	—	—	—	—		
All named executive officers and directors as a group (7 people).	10	—	10	—	2,433,353	24.19%		%
<b>5% Security Holders</b>								
Martin Jaffe	—	—	—	—	844,704	13.17%		%
Vulcan Wealth Management LLC (2)	—	—	—	—	2,622,900	25.38%		

\* Less than 1%.

- (1) Includes amount of Class B units owned by The Moffett Cochran GRAT 2010 of which Mr. Cochran is the trustee.
- (2) Vulcan Wealth Management LLC is wholly-owned by Vulcan Capital Private Equity I LLC. Vulcan Capital Private Equity Inc. is the managing member of Vulcan Capital Private Equity Management I LLC, which is the manager of Vulcan Capital Private Equity I LLC. Paul Allen is the sole stockholder of Vulcan Capital Private Equity Inc., and, as such, possesses sole voting and investment power over the shares held by Vulcan Wealth Management LLC. Mr. Allen disclaims beneficial ownership of the shares held by Vulcan Wealth Management LLC except to the extent of his pecuniary interest therein. The address for Vulcan Wealth Management LLC is 505 5th Avenue S, Suite 900, Seattle, Washington 98104.

## DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws, each of which will be in effect immediately prior to this offering. Copies of the amended and restated certificate of incorporation and the amended and restated bylaws have been filed with the SEC as exhibits to our registration statement of which this prospectus forms a part.

Immediately prior to this offering, our authorized capital stock will consist of 50 million shares of Class A common stock, par value \$0.01 per share, 25 million shares of Class B common stock, par value \$0.01 per share and 10 million shares of preferred stock, par value \$0.01 per share. Upon the consummation of this offering, \_\_\_\_\_ shares of Class A common stock, \_\_\_\_\_ shares of Class B common stock and no shares of preferred stock will be outstanding.

### Common Stock

#### *Class A Common Stock*

##### *Voting Rights*

Our Class A stockholders will be entitled to one vote for each share held of record on all matters submitted to a vote of our stockholders. Our Class A stockholders will not be entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law or as described in “—Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation—Amendment of Certificate of Incorporation and Bylaws,” amendments to our amended and restated certificate of incorporation must be approved by a majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class. However, amendments to our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the Class A common stock, so as to affect them adversely, also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class. Notwithstanding the foregoing, any amendment to our amended and restated certificate of incorporation to increase or decrease the authorized shares of Class A common stock must be approved by the vote of the holders of a majority of our shares of Class A common stock.

##### *Dividend Rights*

Class A stockholders are entitled to receive dividends, when and if declared by our board of directors, out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock. Dividends consisting of shares of Class A common stock may be paid only as follows: (i) shares of Class A common stock may be paid only to holders of shares of Class A common stock and (ii) shares will be paid proportionately with respect to each outstanding share of our Class A common stock. See “Dividend Policy.”

##### *Liquidation Rights*

Upon our liquidation, dissolution or winding-up, or the sale of all, or substantially all, of our assets, after payment in full of all amounts required to be paid to creditors and to holders of preferred stock having a liquidation preference, if any, the Class A stockholders will be entitled to share ratably in our remaining assets available for distribution to Class A stockholders.

---

## Table of Contents

### *Other Matters*

In the event of our merger or consolidation with or into another company in connection with which shares of common stock are converted into, or exchangeable for, shares of stock, other securities or property (including cash), common stockholders, regardless of class, will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash); provided that, if shares of Class A common stock are exchanged for shares of capital stock, such shares exchanged for, or changed into, may differ between classes to the extent that the shares of Class A common stock and the Class B common stock differ.

No shares of Class A common stock will be subject to redemption or have preemptive rights to purchase additional shares of Class A common stock.

Upon consummation of this offering, all the outstanding shares of Class A common stock will be legally issued, fully paid and non-assessable.

### *Exchanges of Class B units for Class A Common Stock and Registration Rights*

Class B units of Silvercrest L.P. will be exchangeable for shares of our Class A common stock, on a one-for-one basis, subject to customary adjustments for share splits, dividends and reclassifications. See “The Reorganization and Our Holding Company Structure—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights” for a description of the timing and circumstances under which Class B units may be exchanged for shares of our Class A common stock. Also, see “The Reorganization and Our Holding Company Structure—Resale and Registration Rights Agreement” for a description of circumstances in which these shares may be resold.

## **Class B Common Stock**

### *Issuance of Class B Common Stock with Class B units*

Shares of our Class B common stock are issuable only in connection with the issuance of Class B units of Silvercrest L.P. When a vested or unvested Class B unit is issued by Silvercrest L.P., we will issue the holder one share of our Class B common stock in exchange for the payment of its par value, subject to the holder’s agreement to be bound by the terms of the stockholders’ agreement described in the “The Reorganization and Our Holding Company Structure—Stockholders’ Agreement Among Class B Stockholders.” Each share of our Class B common stock will be redeemed for its par value and cancelled by us if the holder of the corresponding Class B unit exchanges or forfeits its Class B unit pursuant to the terms of the second amended and restated limited partnership agreement of Silvercrest L.P., the terms of the 2012 Equity Incentive Plan, or otherwise.

### *Voting Rights*

Our Class B stockholders will be entitled to one vote for each share held of record on all matters submitted to a vote of our stockholders. Class B stockholders will not be entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all Class B stockholders and Class A stockholders present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law or as described in “—Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation—Amendment of Certificate of Incorporation and Bylaws,” amendments to our amended and restated certificate of incorporation must be approved by a majority of the combined voting power of all shares of Class B common stock and Class A common stock, voting together as a single class. However, amendments to our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the shares of Class B common stock so as to affect them adversely also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class. Notwithstanding the foregoing, any amendment to our amended and restated certificate of incorporation to increase or decrease the authorized shares of Class B common stock must be approved by the vote of the holders of a majority of the shares of Class B common stock.

---

## Table of Contents

See “The Reorganization and Our Holding Company Structure—Stockholders’ Agreement Among Class B Stockholders” for a description of the terms of the stockholders’ agreement that the holders of all shares of Class B common stock outstanding immediately after this offering will enter into simultaneously with this offering. Any person who becomes a Class B stockholder after this offering will be required to become a party to the stockholders’ agreement.

### *Dividend Rights*

Our Class B stockholders will not participate in any dividends declared by our board of directors.

### *Liquidation Rights*

Upon our liquidation, dissolution or winding-up, or the sale of all, or substantially all, of our assets, Class B stockholders only will be entitled to receive the par value of our Class B common stock.

### *Other Matters*

In the event of our merger or consolidation with or into another company in connection with which shares of Class B common stock are converted into, or exchangeable for, shares of stock, other securities or property (including cash), all common stockholders will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash); provided that, if shares of Class B common stock are exchanged for shares of capital stock, such shares exchanged for, or changed into, may differ to the extent that the shares of our Class A common stock and Class B common stock differ.

No shares of Class B common stock will have preemptive rights to purchase additional shares of Class B common stock.

Upon consummation of this offering, all outstanding shares of Class B common stock will be legally issued, fully paid and non-assessable.

## **Preferred Stock**

Our board of directors has the authority to issue preferred stock in one or more classes or series and to fix the rights, preferences, privileges and related restrictions, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any class or series, or the designation of the class or series, without the approval of our stockholders.

The authority of our board of directors to issue preferred stock without approval of our stockholders may have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the voting and other rights of the holders of our common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock, including the loss of voting control to others.

## **Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation**

Our amended and restated certificate of incorporation and our amended and restated bylaws, contain provisions which may have the effect of delaying, deterring or preventing a future takeover or change in control of our company. These provisions include the following:

### ***Issuance of Preferred Stock***

Our board of directors is authorized to issue million shares of preferred stock and determine the powers, preferences and special rights of any unissued series of preferred stock, including voting rights, dividend rights,

---

## **Table of Contents**

and terms of redemption, conversion rights and the designation of any such series, without the approval of our stockholders. As a result, our board of directors could issue preferred stock quickly and easily, which could adversely affect the rights of holders of our common stock. Our board of directors could issue the preferred stock with terms calculated to delay or prevent a change in control or make removal of management more difficult.

### ***Elimination of Stockholder Action by Written Consent***

Our amended and restated certificate of incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting.

### ***Elimination of the Ability to Call Special Meetings***

Our amended and restated certificate of incorporation provides that, except as otherwise required by law, special meetings of our stockholders can only be called pursuant to a resolution adopted by a majority of our board of directors, a committee of the board of directors that has been duly designated by the board of directors and whose powers and authority include the power to call such meetings, or by the Chairman of our board of directors. Stockholders are not permitted to call a special meeting or to require our board to call a special meeting.

### ***Advance Notice Procedures for Stockholder Proposals***

Our amended and restated bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board. Stockholders at our annual meeting may only consider proposals or nominations specified in the notice of meeting, or brought before the meeting by, or at the direction of, our board of directors, or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting.

### ***Classified Board of Directors***

Our board of directors is divided into three classes, Class I, Class II and Class III, with members of each class serving staggered three-year terms. Our amended and restated certificate of incorporation provides that the authorized number of directors may be changed only by resolution of the board. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

### ***Removal of Directors; Board of Directors Vacancies***

Our amended and restated certificate of incorporation and amended and restated bylaws provide that members of our board of directors may not be removed without cause. Our amended and restated bylaws further provide that only our board of directors may fill vacant directorships, except in limited circumstances. These provisions would prevent a stockholder from gaining control of our board of directors by removing incumbent directors and filling the resulting vacancies with such stockholder's own nominees.

### ***Amendment of Certificate of Incorporation and Bylaws***

The General Corporation Law of the State of Delaware, or DGCL, provides generally that the affirmative vote of a majority of the outstanding shares of common stock entitled to vote is required to amend or repeal a corporation's certificate of incorporation or bylaws, unless the certificate of incorporation requires a greater percentage. Our amended and restated certificate of incorporation generally requires the approval of the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in connection with the election of directors, to amend any provisions of our amended and restated certificate of

---

## Table of Contents

incorporation described in “—Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation.” Our amended and restated certificate of incorporation and amended and restated bylaws provide that the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in connection with the election of directors have the power to amend or repeal our bylaws. In addition, our amended and restated certificate of incorporation grants our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our amended and restated certificate of incorporation.

The foregoing provisions of our amended and restated certificate of incorporation and amended and restated bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our equity securities and, as a consequence, they also may inhibit fluctuations in the market price of our Class A common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management, or delaying or preventing a transaction that might benefit you or other minority stockholders.

### **Section 203 of the DGCL**

We are subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the “business combination” or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of a corporation’s voting stock. The existence of this provision could have anti-takeover effects with respect to transactions not approved in advance by our board of directors, such as discouraging takeover attempts that might result in a premium over the market price of our common stock.

### **Limitations on Liability and Indemnification of Officers and Directors**

Our amended and restated certificate of incorporation and amended and restated bylaws provide indemnification for our directors and officers to the fullest extent permitted by the DGCL. Prior to the completion of this offering, we intend to enter into indemnification agreements with each of our directors that may, in some cases, be broader than the specific indemnification provisions contained under Delaware law. In addition, as permitted by the DGCL, our amended and restated certificate of incorporation includes provisions that eliminate the personal liability of our directors for monetary damages resulting from breaches of certain fiduciary duties as a director. The effect of this provision is to restrict our rights and the rights of our stockholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director, except that a director will be personally liable for:

- any breach of his duty of loyalty to us or our stockholders;
- acts or omissions not in good faith, or which involve intentional misconduct or a knowing violation of law;
- any transaction from which the director derived an improper personal benefit; or
- improper distributions to stockholders.

If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors or officers, then the liability of our directors or officers shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

---

## **Table of Contents**

This provision regarding indemnification of our directors and officers in our amended and restated certificate of incorporation generally does not limit liability under state or federal securities laws.

Delaware law and our amended and restated certificate of incorporation and bylaws provide that we will, in certain situations, indemnify any person made or threatened to be made a party to a proceeding by reason of that person's former or present official capacity with our company against judgments, penalties, fines, settlements and reasonable expenses, including reasonable attorneys' fees. A person is also entitled, subject to certain limitations, to payment or reimbursement of reasonable expenses in advance of final disposition of the proceeding. Your investment may be adversely affected to the extent that, in a class action or direct suit, we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our Class A common stock will be American Stock Transfer.

### **Listing**

We intend to apply to list our Class A common stock on Nasdaq under the symbol "SAMG."

## SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict the effect, if any, that market sales of shares of our Class A common stock or the availability of shares of our Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our Class A common stock in the public market, including shares issued and sold upon exchange of Class B units, could adversely affect the market price of our Class A common stock and could impair our future ability to raise capital through the sale of our equity securities.

### Class A Common Stock Outstanding Upon Closing

shares of Class A common stock will be outstanding immediately after this offering (or shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock). Subject to certain restrictions, following the six-month anniversary of the consummation of this offering, each holder (other than us) and certain permitted transferees will have the right to exchange their Class B units of Silvercrest L.P. for shares of our Class A common stock on a one-for-one basis pursuant to the terms of our second amended and restated limited partnership agreement. See “The Reorganization and Our Holding Company Structure—Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.—Exchange Rights.” These shares of our Class A common stock issuable upon exchange of Class B units would be “restricted securities,” as defined in Rule 144. However, we will enter into a resale and registration rights agreement with the holders of the Class B units of Silvercrest L.P. that will require us to register under the Securities Act these shares of Class A common stock. See “The Reorganization and Our Holding Company Structure—Resale and Registration Rights Agreement.”

Of the shares of Class A common stock outstanding following this offering, shares of Class A common stock (or shares of Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock) sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares of Class A common stock held by our “affiliates”, as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below under “—Rule 144.”

The shares of our Class A common stock issuable upon exchange of Class B units of Silvercrest L.P. may be sold only as part of an annual underwritten offering pursuant to the resale and registration rights agreement until the fifth anniversary of the consummation of this offering, subject to the following exceptions:

- holders at any time may sell a number of shares sufficient to cover taxes due upon exchange of Class B units in any manner of sale permitted under the securities laws; and
- the estate of any deceased holder or the beneficiaries thereof, at any time, may sell a number of shares sufficient to cover applicable estate and inheritance taxes.

Shares of Class A common stock issuable upon exchange of Class B units held by a principal of Silvercrest L.P. are subject to additional restrictions on transfer as described under “The Reorganization and Our Holding Company Structure—Resale and Registration Rights Agreement.”

In addition, our board of directors may at any time waive any restrictions on sale of our Class A common stock.

### Lock-Up Agreements

We will agree with the underwriters not to issue, sell, or otherwise dispose of or hedge any shares of our Class A common stock, subject to certain exceptions, for the 180-day period following the date of this prospectus, without the prior consent of Sandler O’Neill & Partners, L.P. and Raymond James & Associates, Inc.

---

## [Table of Contents](#)

Our officers and directors will enter into similar lock-up agreements with the underwriters. Sandler O’Neill & Partners, L.P. and Raymond James & Associates, Inc. may, at any time, release us and/or any of our officers and directors from this lock-up agreement and allow us to sell shares of our Class A common stock within this 180-day period. See “Underwriting.” Pursuant to our lock-up agreement with the underwriters, we will not be permitted to waive these restrictions pursuant to the exchange agreement without the prior consent of Sandler O’Neill & Partners, L.P. and Raymond James & Associates, Inc.

### **Rule 144**

In general, under Rule 144 as currently in effect, our affiliates who own shares for at least six months or own shares purchased in the open market are entitled to sell these shares as follows. Within any three-month period, each person may sell a number of shares that does not exceed the greater of 1% of our then-outstanding shares of Class A common stock, which will equal approximately                    shares immediately after this offering (based on the number of shares of our Class A common stock outstanding upon completion of this offering), or the average weekly trading volume of our Class A common stock on Nasdaq during the four calendar weeks preceding the filing of a notice of the sale on Form 144. Sales under Rule 144 by affiliates also will be subject to manner of sale provisions, notice requirements and the availability of current public information about us.

A person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who owns shares of Class A common stock within the definition of “restricted securities” under Rule 144 that were acquired from us or any affiliate at least six months previously, would also be entitled to sell shares under Rule 144. Such sales would be permitted without regard to the volume limitations, manner of sale provisions or notice requirements described above and, after one year, without any limits, including the public information requirement.

### **Rule 701**

In general, and subject to lock-up agreements, any of our employees, consultants or advisers, other than affiliates, who purchased shares of Class A common stock from us under our 2012 Equity Incentive Plan, or other written agreements in accordance with Rule 701 of the Securities Act, are eligible to resell their shares under Rule 144.

### **Registration of Shares Under 2012 Equity Incentive Plan**

We intend to file a registration statement on Form S-8 covering all of the shares of Class A common stock issuable or reserved for issuance under our 2012 Equity Incentive Plan. When issued, these shares of Class A common stock will be freely tradable in the public market, subject to Rule 144 volume limitations applicable to affiliates and, in some cases, the expiration of the lock-up agreements described in “Underwriting.”

### **Resale and Registration Rights Agreement**

In connection with this offering, we will enter into a resale and registration rights agreement with the holders of the Class B units of Silvercrest L.P. pursuant to which the shares of our Class A common stock issued upon exchange or conversion of their Class B units will be eligible for resale, subject to the resale timing and manner limitations described under “The Reorganization and Our Holding Company Structure—Resale and Registration Rights Agreement.”

## **MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF CLASS A COMMON STOCK**

The following is a summary of the material U.S. federal income tax and estate tax consequences applicable to non-U.S. holders (as defined below) with respect to the acquisition, ownership and disposition of shares of our Class A common stock. This summary is based on current provisions of the Internal Revenue Code, the Treasury regulations promulgated thereunder, administrative rulings and judicial opinions, all of which are subject to change, possibly with retroactive effect. We have not sought any ruling from the U.S. Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary is limited to non-U.S. holders (as defined below) who purchase shares of our Class A common stock pursuant to this offering and who hold those shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code.

This discussion does not address all aspects of U.S. federal income or estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances, nor does it address any aspects of tax considerations arising under the laws of any non-U.S., state or local jurisdiction. This discussion also does not address tax considerations applicable to a non-U.S. holder subject to special treatment under the U.S. federal income tax or estate tax laws, including without limitation:

- banks, insurance companies or other financial institutions;
- partnerships or other pass-through entities;
- tax-exempt organizations;
- tax-qualified retirement plans;
- dealers in securities or currencies;
- U.S. expatriates and certain former citizens or long-term residents of the U.S.;
- controlled foreign corporations;
- passive foreign investment companies;
- persons that own, or have owned, actually or constructively, more than 5% of our Class A common stock; and
- persons that will hold common stock as a position treated as a hedging transaction, "straddle" or "conversion transaction" for tax purposes.

Accordingly, we urge prospective investors to consult with their own tax advisers regarding the state, local and other tax considerations of acquiring, holding and disposing of shares of our Class A common stock.

In addition, this discussion does not address the tax treatment of partnerships (or entities or arrangements that are treated as partnerships for U.S. federal income tax purposes) or persons who hold their Class A common stock through partnerships or other pass-through entities for U.S. federal income tax purposes. If a partnership (or other entity treated as a pass-through entity for U.S. federal income tax purposes) is a beneficial owner of Class A common stock, the tax treatment of a partner in the partnership (or member in such other entity) will generally depend upon the status of the partner and the activities of the partnership. Any partner in a partnership holding shares of Class A common stock should consult its own tax advisers.

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY INCOME OR OTHER TAX CONSEQUENCES OF**

---

## [Table of Contents](#)

### **THE PURCHASE, OWNERSHIP OR DISPOSITION OF OUR CLASS A COMMON STOCK ARISING UNDER THE LAWS OF THE U.S., ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

#### **Definition of Non-U.S. Holder**

In general, a “non-U.S. holder” is any beneficial owner of our Class A common stock (other than an entity treated as a partnership or disregarded as separate from its owner for U.S. federal income tax purposes) that is not a U.S. person. A “U.S. person” is any of the following:

- an individual citizen or resident of the U.S. as determined for U.S. federal income tax purposes;
- a corporation (or any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in the Internal Revenue Code) have the authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

#### **Distributions on Class A Common Stock**

If we make cash or other property distributions on our Class A common stock, or effect a redemption that is treated as a distribution with respect to our Class A common stock, then any such distributions or redemptions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a tax-free return of capital to the extent of the non-U.S. holder’s adjusted tax basis in our Class A common stock and will be applied against and reduce that basis. Any excess will be treated as gain realized on the sale or other disposition of the Class A common stock and will be treated as described under the section titled “—Gain on Sale or Other Disposition of Class A Common Stock” below.

Except as described in the next paragraph, dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or a lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent or withholding agent a properly completed and valid IRS Form W-8BEN (or applicable successor form) certifying, under penalties of perjury, such holder’s qualification for the reduced rate. This certification must be provided to us or our paying agent or other withholding agent prior to the payment of dividends and may be required to be updated periodically. Special certification and other requirements apply if our Class A common stock is held through a non-U.S. intermediary including non-U.S. pass-through entities. Non-U.S. holders that do not timely provide us or our paying agent or other withholding agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our Class A common stock in connection with the conduct of a trade or business in the U.S., and dividends paid on the Class A common stock are effectively connected with such holder’s U.S. trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the U.S.), the non-U.S. holder will be exempt from U.S. federal withholding tax, but will be subject to tax as provided below. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent or other withholding agent the required forms, including a properly executed IRS Form W-8ECI (or applicable successor form).

---

## Table of Contents

Any dividends paid on our Class A common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the U.S.) generally will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a U.S. holder. A non-U.S. holder that is a non-U.S. corporation (or non-U.S. entity treated as a corporation for U.S. federal income tax purposes) also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

A non-U.S. holder who provides us with an IRS Form W-8BEN or Form W-8ECI must update the form or submit a new form, as applicable, if there is a change in circumstances that makes any information on such form incorrect. A non-U.S. holder that claims the benefit of an applicable income tax treaty generally will be required to satisfy applicable certification and other requirements prior to the distribution date. Non-U.S. holders should consult their tax advisers regarding their entitlement to benefits under a relevant income tax treaty.

### **Gain on Sale or Other Taxable Disposition of Class A Common Stock**

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on a sale or other taxable disposition of our Class A common stock unless:

- the gain is "effectively connected" with the non-U.S. holder's conduct of a trade or business in the U.S., and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment or fixed base that the non-U.S. holder maintains in the U.S.,
- the non-U.S. holder is an individual, holds the Class A common stock as a capital asset, is present in the U.S. for 183 or more days in the taxable year of the sale and certain other conditions exist, or
- we are or have been a U.S. real property holding corporation, or a USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period for our Class A common stock, and such non-U.S. holder has actually or constructively held (at any time during the shorter of the five-year period preceding the date of the disposition or the holder's holding period) 5% or more of our Class A common stock.

We believe we currently are not, and we do not anticipate becoming, a USRPHC for U.S. federal income tax purposes. However, no assurance can be offered in this regard.

Gain described in the first or third bullet point above will be subject to U.S. federal income tax on a net income basis at regular graduated U.S. federal income tax rates generally in the same manner as if such holder were a U.S. holder. A non-U.S. holder that is a non-U.S. corporation (or non-U.S. entity treated as a corporation for U.S. federal income tax purposes) also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. The gross proceeds from transactions to which the third bullet point above applies will generally be subject to a 10% withholding tax, which may be claimed as a credit against the non-U.S. holder's federal income tax liability. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

---

## [Table of Contents](#)

### **Federal Estate Taxes**

An individual non-U.S. holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in our Class A common stock will be required to include the value thereof in his or her gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise, even though such individual was not a citizen or resident of the U.S. at the time of his or her death.

### **Backup Withholding and Information Reporting**

In general (except as described below), backup withholding and information reporting will not apply to a distribution of dividends on our Class A common stock paid to you or to proceeds from the disposition of the Class A common stock by you, in each case, if you certify under penalties of perjury that you are a non-U.S. person, and neither we nor our paying agent (or other payor) have actual knowledge or reason to know to the contrary. In general, if the Class A common stock is not held through a qualified intermediary, the amount of dividends, the name and address of the beneficial owner and the amount, if any, of tax withheld may be reported to the IRS.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale or other disposition of our Class A common stock by a non-U.S. holder outside the U.S. through a foreign office of a foreign broker that does not have certain specified connections to the U.S. However, if a non-U.S. holder sells or otherwise disposes of its shares of our Class A common stock through a U.S. broker or the U.S. offices of a foreign broker, the broker will generally be required to report the amount of proceeds paid to the non-U.S. holder to the IRS and also backup withhold on that amount unless such non-U.S. holder provides appropriate certification to the broker of its status as a non-U.S. person (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Internal Revenue Code) or otherwise establishes an exemption. Information reporting will also apply if a non-U.S. holder sells its shares of our Class A common stock through a foreign broker deriving more than a specified percentage of its income from U.S. sources or having certain other connections to the U.S., unless such broker has documentary evidence in its records that such non-U.S. holder is a non-U.S. person (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Internal Revenue Code) and certain other conditions are met, or such non-U.S. holder otherwise establishes an exemption.

Copies of information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a non-U.S. holder under the backup withholding rules generally can be credited against any U.S. federal income tax liability of the non-U.S. holder, provided that you timely furnish the required information to the IRS.

### **Foreign Accounts**

Recently enacted legislation generally will impose a U.S. federal withholding tax of 30% on dividends paid after December 31, 2013, and the gross proceeds of a disposition of our Class A common stock paid after December 31, 2014 to a "foreign financial institution," as specially defined under these rules, unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution, which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners. The legislation also will generally impose a U.S. federal withholding tax of 30% on dividends paid after December 31, 2013, and the gross proceeds of a disposition of our Class A common stock paid after December 31, 2014 to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity. We will not pay any

---

[Table of Contents](#)

additional amounts to non-U.S. holders in respect of any amounts withheld. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Prospective investors are encouraged to consult with their own tax advisers regarding the possible implications of this legislation on their investment in our Class A common stock.

**The preceding discussion is not tax advice. Each prospective investor should consult the prospective investor's own tax adviser regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our Class A common stock, including the consequences of any proposed change in applicable laws.**

[Table of Contents](#)

**UNDERWRITING**

We are offering the shares of our Class A common stock described in this prospectus in an underwritten offering in which we and Sandler O’Neill & Partners, L.P., as representative of the underwriters for the offering, will enter into an underwriting agreement with respect to the common stock being offered. Subject to the terms and conditions contained in the underwriting agreement, each underwriter named below has severally agreed to purchase the respective number of shares of our common stock set forth opposite its name below:

<u>Name</u>	<u>Number of Shares of Class A common stock</u>
Sandler O’Neill & Partners, L.P.	
Raymond James & Associates, Inc.	
<b>Total</b>	

The underwriting agreement provides that the underwriters’ obligation to purchase shares of our Class A common stock depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the representations and warranties made by us are true and agreements have been performed;
- there is no material adverse change in their determination in the financial markets or in our business; and
- we deliver customary closing documents.

Subject to these conditions, the underwriters are committed to purchase and pay for all of the shares of our Class A common stock offered by this prospectus, if any such shares are purchased. However, the underwriters are not obligated to take or pay for the shares of our Class A common stock covered by the underwriters’ over-allotment option described below, unless and until that option is exercised.

**Over-Allotment Option**

We have granted the underwriters an option, exercisable no later than 30 days after the date of the underwriting agreement, to purchase up to an aggregate of \_\_\_\_\_ additional shares of Class A common stock at the public offering price, less the underwriting discounts and commissions set forth on the cover page of this prospectus.

**Commissions and Expenses**

The underwriters propose to offer our Class A common stock directly to the public at the offering price set forth on the cover page of this prospectus and to dealers at the public offering price less a concession not in excess of \$ \_\_\_\_\_ per share. The underwriters may allow, and the dealers may re-allow, a concession not in excess of \$ \_\_\_\_\_ per share on sales to other brokers and dealers. After the public offering of our Class A common stock, the underwriters may change the offering price, concessions and other selling terms.

The following table shows the per share and total underwriting discounts and commissions that we will pay to the underwriters and the proceeds we will receive before expenses. These amounts are shown assuming both no exercise and full exercise of the underwriters’ over-allotment option.

	<u>Per Share</u>	<u>Total without over- allotment exercise</u>	<u>Total with over- allotment exercise</u>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds to us (before expenses)	\$	\$	\$

In addition to the underwriting discount, we will reimburse the underwriters for their reasonable out-of-pocket non-legal expenses, up to \$ \_\_\_\_\_, incurred in connection with their engagement as underwriters, regardless of whether this offering is consummated, including, without limitation, marketing, syndication and travel expenses. Further, we will reimburse the underwriters for their legal fees of up to \$ \_\_\_\_\_ incurred in connection with their engagement as underwriters, regardless of whether this offering is consummated. We will

---

## Table of Contents

also pay for filing fees incident to, and the fees and disbursements (up to an aggregate of \$ ) of counsel for the underwriters in connection with, securing any required review of the terms of this offering. We estimate that the total expenses of this offering, exclusive of the underwriting discounts and commissions, will be approximately \$ , and are payable by us.

### **Offering Price Determination**

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price will be negotiated between the representative and us. In determining the initial public offering price of our Class A common stock, the representative will consider:

- the history and prospects for the industry in which we compete;
- our financial information;
- our earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of and the demand for publicly traded stock of comparable companies.

### **Indemnification**

We have agreed to indemnify the underwriters, and persons who control the underwriters, against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of these liabilities.

### **Lock-Up Agreement**

We, our directors and executive officers and certain of our shareholders have entered into lock-up agreements with the underwriters. Under these agreements, for a period of 180 days after the date of the underwriting agreement, we and each of these persons may not, without the prior written approval of the underwriters, subject to limited exceptions:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any of our Class A common stock or any securities convertible into or exchangeable or exercisable for our Class A common stock, whether now owned or hereafter acquired or with respect to which such person has or hereafter acquires the power of disposition, or file any registration statement under the Securities Act, with respect to any of the foregoing, or
- enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of our common stock, whether any such swap or transaction is to be settled by delivery of our Class A common stock or other securities, in cash or otherwise.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the period that begins on the date that is 15 calendar days plus 3 business days before the last day of the 180-day restricted period and ends on the last day of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 17-day period beginning on the last day of the 180-day restricted period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the date that is 15 calendar days plus three business days after the date on which the earnings release is issued or the material news or material event relating to us occurs.

### **Listing on the Nasdaq Global Market**

We have applied to list our Class A common stock on The Nasdaq Global Market under the symbol "SAMG."

---

## [Table of Contents](#)

### **Stabilization**

In connection with this offering, the underwriters may, but are not obligated to, engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids.

- Stabilizing transactions permit bids to purchase shares of Class A common stock so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or mitigating a decline in the market price of the Class A common stock while the offering is in progress.
- Over-allotment transactions involve sales by the underwriters of shares of Class A common stock in excess of the number of shares the underwriters are obligated to purchase. This creates a syndicate short position that may be either a covered short position or a naked short position. In a covered short position, the number of shares of Class A common stock over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of Class A common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the over-allotment option. If the underwriters sell more shares than could be covered by exercise of the over-allotment option and, therefore, have a naked short position, the position can be closed out only by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering.
- Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the common stock originally sold by that syndicate member is purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our Class A common stock or preventing or mitigating a decline in the market price of our Class A common stock. As a result, the price of our Class A common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our Class A common stock. These transactions may be effected on The Nasdaq Global Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

### **Directed Share Program**

We have directed the underwriters to reserve up to \_\_\_\_\_ % of the shares of Class A common stock to be issued in this offering for sale to our directors, officers and certain other persons at the initial public offering price through a directed share program. The number of shares Class A common stock available for sale to the public in the offering will be reduced to the extent these persons purchase any reserved shares. Any shares of Class A common stock not so purchased will be offered by the underwriters to the public on the same basis as other shares offered hereby.

### **Our Relationship with the Underwriters**

Certain of the underwriters and/or their affiliates have engaged, and may in the future engage, in commercial and investment banking transactions with us in the ordinary course of their business. They have received, and expect to receive, customary compensation and expense reimbursement for these commercial and investment banking transactions.

---

[Table of Contents](#)

**LEGAL MATTERS**

Certain legal matters with respect to the common stock offered hereby will be passed upon for us by Bingham McCutchen LLP. Certain legal matters with respect to this offering will be passed upon for the underwriters by Paul, Weiss, Rifkind, Wharton & Garrison LLP.

**EXPERTS**

The balance sheet of Silvercrest Asset Management Group Inc. as of May 11, 2012, included in this prospectus, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such Balance Sheet has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Silvercrest L.P. and its subsidiaries as of December 31, 2011 and December 2010, and for each of the years in the three-year period ended December 31, 2011, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, which report expresses an unqualified opinion on the consolidated financial statements and includes an explanatory paragraph referring to a change in Silvercrest L.P.'s annual goodwill impairment testing date. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Milbank Winthrop & Co., Inc. as of December 31, 2010 and 2009, and for each of the years in the two year period ended December 31, 2010, and the consolidated financial statements of MW Commodity Advisors, LLC as of December 31, 2011 and 2010, and for each of the years in the two-year period ended December 31, 2011, have been included herein in reliance upon the report of Fulvio & Associates, L.L.P., an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to our Class A common stock. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to us and our Class A common stock, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

You may read and copy any document we have filed or may file in the future at the SEC's public reference facility in Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>.

Upon completion of this offering, we will be subject to the information and periodic reporting requirements of the Exchange Act and, accordingly, file periodic reports and other information, including proxy statements, with the SEC.

[Table of Contents](#)

**INDEX TO FINANCIAL STATEMENTS**  
**SILVERCREST ASSET MANAGEMENT GROUP INC.**

	<u>Page</u>
<b>Silvercrest Asset Management Group Inc.</b>	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-3
<a href="#">Balance Sheet as of May 11, 2012</a>	F-4
<a href="#">Notes to Balance Sheet</a>	F-5
<a href="#">Balance Sheet as of June 30, 2012 (Unaudited)</a>	F-6
<a href="#">Notes to Balance Sheet</a>	F-7
<b>Silvercrest L.P. and Subsidiaries</b>	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-8
<b>Consolidated Financial Statements of Silvercrest L.P. and its Subsidiaries for the three years ended December 31, 2011, December 31, 2010, and December 31, 2009:</b>	
<a href="#">Consolidated Statements of Financial Condition</a>	F-9
<a href="#">Consolidated Statements of Operations</a>	F-10
<a href="#">Consolidated Statements of Partners' Deficit</a>	F-11
<a href="#">Consolidated Statements of Cash Flows</a>	F-12
<a href="#">Notes to Consolidated Financial Statements</a>	F-14
<b>Condensed Consolidated Financial Statements of Silvercrest L.P. and its Subsidiaries for the six months ended June 30, 2012 and 2011 (Unaudited):</b>	
<a href="#">Condensed Consolidated Statements of Financial Condition</a>	F-36
<a href="#">Condensed Consolidated Statements of Operations</a>	F-37
<a href="#">Condensed Consolidated Statements of Partners' Deficit</a>	F-38
<a href="#">Condensed Consolidated Statements of Cash Flows</a>	F-39
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	F-40
<b>Milbank Winthrop &amp; Co., Inc.</b>	
<b>Consolidated Financial Statements of Milbank Winthrop &amp; Co., Inc. for the nine month period ended September 30, 2011 (Unaudited):</b>	
<a href="#">Consolidated Statements of Financial Condition</a>	F-60
<a href="#">Consolidated Statements of Operations</a>	F-62
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	F-63
<a href="#">Consolidated Statements of Cash Flows</a>	F-64
<a href="#">Notes to Consolidated Financial Statements</a>	F-66
<b>Consolidated Financial Statements of Milbank Winthrop &amp; Co., Inc. for the year ended December 31, 2010:</b>	
<a href="#">Independent Auditors' Report</a>	F-76
<a href="#">Consolidated Statements of Financial Condition</a>	F-77
<a href="#">Consolidated Statements of Income</a>	F-78
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	F-79
<a href="#">Consolidated Statements of Cash Flows</a>	F-80
<a href="#">Notes to Consolidated Financial Statements</a>	F-82
<b>Consolidated Financial Statements of Milbank Winthrop &amp; Co., Inc. for the year ended December 31, 2009:</b>	
<a href="#">Independent Auditors' Report</a>	F-90
<a href="#">Consolidated Statement of Financial Condition</a>	F-91
<a href="#">Consolidated Statement of Income</a>	F-92
<a href="#">Consolidated Statement of Changes in Stockholders' Equity</a>	F-93
<a href="#">Consolidated Statement of Cash Flows</a>	F-94
<a href="#">Notes to Consolidated Financial Statements</a>	F-96

---

[Table of Contents](#)

**MW Commodity Advisors, LLC**

**Consolidated Financial Statements of MW Commodity Advisors, LLC for the year ended December 31, 2011:**

<a href="#">Independent Auditors' Report</a>	F-106
<a href="#">Consolidated Statement of Financial Condition</a>	F-107
<a href="#">Consolidated Statement of Operations</a>	F-108
<a href="#">Consolidated Statement of Changes in Members' Equity</a>	F-109
<a href="#">Consolidated Statement of Cash Flows</a>	F-110
<a href="#">Notes to Consolidated Financial Statements</a>	F-111

**Consolidated Financial Statements of MW Commodity Advisors, LLC for the year ended December 31, 2010:**

<a href="#">Independent Auditors' Report</a>	F-118
<a href="#">Consolidated Statement of Financial Condition</a>	F-119
<a href="#">Consolidated Statement of Income</a>	F-120
<a href="#">Consolidated Statement of Changes in Members' Equity</a>	F-121
<a href="#">Consolidated Statement of Cash Flows</a>	F-122
<a href="#">Notes to Consolidated Financial Statements</a>	F-123

---

[Table of Contents](#)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder of Silvercrest Asset Management Group Inc.:  
New York, New York

We have audited the accompanying balance sheet of Silvercrest Asset Management Group Inc. (the “Company”) as of May 11, 2012. This balance sheet is the responsibility of the Company’s management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is 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 audit 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 balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet presents fairly, in all material respects, the financial condition of Silvercrest Asset Management Group Inc. as of May 11, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
May 11, 2012

---

[Table of Contents](#)

Silvercrest Asset Management Group Inc.  
Balance Sheet  
May 11, 2012

<b>Assets</b>	
Cash	<u>\$100</u>
<b>Stockholder's Equity</b>	
Class A common stock, \$0.01 par value - 1,000 shares authorized, 10 shares issued and outstanding	\$—
Class B common stock, \$0.01 par value - 1,000 shares authorized, 0 shares issued and outstanding	—
Additional paid-in capital	<u>100</u>
Total stockholder's equity	<u>\$100</u>

See accompanying notes to balance sheet.

---

[Table of Contents](#)

Silvercrest Asset Management Group Inc.  
Notes to Balance Sheet  
As of May 11, 2012

**1. ORGANIZATION**

Silvercrest Asset Management Group Inc. (the “Company”) was formed as a Delaware corporation on July 11, 2011. The Company’s fiscal year end is December 31. The Company was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Silvercrest L.P. The Company will be the sole general partner in Silvercrest L.P. and will operate and control all of the businesses and affairs of Silvercrest L.P. and, through Silvercrest L.P. and its subsidiaries, continue to conduct the business now conducted by these subsidiaries.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting — The Balance Sheet has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Operations, Stockholder’s Equity and of Cash Flows have not been presented as there have been no activities by this entity. There were no assets, liabilities, or equity as of December 31, 2011. The Company’s initial issuance of Class A common stock was on May 10, 2012.

**3. STOCKHOLDER’S EQUITY**

G. Moffett Cochran, the Chairman, Chief Executive Officer and a Director of the Company is the sole stockholder of the Company, and contributed \$100 to the Company on May 10, 2012 to purchase 10 shares of Class A common stock.

Holders of Class A common stock shall be entitled to one vote for each share of Class A common stock held on all matters submitted to stockholders for vote, consent or approval. Holders of Class B common stock shall be entitled to five votes for each share of Class B common stock held. Dividends are payable only to holders of Class A common stock.

---

[Table of Contents](#)

Silvercrest Asset Management Group Inc.  
Balance Sheet  
(Unaudited)  
June 30, 2012

<b>Assets</b>	
Cash	<u>\$ 100</u>
<b>Stockholder's Equity</b>	
Class A common stock, \$0.01 par value — 1,000 shares authorized, 10 shares issued and outstanding	\$ —
Class B common stock, \$0.01 par value — 1,000 shares authorized, 0 shares issued and outstanding	—
Additional paid-in capital	<u>100</u>
Total stockholder's equity	<u>\$ 100</u>

See accompanying notes to balance sheet.

---

[Table of Contents](#)

Silvercrest Asset Management Group Inc.  
Notes to Balance Sheet  
(Unaudited)  
As of June 30, 2012

**1. ORGANIZATION**

Silvercrest Asset Management Group Inc. (the “Company”) was formed as a Delaware corporation on July 11, 2011. The Company’s fiscal year end is December 31. The Company was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Silvercrest L.P. The Company will be the sole general partner in Silvercrest L.P. and will operate and control all of the businesses and affairs of Silvercrest L.P. and, through Silvercrest L.P. and its subsidiaries, continue to conduct the business now conducted by these subsidiaries.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting — The Balance Sheet has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Operations, Stockholder’s Equity and of Cash Flows have not been presented as there have been no activities by this entity. There were no assets, liabilities, or equity as of December 31, 2011. The Company’s initial issuance of Class A common stock was on May 10, 2012.

**3. STOCKHOLDER’S EQUITY**

G. Moffett Cochran, the Chairman, Chief Executive Officer and a Director of the Company is the sole stockholder of the Company, and contributed \$100 to the Company on May 10, 2012 to purchase 10 shares of Class A common stock.

Holders of Class A common stock shall be entitled to one vote for each share of Class A common stock held on all matters submitted to stockholders for vote, consent or approval. Holders of Class B common stock shall be entitled to five votes for each share of Class B common stock held. Dividends are payable only to holders of Class A common stock.

---

[Table of Contents](#)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Partners of Silvercrest L.P.:  
New York, New York

We have audited the accompanying consolidated statements of financial condition of Silvercrest L.P. and subsidiaries (the "Company") as of December 2011 and 2010, and the related consolidated statements of operations, partners' deficit, and cash flows for each of the three years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Silvercrest L.P. and subsidiaries as of December 31, 2011 and 2010 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its annual goodwill impairment testing date from December 31 to October 1, effective October 1, 2011.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
May 11, 2012 (August 13, 2012 as to the effects of the restatement discussed in Note 2)

[Table of Contents](#)

Silvercrest L.P. And Subsidiaries  
Consolidated Statements of Financial Condition  
(In thousands)

	December 31,	
	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 7,354	\$ 7,025
Restricted certificates of deposit and escrow	1,130	1,465
Investments	1,128	1,316
Receivables, net	2,238	2,247
Due from Silvercrest Funds	2,043	1,255
Furniture, equipment and leasehold improvements, net	2,275	2,107
Goodwill	14,683	10,993
Intangible assets, net	13,810	5,771
Prepaid expenses and other assets	601	900
<b>Total assets</b>	<b>\$ 45,262</b>	<b>\$ 33,079</b>
<b>Liabilities, Redeemable Partners' Capital and Partners' Deficit</b>		
Accounts payable and accrued expenses	4,365	2,236
Accrued compensation	2,915	2,790
Notes payable	4,809	2,957
Deferred rent	3,287	3,552
Deferred tax and other liabilities	375	955
<b>Total liabilities</b>	<b>15,751</b>	<b>12,490</b>
Redeemable partners' capital	91,201	51,744
Notes receivable from partners	(6,024)	(6,125)
<b>Total redeemable partners' capital</b>	<b>85,177</b>	<b>45,619</b>
<b>Commitments and Contingencies (Note 11)</b>		
<b>Partners' Deficit</b>		
Partners' capital	44,359	41,909
Excess of liabilities, redeemable partners' capital and partners' capital over assets	(100,025)	(66,939)
<b>Total partners' deficit</b>	<b>(55,666)</b>	<b>(25,030)</b>
<b>Total liabilities, redeemable partners' capital and partners' deficit</b>	<b>\$ 45,262</b>	<b>\$ 33,079</b>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

Silvercrest L.P.  
And Subsidiaries  
Consolidated Statements of Operations  
(In thousands)

	For the year ended December 31,		
	2011	2010	2009
<b>Revenue</b>			
Management and advisory fees	\$37,869	\$32,442	\$29,341
Performance fees and allocations	85	548	96
Family office services	4,833	3,841	3,097
<b>Total revenue</b>	<b>42,787</b>	<b>36,831</b>	<b>32,534</b>
Expenses			
Compensation and benefits	17,492	16,528	15,630
General and administrative	10,849	9,459	13,006
Impairment charges	—	—	1,691
<b>Total expenses</b>	<b>28,341</b>	<b>25,987</b>	<b>30,327</b>
<b>Income before other income (expense)</b>	<b>14,446</b>	<b>10,844</b>	<b>2,207</b>
<b>Other income (expense)</b>			
Gain on extinguishment of debt	—	—	3,934
Gain on settlement with former LongChamp shareholders	—	—	1,470
Loss on forgiveness of notes receivable	(34)	(508)	—
Change in value of options granted to equity holders	—	2	134
Other (expense) income	(210)	30	—
Interest income	187	231	213
Interest expense	(164)	(241)	(467)
Equity income from investments	950	1,241	274
<b>Total other income</b>	<b>729</b>	<b>755</b>	<b>5,558</b>
<b>Income before (provision) benefit for income taxes</b>	<b>15,175</b>	<b>11,599</b>	<b>7,765</b>
(Provision) benefit for income taxes	(566)	(657)	321
Net income	<b>\$14,609</b>	<b>\$10,942</b>	<b>\$ 8,086</b>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**Silvercrest L.P.**  
And Subsidiaries  
Consolidated Statements of Partners' Deficit  
(In thousands)

	Partners' Capital	Excess of Liabilities, Redeemable Partners' Capital and Partners' Capital over Assets	Total Partners' Deficit
<b>January 1, 2009</b>	<b>\$37,521</b>	<b>\$(106,461)</b>	<b>\$(68,940)</b>
Contributions from partners	—	4,842	4,842
Distributions to partners	—	(7,377)	(7,377)
Accretion to redemption value of redeemable partnership units	—	44,241	44,241
Net income	<u>2,239</u>	<u>5,847</u>	<u>8,086</u>
<b>December 31, 2009</b>	<b>39,760</b>	<b>(58,908)</b>	<b>(19,148)</b>
Contributions from partners	—	1,090	1,090
Distributions to partners	(823)	(5,050)	(5,873)
Equity-based compensation	—	9	9
Accretion to redemption value of redeemable partnership units	—	(12,050)	(12,050)
Net income	<u>2,972</u>	<u>7,970</u>	<u>10,942</u>
<b>December 31, 2010</b>	<b>41,909</b>	<b>(66,939)</b>	<b>(25,030)</b>
Contributions from partners	—	849	849
Distributions to partners	(1,271)	(8,723)	(9,994)
Equity-based compensation	—	489	489
Accretion to redemption value of redeemable partnership units	—	(36,589)	(36,589)
Net income	<u>3,721</u>	<u>10,888</u>	<u>14,609</u>
<b>December 31, 2011</b>	<b><u>\$44,359</u></b>	<b><u>\$(100,025)</u></b>	<b><u>\$(55,666)</u></b>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

**Silvercrest L.P.**  
And Subsidiaries  
Consolidated Statements of Cash Flows  
(In thousands)

	For the year ended December 31,		
	2011	2010	2009
<b>Cash Flows From Operating Activities</b>			
Net income	\$14,609	\$10,942	\$ 8,086
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity-based compensation	977	583	—
Depreciation and amortization	1,469	1,379	1,531
Amortization of acquired deferred revenue	(870)	—	—
Deferred rent	(265)	(418)	647
Deferred income taxes	(275)	(174)	293
Goodwill, intangible and fixed asset impairment charge	—	—	1,691
Change in fair value of options granted	—	(2)	(134)
Gain on extinguishment of debt	—	—	(3,934)
Gain on settlement with former LongChamp shareholders	—	—	(219)
Loss on forgiveness of notes receivable	34	508	—
Non-cash interest income	(180)	(207)	(165)
Non-cash interest expense	—	—	35
Distributions received from investment funds	1,231	274	1,014
Equity income from investments	(950)	(1,241)	(274)
Provision for doubtful receivables	—	104	—
Other	92	—	—
Cash flows due to changes in operating assets and liabilities:			
Receivables and due from Silvercrest funds	(780)	(1,438)	3,211
Prepaid expenses and other assets	192	422	(49)
Payables and accrued expenses	644	(261)	(980)
Accrued compensation	(360)	113	(2,702)
Other liabilities	(282)	646	(2)
Interest payable on notes payable	115	189	262
<b>Net cash provided by operating activities</b>	<b><u>15,401</u></b>	<b><u>11,419</u></b>	<b><u>8,311</u></b>
<b>Cash Flows From Investing Activities</b>			
Restricted certificates of deposit and escrow	\$ 335	\$ 689	\$ (14)
Acquisition of furniture, equipment and leasehold improvements	(606)	(79)	(10)
Earn-outs paid related to acquisitions completed before January 1, 2009	(663)	(245)	(488)
Acquisition of Milbank, net of cash acquired	(3,357)	—	—
Purchase of investments	(419)	—	—
Proceeds from sale of investments	234	—	—
<b>Net cash (used in) provided by investing activities</b>	<b><u>(4,476)</u></b>	<b><u>365</u></b>	<b><u>(512)</u></b>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

	For the year ended December 31,		
	2011	2010	2009
<b>Cash Flows From Financing Activities</b>			
Proceeds from issuance of partner interests	\$ 13	\$ 180	\$ 1,343
Redemptions of partner interests	(237)	(225)	—
Repayments of notes payable	(1,445)	(4,373)	(3,895)
Payments on capital leases	(16)	(2)	—
Distributions to partners	(9,994)	(5,873)	(7,307)
Payments from partners on notes receivable	1,083	207	1,012
<b>Net cash used in financing activities</b>	<b>(10,596)</b>	<b>(10,086)</b>	<b>(8,847)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>329</b>	<b>1,698</b>	<b>(1,048)</b>
Cash and cash equivalents, beginning of year	7,025	5,327	6,375
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,354</b>	<b>\$ 7,025</b>	<b>\$ 5,327</b>

**Supplemental Disclosures of Cash Flow Information**

Net cash paid (refunded) during the year for:			
Income taxes	\$ 855	\$ (539)	\$ 934
Interest	114	252	285

**Supplemental Disclosures of Non-cash Investing and Financing Activities**

Earnout accrual for acquisition of Marathon Capital Group, LLC	\$ 419	\$ 685	\$ 321
Earn-out accrual for acquisition of Heritage Financial Management, LLC	\$ —	\$ —	\$ 291
Notes receivable:			
From partners for capital contributions	\$ 836	\$ 187	\$ 3,500
Satisfied as part of share redemptions	—	734	901
Loss on forgiveness of notes receivable	34	508	—
Earnout accrual for acquisition of Milbank	1,726	—	—
Issuance of notes payable for redemption of partner interests	—	745	1,897
Issuance of notes payable for acquisition of Milbank	3,181	—	—
Issuance of partner interests as satisfaction of notes payable to partners	—	724	—
Issuance of shares for acquisition of Milbank	3,105	—	—

See accompanying notes to consolidated financial statements.

---

[Table of Contents](#)

Silvercrest L.P.  
and Subsidiaries

Notes to Consolidated Financial Statements  
As of and For the Years Ended December 2011, 2010 and 2009  
(Dollars in thousands)

**1. ORGANIZATION AND BUSINESS**

Silvercrest L.P. (“Silvercrest”), together with its consolidated subsidiaries (collectively the “Company”), provides investment management and family office services to individuals and families and their trusts, and to endowments, foundations and other institutional investors primarily located in the United States of America. The business includes the management of funds of funds, and other investment funds, collectively referred to as the “Silvercrest Funds.”

Silvercrest was formed on December 10, 2008 and commenced operations on January 1, 2009 along with its general partner, Silvercrest GP LLC (“GP LLC”) as part of a restructuring that was completed to organize the Company more in line with industry standards and to increase tax efficiency. Pursuant to the reorganization each of the members of Silvercrest Asset Management Group LLC (“SAMG LLC”) contributed their limited liability company interests in SAMG LLC to Silvercrest L.P. in return for limited partnership interests in Silvercrest L.P. and member interests in Silvercrest GP LLC, such that immediately after giving effect to such issuances each member’s percentage ownership of, and voting interest in, the aggregate limited partnership interests was equal to its ownership and voting interests immediately prior to such issuance, but reduced pro rata to take into account the 1% interest in Silvercrest L.P. owned by Silvercrest GP LLC, the general partner of Silvercrest L.P. As a result of the restructuring, SAMG LLC became a wholly owned subsidiary as of January 1, 2009. The reorganization was accounted for as a transaction between entities under common control and all balances of SAMG LLC were carried over to Silvercrest at their carrying values on December 31, 2008.

On March 11, 2004, the Company acquired 100% of the outstanding shares of James C. Edwards Asset Management, Inc. (“JCE”) and subsequently changed JCE’s name to Silvercrest Financial Services, Inc. (“SFS”). On December 31, 2004, the Company acquired 100% of the outstanding shares of The LongChamp Group, Inc. now SAM Alternative Solutions, Inc. (“LGI”). Effective March 31, 2005, the Company entered into an Asset Contribution Agreement to acquire all of the assets, properties, rights and certain liabilities of Heritage Financial Management, LLC (“HFM”). Effective October 3, 2008, the Company acquired 100% of the outstanding limited liability company interests of Marathon Capital Group, LLC (“MCG”) through a limited liability company interest purchase agreement dated September 22, 2008. On November 1, 2011, the Company acquired certain assets of Milbank Winthrop & Co. (“Milbank”). See Notes 3, 7 and 8 for additional information related to goodwill and intangible assets related to these acquisitions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Silvercrest and its wholly-owned subsidiaries, SAMG LLC, SFS, LGI, MCG, Silvercrest Investors LLC and Silvercrest Investors II LLC as of and for the year ended December 31, 2011. All intercompany transactions and balances have been eliminated.

In addition, Silvercrest evaluates for consolidation those entities it controls through a majority voting interest or otherwise, including those Silvercrest Funds in which the general partner or equivalent is presumed to have control over the fund. The initial step in our determination of whether a fund for which the Company is the general partner is required to be consolidated is assessing whether the fund meets the definition of a variable interest entity (VIE). None of funds for which the Company is the general partner,

---

## **Table of Contents**

met the definition of a VIE during the three years ended December 31, 2011, as the total equity at risk of each fund is sufficient for the fund to finance its activities without additional subordinated financial support provided by any parties, including the equity holders.

The Company then considers whether the fund is a voting interest entities (VoIE) in which the unaffiliated limited partners have substantive “kick-out” rights that provide ability to dissolve (liquidate) the limited partnership or otherwise remove the general partner without cause. The Company considers the “kick-out” rights to be substantive if the general partner for the fund can be removed by the vote of a simple majority of the unaffiliated limited partners and there no significant barriers to the unaffiliated limited partners’ ability to exercise these rights in that among other things (1) there are no conditions or timing limits on when the rights can be exercised, (2) there are no financial or operational barriers associated with replacing the general partner, (3) there are a number of qualified replacement investment advisors that would accept appointment at the same fee level, (4) each fund’s documents provide for the ability to call and conduct a vote, and (5) the information necessary to exercise the kick-out rights and related vote are available from the fund and its administrator.

As of and for the years ended December 2011, 2010 and 2009, all of the funds for which the Company was the general partner have substantive “kick-out” rights and therefore Silvercrest did not consolidate any of the Silvercrest Funds.

### **Segment Reporting**

The Company views its operations as comprising one operating segment. Each of the Company’s acquired businesses have similar economic characteristics and have been fully integrated upon acquisition. Furthermore, our Chief Operating Decision Maker, which is the Company’s Chief Executive Officer, monitors and reviews financial information at a consolidated level for assessing operating results and the allocation of resources.

### **Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and other income reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management include the fair value of acquired assets and liabilities, equity based compensation, impairment of goodwill, accounting for income taxes, the useful lives of long lived assets and other matters that affect the consolidated financial statements and related disclosures.

### **Cash and Cash Equivalents**

The Company considers all highly liquid securities with original maturities of 90 days or less when purchased to be cash equivalents.

### **Restricted Certificates of Deposit**

Certain certificates of deposit held at a major financial institution are restricted and serve as collateral for letters of credit for the Company’s lease obligations as described in Note 11.

### **Equity Method Investments**

Entities and investments over which the Company exercises significant influence over the activities of the entity but which do not meet the requirements for consolidation are accounted for using the equity method of accounting pursuant to ASC 323, Investments-Equity Method and Joint Ventures, (“ASC 323”), whereby the Company records its share of the underlying income or losses of these entities. Intercompany profit arising from

---

## **Table of Contents**

transactions with affiliates is eliminated to the extent of its beneficial interest. Equity in losses of equity method investments is not recognized after the carrying value of an investment, including advances and loans, has been reduced to zero, unless guarantees or other funding obligations exist.

The Company evaluates its equity method investments for impairment, whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as impairment when the loss in value is deemed other than temporary. The Company's equity method investments approximate their fair value at December 31, 2011, 2010 and 2009. The fair value of the equity method investments is estimated based on the Company's share of the fair value of net assets of the equity method investee which consist of Level I and Level II securities. No impairment charges related to equity method investments were recorded during the years ended December 31, 2011, 2010 and 2009.

### **Receivables and Due from Silvercrest Funds**

Receivables consist primarily of amounts due for advisory fees due from clients and management fees, and are stated at net realizable value. The Company maintains an allowance for doubtful receivables based on estimates of expected losses and specific identification of uncollectible accounts. The Company charges actual losses to the allowance when incurred.

### **Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements consist primarily of furniture, fixtures and equipment, computer hardware and software and leasehold improvements and are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, which for leasehold improvements is the lesser of the lease term or the life of the asset, generally 10 years, and 3 to 7 years for other fixed assets.

### **Business Combinations**

The Company accounts for business combinations using the acquisition method of accounting. The acquisition method of accounting requires that purchase price, including the fair value of contingent consideration, of the acquisition be allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration is recorded as part of the purchase price when such contingent consideration is not based on continuing employment of the selling shareholders. Contingent consideration that is related to continuing employment is recorded as compensation expense. Payments made for contingent consideration recorded as part of an acquisition's purchase price are reflected as financing activities in the Company's statements of cash flows.

For acquisitions completed subsequent to January 1, 2009, the Company remeasures the fair value of contingent consideration at each reporting period using a probability-adjusted discounted cash flow method based on significant inputs not observable in the market and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings. Contingent consideration payments that exceed the acquisition date fair value of the contingent consideration are reflected as an operating activity in the consolidated statements of cash flows.

### **Correction of Immaterial Error**

Subsequent to the issuance of the Company's consolidated financial statements as of and for the three years ended December 31, 2011, the Company determined that it had incorrectly classified contingent consideration payments made for acquisitions completed prior to January 1, 2009 as cash flows from financing activities, instead of cash flows from investing activities. As a result, the accompanying financial statements have been

---

## [Table of Contents](#)

restated to correct this error. Cash payments for contingent consideration of \$663, \$245, and \$488 for December 31, 2011, 2010, and 2009, respectively, have been reclassified in the consolidated statement of cash flows from financing activities to investing activities.

### **Goodwill and Intangible Assets**

Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is not amortized and is evaluated for impairment using a two-step process that is performed at least annually, or whenever events or circumstances indicate that impairment may have occurred. During 2011, the Company changed its annual impairment test date from December 31 to October 1, effective October 1, 2011. The change in the impairment testing date was not made with the intent of accelerating or delaying an impairment charge. The change was made in anticipation of the Company having a requirement to issue its annual financial statements on an accelerated basis as compared to prior years. The change had no impact on the Company's results of operations or any other financial statement line item. The first step is a comparison of the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired and the second step is unnecessary. If the carrying value of the reporting unit exceeds its fair value, a second step is performed to measure the amount of impairment by comparing the carrying amount of the goodwill to a determination of the implied fair value of the goodwill. If the carrying amount of the goodwill is greater than the implied value, an impairment loss is recognized for the difference. The implied value of the goodwill is determined as of the test date by performing a purchase price allocation, as if the reporting unit had just been acquired, using currently estimated fair values of the individual assets and liabilities of the reporting unit, together with an estimate of the fair value of the reporting unit taken as a whole. The estimate of the fair value of the reporting unit is based upon information available regarding prices of similar groups of assets, or other valuation techniques including present value techniques based upon estimates of future cash flows.

The Company has one reporting unit at December 31, 2011, 2010 and 2009. No goodwill impairment charges were recorded during the years ended December 31, 2011 and 2010. As discussed in Notes 7 and 8, goodwill and intangible assets related to the acquisition of LGI were determined to be impaired as of December 31, 2009.

Identifiable finite-lived intangible assets are amortized over their estimated useful lives ranging from 3 to 20 years. Intangible assets consist primarily of the contractual right to future management, advisory and performance fees from customer contracts or relationships.

### **Long-lived Assets**

Long-lived assets of the Company are reviewed for impairment whenever events or changes in circumstances indicate that the net carrying amount of the asset may not be recoverable. In connection with such review, the Company also re-evaluates the periods of depreciation and amortization for these assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

### **Derivative Instruments**

Derivative instruments are recorded at fair value as either assets or liabilities in the Company's consolidated balance sheet. The Company's derivatives are not designated as hedging instruments and are used as "economic hedges" to manage certain risks in the Company's business.

As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company does not hold collateral or other security from its counterparties supporting its derivative instruments. In addition, there are no netting

---

## Table of Contents

arrangements in place with the counterparties. To mitigate the counterparty credit risk, the Company has a policy of entering into contracts only with carefully selected major financial institutions based upon their credit ratings and other factors.

The Company records the changes in fair value of derivative instruments in "Other income (expenses)" in the consolidated statement of operations.

The Company does not purchase, hold or sell derivative financial instruments for trading and speculative purposes.

### **Partner Distributions**

Partner incentive allocations, which are determined by the general partner and approved by a vote of the partners, can be formula based or discretionary. Incentive allocations are considered distributions of net income as stipulated by Silvercrest's Amended and Restated Limited Partnership Agreement and are recognized in the period in which they are paid. In the event there is insufficient distributable cash flow to make incentive distributions, the general partner in its sole and absolute discretion may determine not to make any distributions called for under the partnership agreement. The remaining net income or loss after partner incentive allocations is generally allocated to the partners based on their pro rata ownership.

### **Redeemable Partnership Units**

Redeemable partnership units in our Company consist of units issued to our founders and those purchased by certain of our employees. These capital units entitle the holder to a share of the distributions of our Company. Units are subject to certain redemption features. Upon the termination of employment of the Terminated Employee, as defined, the Company has a right to call the Units. In addition, the terminated employee has a right to put the Units to the Company upon termination or death, provided the terminated employee has complied with certain restrictions as described in the partnership agreement. In accordance with the provisions of our partnership and operating agreements, the put described above expires with the consummation of an IPO or Sale Transaction, as defined in our partnership and operating agreements.

As the units are redeemable at the option of the holder and are not mandatorily redeemable, the redeemable partnership units have be classified outside of permanent partner's capital. The units are adjusted to their current redemption value at the end of each reporting period with the increase or decrease in redemption value being charged to excess of liabilities, redeemable partners' capital and partner's capital over assets.

The Company also makes distributions to its partners of various nature including incentive payments, profit distributions and tax distributions.

### **Revenue Recognition**

Revenue is recognized ratably over the period in which services are performed. Revenue consists primarily of investment advisory fees, family office services fees and fund management fees. Investment advisory fees are typically billed quarterly in advance after the beginning of the quarter or in arrears after the end of the quarter, based on a contractually specified percentage of the assets managed. For investment advisory fees billed in advance, the value of assets managed is determined based on the value of the customer's account as of the last trading day of the preceding quarter. For investment advisory fees billed in arrears the value of assets managed is determined based on the value of the customer's account on the last day of the quarter being billed. Family office services fees are typically billed quarterly in advance after the beginning of the quarter or in arrears after the end of the quarter based on a contractual percentage of the assets managed or based on a fixed fee arrangement. Management fees from proprietary and non-proprietary funds is calculated as a percentage of net asset values measured at the beginning of a month or quarter or at the end of a quarter, depending on the fund.

---

## [Table of Contents](#)

The Company accounts for performance based revenue in accordance with ASC 605-20-S99, “*Accounting for Management Fees Based on a Formula*”, by recognizing performance fees and allocations as revenue only when it is certain that the fee income is earned and payable pursuant to the relevant agreements, and no contingencies remain. Performance fee contingencies are typically resolved at the end of each annual period. In certain arrangements, the Company is only entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets. The Company records performance fees and allocations as a component of revenue.

### **Equity-Based Compensation**

Equity-based compensation cost relating to the issuance of share-based awards to partners is based on the fair value of the award at the date of grant, which is expensed ratably over the requisite service period, net of estimated forfeitures. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may affect the timing of the total amount of expense recognized over the vesting period. The service period is the period over which the employee performs the related services, which is normally the same as the vesting period. Equity-based awards that do not require future service are expensed immediately. Equity-based awards that have the potential to be settled in cash at the election of the employee or which relate to redeemable partnership units are classified as liabilities (“Liability Awards”) and are adjusted to fair value at the end of each reporting period. Distributions associated with Liability Awards not expected to vest are accounted for as part of compensation expense in the Consolidated Statement of Operations.

### **Leases**

The Company expenses the net lease payments associated with operating leases on a straight-line basis over the respective leases’ term including any rent-free periods. Leasehold improvements are recorded at cost and are depreciated using the straight-line method over the lesser of the estimated useful lives of the improvements (generally 10 years) or the remaining lease term.

### **Income Taxes**

Silvercrest is not subject to federal and state income taxes, since all income, gains and losses are passed through to its partners. Silvercrest is subject to New York City unincorporated business tax. SFS is subject to federal and state corporate tax, which requires an asset and liability approach to the financial accounting and reporting of income taxes. With respect to the Company’s incorporated entity, the annual tax rate is based on the income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Judgment is required in determining the tax expense and in evaluating tax positions. The tax effects of an uncertain tax position (“UTP”) taken or expected to be taken in income tax returns are recognized only if it is “more likely-than-not” to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes estimated accrued interest and penalties related to UTPs in income tax expense.

The Company recognizes the benefit of a UTP in the period when it is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination.

---

## [Table of Contents](#)

### **Recent Accounting Developments**

In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06, “Improving Disclosures About Fair Value Measurements” (“ASU 2010-06”). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level I and Level II categories and the reasons for the transfers and it requires that Level III purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level II and Level III measurements. These disclosures were effective for the Company as of January 1, 2010, except for the Level III gross reporting which was effective for the Company January 1, 2011. The adoption of ASU 2010-06 did not have a material impact on the Company’s consolidated financial statements.

In July 2010, the FASB issued ASU 2010-20, “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses” (“ASU 2010-20”). ASU 2010-20 requires additional disclosures about the credit quality of financing receivables and the allowance for credit losses. The purpose of the additional disclosures is to enable users of financial statements to better understand the nature of credit risk inherent in an entity’s portfolio of financing receivables and how that risk is analyzed. The new disclosures were effective for the Company January 1, 2011. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, “Intangibles – Goodwill and Other (Topic 350) When to Perform Step Two of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts”, which enhanced guidance on when to perform step two of the goodwill impairment test for reporting units with zero or negative carrying amounts. The updated guidance modifies existing requirements under step one of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires step two to be performed if it is more likely than not that a goodwill impairment exists. This guidance was effective for the Company January 1, 2011. As the Company’s reporting unit does not currently have a zero or negative carrying value, the adoption of this guidance did not have any impact on the Company’s financial statements.

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards (“IFRS”)”, which amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and IFRS. The amended guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or of liabilities. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair value requirements is provided. That exception permits a reporting entity to measure the fair value of such financial assets and financial liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarify that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity’s holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) is not permitted in a fair value measurement.

The guidance also requires enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes

---

## Table of Contents

in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial position but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now requires disclosure of all transfers between Levels I and II in the fair value hierarchy.

The amended guidance is effective for interim and annual periods beginning after December 15, 2011. As the impact of the guidance is primarily limited to enhanced disclosures, adoption is not expected to have a material impact on the Company's financial statements.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment", which provided new accounting guidance on testing goodwill for impairment. The enhanced guidance provides an entity the option to first perform a qualitative assessment of whether a reporting unit's fair value is more likely than not less than its carrying value, including goodwill. In performing its qualitative assessment, an entity considers the extent to which adverse events or circumstances identified, such as changes in economic conditions, industry and market conditions or entity specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If an entity concludes that the fair value of a reporting unit is more likely than not less than its carrying amount, the entity is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and, accordingly, measure the amount, if any, of goodwill impairment loss to be recognized for that reporting unit. The guidance is effective for the Company for interim and annual periods commencing January 1, 2012. Early adoption is permitted. The Company will consider this guidance when performing its annual impairment assessment in 2012.

### **3. ACQUISITION**

On November 1, 2011, the Company acquired certain assets of Milbank, a registered investment advisor that oversees approximately \$500 million of assets primarily on behalf of high-net-worth families. The strategic acquisition of Milbank, a long-standing and highly regarded investment boutique, strengthens the Company's presence in the New York market and the Company obtains investment managers that have significant experience and knowledge of the industry. Milbank's clients will gain access to the Company's complete investment management, wealth planning and reporting capabilities, including proprietary value equity and fixed income disciplines and alternative investment advisory services. Under the terms of the Asset Purchase Agreement, the Company paid cash consideration of \$3,357 (net of cash acquired of \$813), issued units of the Company with a fair value of \$3,105, and issued a promissory note to Milbank for \$3,181. The promissory note bears interest at a rate of 5% per annum and is payable in four annual installments (see Note 9). The purchase price allocation includes an estimate of the fair value of the 19,757 units issued to the former owners of Milbank which was determined by calculating a per unit limited partnership interest fair value in the Company utilizing both discounted cash flow and guideline company valuation methodologies. Furthermore, as part of the Asset Purchase Agreement, the Company is obligated to make future earnout payments to Milbank. The Company determined that the acquisition-date fair value of the contingent consideration was \$1,726 based on the likelihood that the financial and performance targets will be achieved. Under the terms of the Asset Purchase Agreement, Milbank is entitled to receive six earnout payments. The earnout periods are as follows: November 1, 2011 through December 31, 2011, full calendar years 2012, 2013, 2014 and 2015, and January 1, 2016 through October 31, 2016. Each earnout payment is equal to 20% of EBITDA, as defined in the Asset Purchase Agreement. There is no required EBITDA milestone that needs to be achieved in order for an earnout payment to be made. The amount of the earnout payments will vary depending on the level of EBITDA that is generated in each respective earnout period. The fair value of the contingent consideration was based on discounted cash flow models using projected EBITDA for each earnout period. The discount rate applied to the projected EBITDA was determined based on the weighted average cost of capital for the Company and took into account that the overall risk associated with the payments was similar to the overall risks of the Company as there is no target, floor or cap associated the contingent payments. During 2011, the Company incurred \$222 in costs related

## Table of Contents

to the acquisition of Milbank, and has included these in general, administrative and other in the Consolidated Statement of Operations.

Shares issued	\$ 3,105
Note payable due to Milbank	3,181
Cash paid on date of acquisition	4,170
Contingent consideration	<u>1,726</u>
Total purchase consideration	<u>\$12,182</u>

The following table summarizes the final amounts allocated to the acquired assets and assumed liabilities. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to goodwill and intangible assets.

Cash	\$ 813
Prepaid expenses	57
Furniture and equipment	20
Deferred revenue	(871)
Net deferred tax liability	(107)
Capital lease	<u>(17)</u>
<b>Total fair value of net tangible assets acquired</b>	<b>(105)</b>
Goodwill	3,271
Customer relationships (20 years)	8,200
Non-compete agreements (3-5 years)	<u>816</u>
Total purchase consideration	<u>\$12,182</u>

The Company believes the recorded goodwill is supported by the anticipated revenues and expected synergies of integrating the operations of Milbank into the Company. Furthermore, there are expected synergies with respect to compensation and benefits and general and administrative costs. The goodwill that is expected to be deductible for tax purposes is goodwill that originates from contingent consideration.

The pro forma information below represents consolidated results of operations as if the acquisition of Milbank occurred on January 1, 2010. The pro forma information has been included for comparative purposes and is not indicative of results of operations of the consolidated Company had the acquisition occurred as of January 1, 2010, nor is it necessarily indicative of future results.

	<b>Pro Forma Twelve Months Ended December 31, 2011</b>	<b>Pro Forma Twelve Months Ended December 31, 2010</b>
Total Revenue	\$ 47,522	\$ 41,617
Net Income	\$ 15,896	\$ 12,122

Milbank revenue and income before provision for income taxes for the two months ended December 31, 2011 that are included in the Consolidated Statement of Operations are \$871 and \$367, respectively.

#### **4. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments include \$1,034, \$1,316 and \$349 as of December 31, 2011, 2010 and 2009, respectively, representing the Company's equity method investments in affiliated investment funds which have been established and managed by the Company and its affiliates. The Company's financial interest in these funds can range up to 2%. Despite the Company's insignificant financial interest, the Company exerts significant influence

## [Table of Contents](#)

over these funds as the Company typically serves as the general partner, managing member or equivalent for these funds. During 2007, the Silvercrest Funds granted rights to the unaffiliated investors in each respective fund to provide that a simple majority of the fund's unaffiliated investors will have the right, without cause, to remove the general partner or equivalent of that fund or to accelerate the liquidation date of that fund in accordance with certain procedures. At December 31, 2011, 2010 and 2009, the Company determined none of the Silvercrest Funds were required to be consolidated. The Company's involvement with these entities began on the dates that they were formed, which ranges from July 2003 to July 2008.

Summarized financial information for investments accounted for under the equity method as of and for the years ended December 31, 2011, 2010 and 2009 are as follows:

	As of and for the Years Ended		
	December 31,		
	2011	2010	2009
Total assets	\$257,349	\$ 266,979	\$268,770
Total liabilities	\$ 20,412	\$ 1,712	\$ 7,385
Income	\$ 17,398	\$ 18,771	\$ 19,433
Operating expenses	2,161	2,236	2,045
Realized and unrealized gain (loss) on investments	5,675	6,533	49,415
Net increase in members capital resulting from operations	\$ 20,913	\$ 23,068	\$ 66,802

In 2011, the Company entered into derivative contracts that were not designated as accounting hedges. The fair value of these derivative assets is recorded within Investments in the Consolidated Statement of Financial Condition. The Company entered into these derivative instruments in order to mitigate the risk of any exposure during the fourth quarter between the values of certain investor redemptions and the actual proceeds received by one of our funds when the underlying securities to these redemptions were sold. As of December 31, 2011, Investments include put options with notional and fair values of \$795 and \$94, respectively. For the year ended December 31, 2011, realized gains and (losses) for options and other derivative contracts were \$2 and (\$81), respectively. The net change in unrealized gains and (losses) on the put options was (\$13) for the year ended December 31, 2011.

### Fair Value Measurements

U.S. generally accepted accounting principles ("GAAP") establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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

- Level I: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities and listed derivatives.
- Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in Level II include corporate bonds and loans, less liquid and restricted equity securities, certain over-the counter derivatives, and

## Table of Contents

certain fund of hedge funds investments in which the Company has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.

- Level III: Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in Level III generally include general and limited partnership interests in private equity and real estate funds, credit-oriented funds, certain over-the counter derivatives, funds of hedge funds which use net asset value per share to determine fair value in which the Company may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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

The following table summarizes the valuation of the Company's financial assets by the fair value hierarchy as of December 31, 2011:

	Level I	Level II	Level III	Total
<b>Assets</b>				
Cash equivalents - Money Market Funds	\$1,037	\$ —	\$ —	\$1,037
Free Standing Derivatives - Put Options	94	—	—	94
	<u>\$1,131</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,131</u>

The following table summarizes the valuation of the Company's financial assets by the fair value hierarchy as of December 31, 2010:

	Level I	Level II	Level III	Total
<b>Assets</b>				
Cash equivalents - Money Market Funds	<u>\$1,034</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,034</u>

## 5. RECEIVABLES, NET

The following is a summary of receivables as of December 31, 2011 and 2010:

	2011	2010
Management and advisory fees receivable	\$1,433	\$1,442
Unbilled receivables	1,134	1,196
Other receivables	57	2
<b>Receivables</b>	<b>2,624</b>	<b>2,640</b>
Allowance for doubtful receivables	(386)	(393)
<b>Receivables, net</b>	<b>\$2,238</b>	<b>\$2,247</b>

---

## [Table of Contents](#)

### 6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

The following is a summary of furniture, equipment and leasehold improvements, net as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 3,466	\$ 2,982
Furniture and equipment	3,360	3,190
Artwork	<u>338</u>	<u>332</u>
<b>Total cost</b>	<b>7,164</b>	<b>6,504</b>
Accumulated depreciation and amortization	<u>(4,889)</u>	<u>(4,397)</u>
<b>Furniture, equipment and leasehold improvements, net</b>	<b><u>\$ 2,275</u></b>	<b><u>\$ 2,107</u></b>

Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was \$492, \$463 and \$522, respectively.

In 2009, the Company abandoned a portion of its unutilized space at 1330 Avenue of Americas and recorded a leasehold improvements impairment charge of \$1,202, which was the net book value as of the date of abandonment.

In 2009, the Company dissolved LGI and wrote off all related fixed assets, totaling \$43.

### 7. GOODWILL

The following is a summary of the changes to the carrying amount of goodwill as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
January 1,		
Gross balance	\$ 28,408	\$ 26,731
Accumulated impairment losses	<u>(17,415)</u>	<u>(17,415)</u>
Net balance	10,993	9,316
Purchase price adjustments from earnouts	419	929
Acquisition of Milbank	3,271	—
Deferred tax liability adjustment	—	748
December 31,		
Gross balance	32,098	28,408
Accumulated impairment losses	<u>(17,415)</u>	<u>(17,415)</u>
<b>Net balance</b>	<b><u>\$ 14,683</u></b>	<b><u>\$ 10,993</u></b>

[Table of Contents](#)

**8. INTANGIBLE ASSETS**

The following is a summary of intangible assets as of December 31, 2011 and 2010:

	Customer Relationships	Other Intangible Assets	Total
<b>Cost</b>			
Balance, January 1, 2011	\$ 7,710	\$ 750	\$ 8,460
Acquisition of certain assets of Milbank	8,200	816	9,016
<b>Balance, December 31, 2011</b>	<b>15,910</b>	<b>1,566</b>	<b>17,476</b>
<b>Useful lives</b>	<b>15-20 years</b>	<b>3-5 years</b>	
<b>Accumulated amortization</b>			
Balance, January 1, 2011	(2,351)	(338)	(2,689)
Amortization expense	(793)	(184)	(977)
<b>Balance, December 31, 2011</b>	<b>(3,144)</b>	<b>(522)</b>	<b>(3,666)</b>
<b>Net book value</b>	<b>\$ 12,766</b>	<b>\$ 1,044</b>	<b>\$13,810</b>
<b>Cost</b>			
Balance, January 1, 2010	\$ 7,710	\$ 750	\$ 8,460
<b>Balance, December 31, 2010</b>	<b>7,710</b>	<b>750</b>	<b>8,460</b>
<b>Useful lives</b>	<b>15-20 years</b>	<b>5 years</b>	
<b>Accumulated amortization</b>			
Balance, January 1, 2010	(1,585)	(188)	(1,773)
Amortization expense	(766)	(150)	(916)
<b>Balance, December 31, 2010</b>	<b>(2,351)</b>	<b>(338)</b>	<b>(2,689)</b>
<b>Net book value</b>	<b>\$ 5,359</b>	<b>\$ 412</b>	<b>\$ 5,771</b>

Amortization expense related to the intangible assets was \$1,009 for the year ended December 31, 2009.

Amortization related to the Company's finite life intangible assets is scheduled to be expensed over the next five years and thereafter as follows:

2012	\$ 1,447
2013	1,370
2014	1,229
2015	1,100
2016	1,044
Thereafter	7,620
<b>Total</b>	<b>\$13,810</b>

**9. NOTES PAYABLE**

The following is a summary of notes payable:

	December 31, 2011	
	Interest Rate	Amount
Principal on fixed rate notes	5.0%	\$3,181
Variable rate notes issued for redemption of partners' interest (see Note 16)	Prime plus 1%	1,558
Interest payable		70
<b>Total, December 31, 2011</b>		<b>\$4,809</b>

## Table of Contents

	December 31, 2010	
	Interest Rate	Amount
Principal on fixed rate notes	2.38%	\$ 450
Variable rate notes issued for redemption of partners' interest (see Note 16)	Prime plus 1%	2,438
Interest payable		<u>69</u>
<b>Total, December 31, 2010</b>		<b><u>\$2,957</u></b>

The carrying value of notes payable approximates fair value. The fixed rate note, which is related to the Milbank acquisition, approximates fair value because the note, which was part of an arm's length transaction, was executed on November 1, 2011. The variable rate notes are based on a multiple of the U.S. Prime Rate.

Future amounts payable under the notes payable are as follows:

2012	\$1,469
2013	1,556
2014	1,150
2015	<u>564</u>
<b>Total</b>	<b><u>\$4,739</u></b>

### 10. SETTLEMENT WITH FORMER SHAREHOLDERS OF THE LONGCHAMP GROUP, INC.

In settlement of a dispute between the Company and the sellers of LGI, on August 14, 2009, the parties agreed to release each other from all claims and obligations under the agreements between the parties, except for claims and obligations related to the termination of one of the sellers' employment with LGI (the "2009 Settlement"). Furthermore, all agreements between the parties were terminated including the agreement under which LGI acted as the sub-advisor for the funds managed by LongChamp Advisors Limited and LongChamp Management International Limited. In addition, the Company agreed to sell to Virgil Limited various marks, including The LongChamp Group, Inc. name, designs and logos, goodwill of the business associated therewith, physical signage and domain names. Under the 2009 Settlement, the Company continues to own 100% of the LGI legal entity, which was renamed to SAM Alternative Solutions, Inc. in August 2009. As a result of the 2009 Settlement the Company recognized a gain on the extinguishment of debt in the amount of \$3,934 and a gain on the sale of the LongChamp Group name, designs, logo and other intangibles (with no carrying value) of \$1,470.

Primarily as a result of declining economic conditions and the redemption of various client accounts in 2009, all of the remaining goodwill and intangible assets from the acquisition of LGI, in the amount of \$193 and \$252, respectively, were impaired and written off in 2009. The SAM Alternative Solutions, Inc. legal entity was also dissolved in December 2009.

### 11. COMMITMENTS AND CONTINGENCIES

#### Lease Commitments

The Company leases office space pursuant to operating leases that are subject to specific escalation clauses. Rent expense charged to operations for the years ended December 31, 2011, 2010 and 2009 amounted to \$3,304, \$3,273 and \$4,428, respectively. The Company received sub-lease income from subtenants for the years ended December 31, 2011, 2010 and 2009 of \$1,006, \$682 and \$441, respectively. Therefore, for the years ended December 31, 2011, 2010 and 2009, net rent expense amounted to \$2,298, \$2,591 and \$3,987, respectively, and is included in general, administrative and other expenses in the Consolidated Statement of Operations.

During 2006, the Company entered into a lease agreement for office space for its headquarters. The lease commenced on January 1, 2007 and expires September 30, 2017. The lease is subject to escalation clauses and

## Table of Contents

provides for rent free periods of 6 to 9 months and a leasehold improvement allowance of \$1,538 provided the Company spends at least an additional \$513 on improvements. The Company spent \$3,284 on leasehold improvements and received \$1,499 of the allowance during 2007; the remaining \$39 of the allowance was received in 2008. As security for performance under the leases, the Company is required to maintain letters of credit in favor of the landlord totaling \$2,023 that were reduced to \$1,013 on August 31, 2010 and can be further reduced to \$506 on August 31, 2014. The letter of credit is collateralized by a certificate of deposit in an equal amount.

Future minimum lease payments and rentals under lease agreements which expire through 2017 are as follows:

	Minimum Lease Commitments	Non- cancellable Subleases	Minimum Net Rentals
2012	\$ 3,448	\$ (757)	\$ 2,691
2013	3,342	(724)	2,618
2014	3,345	(453)	2,892
2015	3,293	(473)	2,820
2016	3,239	(473)	2,766
Thereafter	2,429	(354)	2,075
<b>Total</b>	<b>\$ 19,096</b>	<b>\$ (3,234)</b>	<b>\$ 15,862</b>

In 2009, the Company formally abandoned a portion of its unutilized space at its headquarters and subleased the space through September 29, 2017. The Company has the right to cancel the sublease no earlier than September 1, 2011 under certain conditions which the Company does not expect to occur. The Company recorded a lease abandonment charge in 2009 in the amount of \$1,154 (on a net present value basis). The balance of the related liability at January 1, 2011 and 2010 was \$894 and \$1,067, respectively, which was reduced by lease payments during 2011 and 2010 of \$174 and \$173, respectively, resulting in an ending balance at December 31, 2011 and 2010 of \$720 and \$894, respectively. The liability is included in Deferred Rent on the Consolidated Statement of Financial Condition.

In 2010, an escrow account was funded by a sub-tenant whose sub-lease with the Company commenced on January 1, 2011. Pursuant to the sub-lease, the tenant was required to deposit the first 16 months of rent into the escrow account totaling \$452. This account has been recorded as restricted certificates of deposit and escrow on the consolidated balance sheet. As of December 31, 2011, the balance in the escrow account was \$114.

The Company recorded a loss on sub-lease charge in 2011 of \$150 (on a net present value basis). The related liability that was established in January 2011 was \$247 and was reduced by lease payments during the year of \$85, resulting in an ending balance at December 31, 2011 of \$162. This liability is included in Deferred Rent on the Consolidated Statement of Financial Condition.

The Company has capital leases for certain office equipment. The principal balance of these leases was \$55 and \$9 as of December 31, 2011 and 2010, respectively.

### **Partners' Interests and Options Granted**

In April 2007, certain former investor members of SAMG LLC sold their membership interests in SAMG LLC to Vulcan Wealth Management Group LLC ("Vulcan") which acquired an approximately 30% interest in SAMG LLC. In addition, Vulcan invested an additional \$10,000 in SAMG LLC in 2007, for an approximately 8% interest, and SAMG LLC incurred \$592 of capital issuance costs associated with the transaction that were charged against the proceeds.

In connection with the transaction described above, SAMG LLC granted the former investor members options to purchase 18,170 shares or 4% of members interests in SAMG LLC at a price of \$0.275 per share increasing at

---

## Table of Contents

20% per annum to a maximum of \$0.475 per share. The options vest on and are exercisable for a 30 day period beginning on the earlier of April 30, 2010, fifteen consecutive trading days after an initial public offering, or the date on which a sale of control is consummated. The options can only be settled by the physical delivery of shares to the investor members.

The Company used a Black-Scholes-Merton model to value the options and recorded the fair value of the options of \$827 at grant date and the increase in the fair value of \$104 from the date of grant until December 31, 2007 as a liability and corresponding expense in its consolidated financial statements. As of December 31, 2008, the fair value of the options had declined to \$135 which resulted in a decrease to the liability and recognition of income in the Company's consolidated financial statements. As of December 31, 2009, the combined fair value of the options had declined to \$2 based on the Black-Scholes-Merton model, the option expired unexercised in May 2010.

### **Contingent Consideration**

In connection with its acquisition of MCG in October 2008, the Company entered into a contingent consideration agreement whereby the former members of MCG were entitled to contingent consideration equal to 22% of adjusted annual EBITDA for each of the five years subsequent to the date of acquisition. As the acquisition was completed prior to January 1, 2009, contingent consideration is recognized when the contingency is resolved pursuant to the authoritative guidance on business combinations in effect at the date of the closing of the acquisition. The contingent consideration related to the MCG acquisition is recorded on the date when the contingency is resolved. Contingent consideration payments made during the three years ended December 31, 2011, 2010 and 2009 were reflected in investing activities in the consolidated statement of cash flows.

### **Indemnification Agreement**

On October 13, 2011, Silvercrest Strategic Opportunities Fund ("SSOF") entered into a \$5,000,000 revolving credit agreement (the "SSOF Credit Agreement") with Pershing LLC ("Pershing"). Simultaneously with the execution of the SSOF Credit Agreement, SAMG LLC, the investment advisor to SSOF, entered into an indemnification agreement (the "Indemnification Agreement") with Pershing whereby SAMG LLC agreed to indemnify Pershing from claims arising out of the exercise by Pershing of any rights and remedies under the security agreement related to the obligations of SSOF under the SSOF Credit Agreement. The SSOF Credit Agreement matured on January 15, 2012 and as of December 31, 2011 \$3,224 inclusive of interest was outstanding on the revolving credit line.

## **12. PARTNERS' INCENTIVE ALLOCATIONS AND ALLOCATION OF INCOME AND LOSSES**

Pursuant to Silvercrest's Operating Agreement as amended and restated, partner incentive allocations are treated as distributions of net income. The remaining net income or loss after partner incentive allocations is generally allocated to the partners based on their pro rata ownership. Net income allocation is subject to the recovery of the allocated losses of prior periods. Distributions of partner incentive allocations of net income for the years ended December 31, 2011, 2010 and 2009 amounted to \$5,073, \$2,691 and \$7,171, respectively, and are included in excess of liabilities, redeemable partners' capital and partners' capital over assets in the Consolidated Statements of Financial Condition.

## **13. NOTES RECEIVABLE FROM PARTNERS**

Partner contributions are made in cash, in the form of five or six year interest-bearing promissory notes and/or in the form of nine year interest-bearing limited recourse promissory notes. Limited recourse promissory notes were issued in January 2008, August 2009 and September 2009 with interest rates of 3.53%, 2.77% and 2.84%, respectively. The recourse limitation includes a stated percentage of the initial principal amount of the limited recourse note plus a stated percentage of the accreted principal amount as of the date upon which all amounts due

## Table of Contents

are paid in full plus all costs and expenses required to be paid by the borrower and all amounts required to be paid pursuant to a pledge agreement associated with each note issued. Certain notes receivable are payable in annual installments and are collateralized by the Company's shares that are purchased with the note.

Notes receivable from partners are as follows:

	<u>2011</u>	<u>2010</u>
Balance, January 1,	\$ 6,125	\$7,179
Repayment of notes	(1,083)	(940)
Forgiveness of notes receivable	(34)	(508)
Interest accrued and capitalized on notes receivable	180	207
New notes receivable issued to partners	836	187
<b>Balance, December 31,</b>	<b><u>\$ 6,024</u></b>	<b><u>\$6,125</u></b>

Full recourse and limited recourse notes receivable from partners as of December 31, 2011 and 2010 are \$3,549 and \$2,475 and \$3,707 and \$2,418, respectively. There is no allowance for credit losses on notes receivable from partners as of December 31, 2011 and 2010. During 2011 and 2010, the Company forgave \$34 and \$508, respectively, of notes receivable in connection with the termination of partners whose corresponding capital was forfeited.

## **14. RELATED PARTY TRANSACTIONS**

During 2011, 2010 and 2009, the Company provided services to the domesticated Silvercrest Hedged Equity Fund LP (formed in 2011 and formerly Silvercrest Hedged Equity Fund), Silvercrest Hedged Equity Fund (International), Silvercrest Hedged Equity Fund Ltd (formed in 2011 and includes ERISA investors of Silvercrest Hedged Equity Fund LP), the domesticated Silvercrest Emerging Markets Fund LP (formed in 2011 and formerly Silvercrest Emerging Markets Fund), Silvercrest Emerging Markets Fund (International), Silvercrest Emerging Markets Fund Ltd (formed in 2011 and includes ERISA investors of Silvercrest Emerging Markets Fund LP), Silvercrest Market Neutral Fund (currently in liquidation), Silvercrest Market Neutral Fund (International) (currently in liquidation), Silvercrest Municipal Advantage Portfolio A LLC, Silvercrest Municipal Advantage Portfolio P LLC, the domesticated Silvercrest Strategic Opportunities Fund LP (formed in 2011 and formerly Silvercrest Strategic Opportunities Fund), and Silvercrest Strategic Opportunities Fund (International) (terminated in 2011). These entities operate as feeder funds investing through master-feeder structures except for Silvercrest Hedged Equity Fund LP, Silvercrest Hedged Equity Fund Ltd, Silvercrest Emerging Markets Fund LP, Silvercrest Emerging Markets Fund Ltd, and Silvercrest Strategic Opportunities Fund LP which operate and invest as stand-alone funds.

Silvercrest also provides services for the Silvercrest Global Opportunities Fund, L.P. (currently in liquidation), Silvercrest Global Opportunities Fund (International), Ltd. (currently in liquidation), Silvercrest Capital Appreciation Fund LLC (currently in liquidation), Silvercrest International Equity Fund, L.P., Silvercrest Municipal Special Situations Fund LLC, Silvercrest Municipal Special Situations Fund II LLC, Silvercrest Select Growth Equity Fund, L.P., Silvercrest Global Partners, L.P., Silvercrest Small Cap, L.P. and Silvercrest Special Situations, L.P., which operate and invest separately as stand-alone funds.

Pursuant to agreements with the above entities, the Company provides investment advisory services and receives an annual management fee of 0% to 1.75% of assets under management and a performance fee or allocation of 0% to 10% of the above entities' net appreciation over a high-water mark.

For the years ended December 31, 2011, 2010 and 2009, the Company earned from the above activities management fee income, which is included in Management and advisory fees in the Consolidated Statement of Operations, of \$5,403, \$4,890 and \$5,377, respectively, and performance fees and allocations of \$1,046, \$1,379 and \$96, respectively, of which \$950, \$1,241 and \$0, respectively, is included in equity income from investments

## [Table of Contents](#)

and \$85, \$138 and \$96, respectively, is included in performance fees in the Statement of Operations. As of December 31, 2011 and 2010, the Company was owed \$2,043 and \$1,255, respectively, from its various funds.

For the years ended December 31, 2011, 2010 and 2009, the Company earned advisory fees of \$427, \$683 and \$662, respectively, from assets managed on behalf of certain of its partners. As of December 31, 2011 and 2010, the Company is owed approximately \$19 and \$10, respectively, from certain of its partners.

### 15. INCOME TAXES

For the years ended December 31, 2011, 2010 and 2009, the current tax expense was \$841, \$974 and \$96, respectively, and the deferred tax benefit for the years ended December 31, 2011, 2010 and 2009 was \$275, \$317 and \$417, respectively, which resulted in an income tax provision (benefit) for the years ended December 31, 2011, 2010 and 2009 of \$566, \$657 and \$(321), respectively, recognized in the Consolidated Statements of Operations.

	Year Ended December 31,		
	2011	2010	2009
<b>Current Provision:</b>			
Federal	\$ 6	\$ (9)	\$ 8
State and local	835	983	88
Total Current Provision	841	974	96
<b>Deferred (Benefit) Provision:</b>			
Federal	(281)	(224)	(152)
State and local	6	(93)	(265)
Total Deferred Benefit	(275)	(317)	(417)
<b>Total Provision (Benefit) for Income Taxes</b>	<b>\$ 566</b>	<b>\$ 657</b>	<b>\$(321)</b>

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their bases for income tax purposes.

As of December 31, 2011 and 2010, the Company had a net deferred tax liability of \$109 and \$279, respectively. Temporary differences giving rise to the net deferred tax liability include deferred tax assets associated with deferred rent offset by deferred tax liabilities, primarily intangible assets. The change from December 31, 2010 to December 31, 2011 is attributable primarily to the decrease in the projected tax rate applicable to the future operations of SFS offset by the long-term deferred tax liability established through acquisition accounting for the book over tax basis of acquired intangible assets.

A summary of the tax effects of the temporary differences is as follows:

The following table reconciles the provision for income taxes to the U.S. Federal statutory tax rate:

	Year Ended December 31,		
	2011	2010	2009
Statutory U.S. federal income tax rate	35.00%	35.00%	35.00%
Income passed through to Partners	(35.00)%	(35.00)%	(35.00)%
State and local income taxes	5.72%	5.68%	-1.41%
Other	-1.99%	-0.02%	-2.72%
<b>Effective income tax rate</b>	<b>3.73%</b>	<b>5.66%</b>	<b>-4.14%</b>

---

## Table of Contents

As of December 31, 2011, the Company had a tax receivable of \$2 resulting from amending the 2007 tax returns of a former corporate subsidiary in order to carry back net operating losses incurred during tax year 2009. As of December 31, 2011, the Company also had taxes payable of \$318, primarily consisting of NYC UBT liability of \$306.

The Company files U.S. Federal, state and local tax returns. The 2009, 2010, and 2011 tax years of the Company remain subject to examination by U.S. Federal and most state and local tax authorities.

The guidance for accounting for uncertainty in income taxes prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2011 and 2010, the Company does not have any material uncertain tax positions.

### **16. REDEEMABLE PARTNERSHIP UNITS**

Upon the termination of employment of the Terminated Employee, as defined, of the Company, the Company has a right to call the employee's partnership units. In addition, the terminated employee also has a right to put the partnership units back to the Company upon termination or death, provided the terminated employee has complied with certain restrictions as described in the partnership agreement. With respect to the two founders of the Company, their estate, heirs or other permitted related parties cannot require the Company to redeem their units prior to April 1, 2013. In accordance with the provisions of the Company's partnership and operating agreements, the put described above expires with the consummation of an IPO or Sale Transaction, as defined in our partnership and operating agreements. The redemption value per share is based on a multiple of historical EBITDA, pursuant to the Company's partnership agreement. Once units are called or put back to the Company, the redemption results in the issuance of a promissory note by the Company which is typically paid in installments over four years. The Company has recognized redeemable partners' capital of \$91,201 and \$51,744 as of December 31, 2011 and December 31, 2010, respectively, which represents the amount of partners' capital subject to both put and call rights.

### **17. EQUITY-BASED COMPENSATION**

Determining the appropriate fair value model and calculating the fair value of equity compensation awards requires the input of complex and subjective assumptions, including the expected life of the equity compensation awards and the stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the amount of employee forfeitures and the likelihood of the achievement of certain performance targets. The assumptions used in calculating the fair value of equity compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's equity-based compensation awards changes, then the amount of expense may need to be adjusted and future equity compensation expense could be materially different from what has been recorded in the current period.

The Company has granted equity-based compensation awards to certain partners under the Company's 2010 and 2011 Deferred Equity programs (the "Equity Programs"). The Equity Programs allow for the granting of deferred equity units based in whole on the fair value of the Company's units. These deferred equity units contain both service and performance requirements.

Each grant includes a deferred equity unit ("Deferred Equity Unit") and performance unit ("Performance Unit") subject to various terms including terms of forfeiture and acceleration of vesting. Each 100 Deferred Equity

---

## Table of Contents

Units represent the unsecured right to receive one unit of Silvercrest GP LLC and 99 units of Silvercrest L.P. The Deferred Equity Unit represents the unsecured right to receive one unit of the Company or the equivalent cash value of up to fifty percent (50%) (or such other percentage as may be determined by the Company's Executive Committee) of the Company's units issuable upon the vesting of any such Deferred Equity Units and the remaining fifty percent (50%) in units upon the vesting of any such Deferred Equity Units. Such cash amount is to be calculated using the redemption price of such units as of the applicable vesting date. The Performance Unit represents the unsecured right to receive one unit of the Company for every two units of the Company issuable upon the vesting of any such Deferred Equity Units.

Twenty-five percent of the Deferred Equity Units shall vest on each of the first, second, third, and fourth anniversaries of the grant date until the Deferred Equity Units are fully vested. The Performance Units shall be subject to forfeiture and subject to the satisfaction of a predetermined performance target at the end of the four year vesting period. If the performance target is achieved, then the Performance Units shall vest at the end of the four year vesting period. The rights of the partners with respect to the Performance Units shall remain subject to forfeiture at all times prior to the date on which such rights become vested and will be forfeited if the performance target is not achieved.

Distributions related to Deferred Equity Units that are paid to partners are charged to excess of liabilities, redeemable partners' capital and partners' capital over assets. Distributions related to the unvested portion of Deferred Equity Units that are assumed to be forfeited are recognized as additional compensation expense because these distributions are not required to be returned by partners to the Company upon forfeiture.

The Company utilized both discounted cash flow and guideline company valuation methods to determine the grant date fair value of the Deferred Equity Units. The grant date fair values of Performance Units were determined by applying a performance probability factor to the Deferred Equity Unit Value. These methodologies included the use of third party data and discounts for lack of control and marketability. All Deferred Equity Units are considered to be liability awards and are adjusted to fair value at the end of each reporting period. For the years ended December 31, 2011 and 2010, the Company recorded compensation expense of \$1,060 and \$669, respectively, of which \$128 and \$123, respectively, relates to the Performance Units given that there is an explicit service period associated with the deferred Equity Units, and the likelihood that the performance target will be met is considered probable. Distributions include cash distributions paid on Liability Awards. Cash distributions paid on awards expected to be forfeited were \$20 and \$9 for the years ended December 31, 2011 and 2010, respectively, and are part of total compensation expense for the years then ended. During the year ended December 31, 2011, \$82 of vested Deferred Equity Units were settled in cash. As of December 31, 2011 and 2010, there was \$2,260 and \$2,114, respectively, of estimated unrecognized compensation expense related to unvested awards. As of December 31, 2011 and 2010, the unrecognized compensation expense related to unvested awards is expected to be recognized over a period of 2.65 and 3.17 years, respectively.

## [Table of Contents](#)

A summary of this equity grant by the Company as of December 31, 2011 and 2010 during the periods then ended is presented below:

	Deferred Equity Units		Performance Units	
	Units	Fair Value per unit	Units	Fair Value per unit
Deferred equity unit awards outstanding at January 1, 2010	—		—	
Granted	15,808		7,904	
Vested	—		—	
Forfeited	—		—	
Deferred equity unit awards outstanding at December 31, 2010	15,808	\$ 148.35	7,904	\$ 81.19
Granted	10,802	\$ 157.16	5,401	\$ 60.24
Vested	(4,257)	\$(157.16)	—	\$(60.24)
Forfeited	—		(541)	
Deferred equity unit awards outstanding at December 31, 2011	22,353	\$ 157.16	12,764	\$ 60.24

The Company expects 10% of all awards to be forfeited and the related service period is four years.

### 18. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

SAMG LLC has a defined contribution 401(k) savings plan (the “Plan”) for all eligible employees who meet the minimum age and service requirements as defined in the Plan. The Plan is designed to be a qualified plan under sections 401(a) and 401(k) of the Internal Revenue Code. For employees who qualify under the terms of the Plan, on an annual basis Silvercrest matches dollar for dollar an employee’s contributions up to the first four percent of compensation. For the years ended December 31, 2011, 2010 and 2009, Silvercrest made matching contributions of \$71, \$46 and \$44, respectively, for the benefit of employees.

LGI had an annual bonus and deferred compensation plan (the “Deferred Plan”). The amount of a Participant’s Award (as defined) for any Plan Year (as defined) shall equal the product of the Net Revenues (as defined) for such Plan Year multiplied by a percentage, the numerator of which shall be the number of Units (as defined) allocated to such Participant for such Plan Year, and the denominator of which shall be the aggregate number of Units allocated under the Plan (as defined) for such Plan Year; provided, however, that (i) the Award for any Participant in any Plan Year shall, in no event, exceed \$10 per Unit and (ii) the aggregate number of Units is subject to increase or decrease, by the Administrator (as defined) in his sole discretion, during such Plan Year to reflect the addition of new employees becoming Participants or to reflect the termination of employment of any Participant. Each Participant may elect to receive their Award in cash, on a deferred basis, or a combination of both subject to various provisions in the Deferred Plan. The Deferred Plan was discontinued as of December 31, 2009. During the year ended December 31, 2010, \$154 of payments were made to participants under the plan. The remaining liability at December 31, 2010 was \$70, which was paid in full in March 2011.

### 19. SOFT DOLLAR ARRANGEMENTS

The Company obtains research and other services through “soft dollar” arrangements. The Company receives credits from broker-dealers whereby technology-based research, market quotation and/or market survey services are effectively paid for in whole or in part by “soft dollar” brokerage arrangements. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a “safe harbor” to an investment adviser against claims that it breached its fiduciary duty under state or federal law (including ERISA) solely because the adviser caused its clients’ accounts to pay more than the lowest available commission for executing a securities trade in return for brokerage and research services. To rely on the safe harbor offered by Section 28(e), (i) the Company must

---

## Table of Contents

make a good-faith determination that the amount of commissions is reasonable in relation to the value of the brokerage and research services being received and (ii) the brokerage and research services must provide lawful and appropriate assistance to the Company in carrying out its investment decision-making responsibilities. If the use of soft dollars is limited or prohibited in the future by regulation, the Company may have to bear the costs of such research and other services. For the years ended December 31, 2011, 2010 and 2009, the Company utilized “soft dollar” credits of \$861, \$812 and \$724, respectively.

## **20. SUBSEQUENT EVENT**

### **ACQUISITION**

On January 5, 2012, the Company signed a Limited Liability Company Purchase Agreement (the “LLC Agreement”) with MW Commodity Advisors, LLC (“Commodity Advisors”) to acquire the LLC interests (“LLC Interests”) of Commodity Advisors. Commodity Advisors is the general partner of MW Commodity Strategies, L.P. (the “Commodity Fund”), a fund whose investment objective is to seek superior risk adjusted returns through strategic, sector-based investments with commodity and macro trading investment managers. The strategic acquisition of Commodity Advisors adds another strategy to the Company’s complete investment management, wealth planning and reporting capabilities, including proprietary value equity and fixed income disciplines and alternative investment advisory services. Under the terms of the LLC Agreement, the Company, in exchange for the LLC Interests, issued shares of the Company, at closing, with an estimated fair value of \$100, which is equal to the difference between the Closing Revenue, as defined, attributable to all limited partners minus Closing Revenue attributable to those limited partners who give notice that they want to withdraw from the Commodity Fund. Furthermore, as part of the LLC Agreement, the Company could be obligated to make a future one-time earnout payment in shares equal to the difference between \$800 and the annualized revenue at closing only if incremental revenue, as defined, reaches an amount equal to \$400 prior to March 31, 2014, as defined in the LLC Agreement.

The Company has evaluated subsequent events through May 11, 2012, which is the date the consolidated financial statements were available to be issued.

\* \* \* \* \*

[Table of Contents](#)

**Silvercrest L.P. And Subsidiaries**  
Condensed Consolidated Statements of Financial Condition  
(Unaudited)  
(In thousands)

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,568	\$ 7,354
Restricted certificates of deposit and escrow	1,018	1,130
Investments	74	1,128
Receivables, net	3,554	2,238
Due from Silvercrest Funds	2,033	2,043
Furniture, equipment and leasehold improvements, net	2,103	2,275
Goodwill	14,830	14,683
Intangible assets, net	13,087	13,810
Prepaid expenses and other assets	1,152	601
<b>Total assets</b>	<b>\$ 40,419</b>	<b>\$ 45,262</b>
<b>Liabilities, Redeemable Partners' Capital and Partners' Deficit</b>		
Accounts payable and accrued expenses	\$ 3,525	\$ 4,365
Accrued compensation	2,067	2,915
Notes payable	4,414	4,809
Deferred rent	2,399	3,287
Deferred tax and other liabilities	336	375
<b>Total liabilities</b>	<b>12,741</b>	<b>15,751</b>
Redeemable partners' capital	96,360	91,201
Notes receivable from partners	(5,268)	(6,024)
<b>Total redeemable partners' capital</b>	<b>91,092</b>	<b>85,177</b>
<b>Commitments and Contingencies (Note 10)</b>		
<b>Partners' Deficit</b>		
Partners' capital	45,660	44,359
Excess of liabilities, redeemable partners' capital and partners' capital over assets	(109,074)	(100,025)
<b>Total partners' deficit</b>	<b>(63,414)</b>	<b>(55,666)</b>
<b>Total liabilities, redeemable partners' capital and partners' deficit</b>	<b>\$ 40,419</b>	<b>\$ 45,262</b>

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

Silvercrest L.P. And Subsidiaries  
Condensed Consolidated Statements of Operations  
(Unaudited)  
(In thousands)

	Six months ended	
	June 30,	
	2012	2011
<b>Revenue</b>		
Management and advisory fees	\$22,327	\$18,539
Performance fees and allocations	16	31
Family office services	2,444	2,209
<b>Total revenue</b>	<b>24,787</b>	<b>20,779</b>
<b>Expenses</b>		
Compensation and benefits	9,600	8,474
General and administrative	5,208	4,424
<b>Total expenses</b>	<b>14,808</b>	<b>12,898</b>
<b>Income before other income (expense)</b>	<b>9,979</b>	<b>7,881</b>
<b>Other income (expense)</b>		
Other income (expense)	61	(176)
Interest income	86	92
Interest expense	(206)	(75)
<b>Total other income (expense)</b>	<b>(59)</b>	<b>(159)</b>
<b>Income before provision for income taxes</b>	<b>9,920</b>	<b>7,722</b>
Provision for income taxes	(516)	(178)
<b>Net income</b>	<b>\$ 9,404</b>	<b>\$ 7,544</b>

See accompanying notes to condensed consolidated financial statements

[Table of Contents](#)

Silvercrest L.P. And Subsidiaries  
Condensed Consolidated Statements of Partners' Deficit  
(Unaudited)  
(In thousands)

	Partners' Capital	Excess of Liabilities, Redeemable Partners' Capital and Partners' Capital over Assets	Total Partners' Deficit
<b>January 1, 2011</b>	\$41,909	\$ (66,939)	\$(25,030)
Contribution from partners	—	535	535
Distributions to partners	(943)	(7,794)	(8,737)
Equity-based compensation	—	490	490
Accretion to redemption value of redeemable partnership units	—	(24,080)	(24,080)
Net income	<u>1,996</u>	<u>5,548</u>	<u>7,544</u>
<b>June 30, 2011</b>	<b><u>\$42,962</u></b>	<b><u>\$ (92,240)</u></b>	<b><u>\$(49,278)</u></b>
<b>January 1, 2012</b>	\$44,359	\$ (100,025)	\$(55,666)
Contribution from partners	—	245	245
Distributions to partners	(1,085)	(12,109)	(13,194)
Equity-based compensation	—	1,019	1,019
Accretion to redemption value of redeemable partnership units	—	(5,222)	(5,222)
Net income	<u>2,386</u>	<u>7,018</u>	<u>9,404</u>
<b>June 30, 2012</b>	<b><u>\$45,660</u></b>	<b><u>\$ (109,074)</u></b>	<b><u>\$(63,414)</u></b>

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

Silvercrest L.P. And Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
(In thousands)

	Six months ended June 30,	
	2012	2011
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 9,404	\$ 7,544
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	806	496
Depreciation and amortization	955	645
Deferred rent	(876)	(9)
Deferred income taxes	22	(242)
Non-cash interest income	(81)	(88)
Distributions received from investment funds	961	1,227
Other	(4)	—
Cash flows due to changes in operating assets and liabilities:		
Receivables and due from Silvercrest funds	(1,306)	(96)
Prepaid expenses and other assets	(260)	(157)
Payables and accrued expenses	(667)	(648)
Accrued compensation	(635)	(1,382)
Other liabilities	(75)	(202)
Interest payable on notes payable	104	49
<b>Net cash provided by operating activities</b>	<b>8,348</b>	<b>7,137</b>
<b>Cash Flows From Investing Activities</b>		
Restricted certificates of deposit and escrow	\$ 112	\$ 167
Earn-outs paid related to acquisitions completed before January 1, 2009	(390)	(362)
Acquisition of furniture, equipment and leasehold improvements	(60)	(196)
Purchase of investments	(42)	—
Proceeds from sale of investments	139	—
<b>Net cash used in investing activities</b>	<b>(241)</b>	<b>(391)</b>
<b>Cash Flows From Financing Activities</b>		
Earn-outs paid related to acquisitions completed on or after January 1, 2009	\$ (75)	\$ —
Proceeds from issuance of partner interests	—	13
Redemptions of partner interests	(63)	—
Repayments of notes payable	(499)	(722)
Payments on capital leases	(12)	(4)
Distributions to partners	(13,194)	(8,737)
Payments from partners on notes receivable	950	1,083
<b>Net cash used in financing activities</b>	<b>(12,893)</b>	<b>(8,367)</b>
<b>Net increase decrease in cash and cash equivalents</b>	<b>(4,786)</b>	<b>(1,621)</b>
Cash and cash equivalents, beginning of period	7,354	7,025
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,568</b>	<b>\$ 5,404</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Net cash paid during the period for:		
Income taxes	\$ 866	\$ 889
Interest	46	74
<b>Supplemental Disclosures of Non-cash Financing Activities</b>		
Notes receivable:		
From partners for capital contributions	\$ 112	\$ 522
Shares issued as part of acquisition of MW Commodity Advisors, LLC	132	—

See accompanying notes to condensed consolidated financial statements.

---

## [Table of Contents](#)

### Silvercrest L.P. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)  
As of and For the Six Months Ended June 30, 2012 and 2011  
(Dollars in thousands)

#### **1. ORGANIZATION AND BUSINESS**

Silvercrest L.P. (“Silvercrest”), together with its consolidated subsidiaries (collectively the “Company”), provides investment management and family office services to individuals and families and their trusts, and to endowments, foundations and other institutional investors primarily located in the United States of America. The business includes the management of funds of funds, and other investment funds, collectively referred to as the “Silvercrest Funds.”

Silvercrest was formed on December 10, 2008 and commenced operations on January 1, 2009 along with its general partner Silvercrest GP LLC (“GP LLC”) as part of a restructuring that was completed to organize the Company more in line with industry standards and to increase tax efficiency. Pursuant to the reorganization each of the members of Silvercrest Asset Management Group LLC (“SAMG LLC”) contributed their limited liability company interests in SAMG LLC to Silvercrest L.P. in return for limited partnership interests in Silvercrest L.P. and member interests in Silvercrest GP LLC, such that immediately after giving effect to such issuance each member’s percentage ownership of, and voting interest in, the aggregate limited partnership interests was equal to its ownership and voting interests immediately prior to such issuance, but was reduced pro rata to take into account the 1% interest in Silvercrest L.P. owned by Silvercrest GP LLC, the general partner of Silvercrest L.P. As a result of the restructuring, SAMG LLC became a wholly owned subsidiary of Silvercrest. The reorganization was accounted for as a transaction between entities under common control and all balances of SAMG LLC were carried over to Silvercrest at their carrying values on December 31, 2008.

On March 11, 2004, the Company acquired 100% of the outstanding shares of James C. Edwards Asset Management, Inc. (“JCE”) and subsequently changed JCE’s name to Silvercrest Financial Services, Inc. (“SFS”). On December 31, 2004, the Company acquired 100% of the outstanding shares of The LongChamp Group, Inc. now SAM Alternative Solutions, Inc. (“LGI”). Effective March 31, 2005, the Company entered into an Asset Contribution Agreement to acquire all of the assets, properties, rights and certain liabilities of Heritage Financial Management, LLC (“HFM”). Effective October 3, 2008, the Company acquired 100% of the outstanding limited liability company interests of Marathon Capital Group, LLC (“MCG”) through a limited liability company interest purchase agreement dated September 22, 2008. On November 1, 2011, the Company acquired certain assets of Milbank Winthrop & Co. (“Milbank”). On April 1, 2012, the Company acquired the LLC interests (“LLC Interests”) of MW Commodity Advisors, LLC (“Commodity Advisors”). See Notes 3, 7 and 8 for additional information related to goodwill and intangible assets related to these acquisitions.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Silvercrest and its wholly-owned subsidiaries, SAMG LLC, SFS, LGI, MCG, Silvercrest Investors LLC and Silvercrest Investors II LLC as of and for the six months ended June 30, 2012. All intercompany transactions and balances have been eliminated.

In addition, Silvercrest evaluates for consolidation those entities it controls through a majority voting interest or otherwise, including those Silvercrest Funds in which the general partner or equivalent is presumed to have control over the fund.

The initial step in the Company’s determination of whether a fund for which Silvercrest is the general partner is required to be consolidated is assessing whether the fund meets the definition of a variable interest entity (VIE).

---

## **Table of Contents**

None of funds for which the Company is the general partner, met the definition of a VIE during the six months ended June 30, 2012 and 2011 and two years ended December 31, 2011, as the total equity at risk of each fund is sufficient for the fund to finance its activities without additional subordinated financial support provided by any parties, including the equity holders.

The Company then considers whether the fund is a voting interest entities (VoIE) in which the unaffiliated limited partners have substantive “kick-out” rights that provide ability to dissolve (liquidate) the limited partnership or otherwise remove the general partner without cause. The Company considers the “kick-out” rights to be substantive if the general partner for the fund can be removed by the vote of a simple majority of the unaffiliated limited partners and there no significant barriers to the unaffiliated limited partners’ ability to exercise these rights in that among other things (1) there are no conditions or timing limits on when the rights can be exercised, (2) there are no financial or operational barriers associated with replacing the general partner, (3) there are a number of qualified replacement investment advisors that would accept appointment at the same fee level, (4) each fund’s documents provide for the ability to call and conduct a vote, and (5) the information necessary to exercise the kick-out rights and related vote are available from the fund and its administrator.

As of and for the six month periods ended June 30, 2012 and 2011 and the year ended December 2011, all of the funds for which we are the general partner have substantive “kick-out” rights and therefore Silvercrest did not consolidate any of the Silvercrest Funds.

### **Segment Reporting**

The Company views its operations as comprising one operating segment. Each of the Company’s acquired businesses has similar economic characteristics and has been fully integrated upon acquisition. Furthermore, our Chief Operating Decision Maker, which is the Company’s Chief Executive Officer, monitors and reviews financial information at a consolidated level for assessing operating results and the allocation of resources.

### **Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and other income reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management include the fair value of acquired assets and liabilities, equity based compensation, impairment of goodwill, accounting for income taxes, the useful lives of long lived assets and other matters that affect the consolidated financial statements and related disclosures.

### **Cash and Cash Equivalents**

The Company considers all highly liquid securities with original maturities of 90 days or less when purchased to be cash equivalents.

### **Restricted Certificates of Deposit**

Certain certificates of deposit held at a major financial institution are restricted and serve as collateral for letters of credit for the Company’s lease obligations as described in Note 10.

### **Equity Method Investments**

Entities and investments over which the Company exercises significant influence over the activities of the entity but which do not meet the requirements for consolidation are accounted for using the equity method of accounting pursuant to ASC 323, “Investments-Equity Method and Joint Ventures”, (“ASC 323”), whereby the

---

## **Table of Contents**

Company records its share of the underlying income or losses of these entities. Intercompany profit arising from transactions with affiliates is eliminated to the extent of its beneficial interest. Equity in losses of equity method investments is not recognized after the carrying value of an investment, including advances and loans, has been reduced to zero, unless guarantees or other funding obligations exist.

The Company evaluates its equity method investments for impairment, whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as impairment when the loss in value is deemed other than temporary. The Company's equity method investments approximate their fair value at June 30, 2012 and 2011. The fair value of the equity method investments is estimated based on the Company's share of the fair value of net assets of the equity method investee which consist of Level I and Level II securities. No impairment charges related to equity method investments were recorded during the six months ended June 30, 2012 and 2011.

### **Receivables and Due from Silvercrest Funds**

Receivables consist primarily of amounts due for advisory fees due from clients and management fees, and are stated at net realizable value. The Company maintains an allowance for doubtful receivables based on estimates of expected losses and specific identification of uncollectible accounts. The Company charges actual losses to the allowance when incurred.

### **Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements consist primarily of furniture, fixtures and equipment, computer hardware and software and leasehold improvements and are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, which for leasehold improvements is the lesser of the lease term or the life of the asset, generally 10 years, and 3 to 7 years for other fixed assets.

### **Business Combinations**

The Company accounts for business combinations using the acquisition method of accounting. The acquisition method of accounting requires that purchase price, including the fair value of contingent consideration, of the acquisition be allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration is recorded as part of the purchase price when such consideration is not based on continuing employment of the selling shareholders. Contingent consideration that is related to continuing employment is recorded as compensation expense. Payments made for contingent consideration recorded as part of an acquisition's purchase price are reflected as financing activities in the Company's statements of cash flows.

For acquisitions completed subsequent to January 1, 2009, the Company remeasures the fair value of contingent consideration at each reporting period using a probability-adjusted discounted cash flow method based on significant inputs not observable in the market and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings. Contingent consideration payments that exceed the acquisition date fair value of the contingent consideration are reflected as an operating activity in the consolidated statements of cash flows.

### **Goodwill and Intangible Assets**

Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is not amortized and is evaluated for impairment using a two-step process that is performed at least annually, or whenever events or circumstances indicate that impairment may have occurred. During 2011, the Company changed its annual impairment test date from December 31 to October 1, effective October 1, 2011.

---

## **Table of Contents**

The change in the impairment testing date was not made with the intent of accelerating or delaying an impairment charge. The change was made in anticipation of the Company having a requirement to issue its annual financial statements on an accelerated basis as compared to prior years. The change had no impact on the Company's results of operations or any other financial statement line item. The first step is a comparison of the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired and the second step is unnecessary. If the carrying value of the reporting unit exceeds its fair value, a second step is performed to measure the amount of impairment by comparing the carrying amount of the goodwill to a determination of the implied fair value of the goodwill. If the carrying amount of the goodwill is greater than the implied value, an impairment loss is recognized for the difference. The implied value of the goodwill is determined as of the test date by performing a purchase price allocation, as if the reporting unit had just been acquired, using currently estimated fair values of the individual assets and liabilities of the reporting unit, together with an estimate of the fair value of the reporting unit taken as a whole. The estimate of the fair value of the reporting unit is based upon information available regarding prices of similar groups of assets, or other valuation techniques including present value techniques based upon estimates of future cash flows.

The Company has one reporting unit at June 30, 2012 and 2011. No goodwill impairment charges were recorded during the six months ended June 30, 2012 and 2011.

Identifiable finite-lived intangible assets are amortized over their estimated useful lives ranging from 3 to 20 years. Intangible assets consist primarily of the contractual right to future management, advisory and performance fees from customer contracts or relationships.

### **Long-lived Assets**

Long-lived assets of the Company are reviewed for impairment whenever events or changes in circumstances indicate that the net carrying amount of the asset may not be recoverable. In connection with such review, the Company also re-evaluates the periods of depreciation and amortization for these assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

### **Initial Public Offering Costs**

As of June 30, 2012, the Company has incurred and deferred \$545 of professional fees associated with its planned initial public offering. These fees are included in prepaid expenses and other assets in the condensed consolidated statement of financial condition at June 30, 2012. In the event the offering is not consummated, the deferred offering costs will be expensed.

### **Derivative Instruments**

Derivative instruments are recorded at fair value as either assets or liabilities in the Company's consolidated balance sheet. The Company's derivatives are not designated as hedging instruments and are used as "economic hedges" to manage certain risks in the Company's business.

As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company does not hold collateral or other security from its counterparties supporting its derivative instruments. In addition, there are no netting arrangements in place with the counterparties. To mitigate the counterparty credit risk, the Company has a policy of entering into contracts only with carefully selected major financial institutions based upon their credit ratings and other factors.

---

## Table of Contents

The Company records the changes in fair value of derivative instruments in “Other income (expenses)” in the consolidated statement of operations.

The Company does not purchase, hold or sell derivative financial instruments for trading and speculative purposes.

### **Partner Distributions**

Partner incentive allocations, which are determined by the general partner and approved by a vote of the partners, can be formula based or discretionary. Incentive allocations are considered distributions of net income as stipulated by the Company’s Amended and Restated Limited Partnership Agreement and are recognized in the period in which they are paid. In the event there is insufficient distributable cash flow to make incentive distributions the general partner in its sole and absolute discretion can determine not to make any distributions called for under the partnership agreement. The remaining net income or loss after partner incentive allocations is generally allocated to the partners based on their pro rata ownership.

### **Redeemable Partnership Units**

Redeemable partnership units in our Company consist of units issued to our founders and those purchased by certain of our employees. These capital units entitle the holder to a share of the distributions of our Company. Units are subject to certain redemption features. Upon the termination of employment of the Terminated Employee, as defined, the Company has a right to call the Units. In addition, the terminated employee has a right to put the Units to the Company upon termination or death, provided the terminated employee has complied with certain restrictions as described in the partnership agreement. In accordance with the provisions of our partnership and operating agreements, the put described above expires with the consummation of an IPO or Sale Transaction, as defined in our partnership and operating agreements.

As the units are redeemable at the option of the holder and are not mandatorily redeemable, the redeemable partnership units have been classified outside of permanent partner’s capital. The units are adjusted to their current redemption value at the end of each reporting period with the increase or decrease in redemption value being charged to excess of liabilities, redeemable partners’ capital and partner’s capital over assets.

The Company also makes distributions to its partners of various nature including incentive payments, profit distributions and tax distributions.

### **Revenue Recognition**

Revenue is recognized ratably over the period in which services are performed. Revenue consists primarily of investment advisory fees, family office services fees and fund management fees. Investment advisory fees are typically billed quarterly in advance after the beginning of the quarter or in arrears after the end of the quarter, based on a contractually specified percentage of the assets managed. For investment advisory fees billed in advance, the value of assets managed is determined based on the value of the customer’s account as of the last trading day of the preceding quarter. For investment advisory fees billed in arrears the value of assets managed is determined based on the value of the customer’s account on the last day of the quarter being billed. Family office services fees are typically billed quarterly in advance after the beginning of the quarter or in arrears after the end of the quarter based on a contractual percentage of the assets managed or based on fixed fee arrangement. Management fees from proprietary and non-proprietary funds is calculated as a percentage of net asset values measured at the beginning of a month or quarter or at the end of a quarter, depending on the fund.

The Company accounts for performance based revenue in accordance with ASC 605-20-S99, “*Accounting for Management Fees Based on a Formula*”, by recognizing performance fees and allocations as revenue only when it is certain that the fee income is earned and payable pursuant to the relevant agreements and no contingencies

---

## [Table of Contents](#)

remain. Performance fee contingencies are typically resolved at the end of each annual period. In certain arrangements, the Company is only entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets. The Company records performance fees and allocations as a component of revenue.

### **Equity-Based Compensation**

Equity-based compensation cost relating to the issuance of share-based awards to partners is based on the fair value of the award at the date of grant, which is expensed ratably over the requisite service period, net of estimated forfeitures. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may affect the timing of the total amount of expense recognized over the vesting period. The service period is the period over which the employee performs the related services, which is normally the same as the vesting period. Equity-based awards that do not require future service are expensed immediately. Equity-based awards that have the potential to be settled in cash at the election of the employee or which relate to redeemable partnership units are classified as liabilities (“Liability Awards”) and are adjusted to fair value at the end of each reporting period. Distributions associated with Liability Awards not expected to vest are accounted for as part of compensation expense in the Consolidated Statement of Operations.

### **Leases**

The Company expenses the net lease payments associated with operating leases on a straight-line basis over the respective leases’ term including any rent-free periods. Leasehold improvements are recorded at cost and are depreciated using the straight-line method over the lesser of the estimated useful lives of the improvements (generally 10 years) or the remaining lease term.

### **Income Taxes**

Silvercrest is not subject to federal and state income taxes, since all income, gains and losses are passed through to its partners. Silvercrest is subject to New York City unincorporated business tax. SFS is subject to federal and state corporate tax, which requires an asset and liability approach to the financial accounting and reporting of income taxes. With respect to the Company’s incorporated entity, the annual tax rate is based on the income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Judgment is required in determining the tax expense and in evaluating tax positions. The tax effects of an uncertain tax position (“UTP”) taken or expected to be taken in income tax returns are recognized only if it is “more likely-than-not” to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes estimated accrued interest and penalties related to UTPs in income tax expense.

The Company recognizes the benefit of a UTP in the period when it is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination.

### **Recent Accounting Developments**

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards (“IFRS”)”, which amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and IFRS. The amended guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the

---

## Table of Contents

fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or of liabilities. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair value requirements is provided. That exception permits a reporting entity to measure the fair value of such financial assets and financial liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarify that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity's holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) is not permitted in a fair value measurement.

The guidance also requires enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial position but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now requires disclosure of all transfers between Levels I and II in the fair value hierarchy.

The amended guidance was effective for the Company on January 1, 2012 and did not have a material impact on the Company's financial statements.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment", which provided new accounting guidance on testing goodwill for impairment. The enhanced guidance provides an entity the option to first perform a qualitative assessment of whether a reporting unit's fair value is more likely than not less than its carrying value, including goodwill. In performing its qualitative assessment, an entity considers the extent to which adverse events or circumstances identified, such as changes in economic conditions, industry and market conditions or entity specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If an entity concludes that the fair value of a reporting unit is more likely than not less than its carrying amount, the entity is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and, accordingly, measure the amount, if any, of goodwill impairment loss to be recognized for that reporting unit. The guidance is effective for the Company for interim and annual periods commencing January 1, 2012. Early adoption is permitted. The Company will consider this guidance when performing its annual impairment assessment in 2012.

### **3. ACQUISITIONS**

On November 1, 2011, the Company acquired certain assets of Milbank, a registered investment advisor that oversees approximately \$500 million of assets primarily on behalf of high-net-worth families. The strategic acquisition of Milbank, a long-standing and highly regarded investment boutique, strengthens the Company's presence in the New York market and the Company obtains investment managers that have significant experience and knowledge of the industry. Milbank's clients will gain access to the Company's complete investment management, wealth planning and reporting capabilities, including proprietary value equity and fixed income disciplines and alternative investment advisory services. Under the terms of the Asset Purchase Agreement, the Company paid cash consideration of \$3,357 (net of cash acquired of \$813), issued units of the Company with a fair value of \$3,105, and issued a promissory note to Milbank for \$3,181. The promissory note bears interest at a rate of 5% per annum and is payable in four annual installments (see Note 9). The purchase

## Table of Contents

price allocation includes an estimate of the fair value of the 19,757 units issued to the former owners of Milbank which was determined by calculating a per unit limited partnership interest fair value in the Company utilizing both discounted cash flow and guideline company valuation methodologies. Furthermore, as part of the Asset Purchase Agreement, the Company is obligated to make future earnout payments to Milbank. The Company determined that the acquisition-date fair value of the contingent consideration was \$1,726 based on the likelihood that the financial and performance targets will be achieved. As of March 31, 2012, the Company determined that no fair value adjustments to contingent consideration were required as the likelihood that the financial and performance targets will be achieved has not changed since the acquisition date. Under the terms of the Asset Purchase Agreement, Milbank is entitled to receive six earnout payments. The earnout periods are as follows: November 1, 2011 through December 31, 2011, full calendar years 2012, 2013, 2014 and 2015, and January 1, 2016 through October 31, 2016. Each earnout payment is equal to 20% of EBITDA, as defined in the Asset Purchase Agreement. There is no required EBITDA milestone that needs to be achieved in order for an earnout payment to be made. The amount of the earnout payments will vary depending on the level of EBITDA that is generated in each respective earnout period. The fair value of the contingent consideration was based on discounted cash flow models using projected EBITDA for each earnout period. The discount rate applied to the projected EBITDA was determined based on the weighted average cost of capital for the Company and considered that the overall risk associated with the payments was similar to the overall risks of the Company as there is no target, floor or cap associated the contingent payments. During 2011, the Company incurred \$222 in costs related to the acquisition of Milbank, and has included these in general, administrative and other in the Consolidated Statement of Operations.

Shares issued	\$ 3,105
Note payable due to Milbank	3,181
Cash paid on date of acquisition	4,170
Contingent consideration	<u>1,726</u>
Total purchase consideration	<u>\$12,182</u>

The following table summarizes the final amounts allocated to the acquired assets and assumed liabilities. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to goodwill and intangible assets.

Cash	\$ 813
Prepaid expenses	57
Furniture and equipment	20
Deferred revenue	(871)
Net deferred tax liability	(107)
Capital lease	<u>(17)</u>
<b>Total fair value of net tangible assets acquired</b>	<b>(105)</b>
Goodwill	3,271
Customer relationships (20 years)	8,200
Non-compete agreements (3-5 years)	<u>816</u>
Total purchase consideration	<u>\$12,182</u>

The Company believes the recorded goodwill is supported by the anticipated revenues and expected synergies of integrating the operations of Milbank into the Company. Furthermore, there are expected synergies with respect to compensation and benefits and general and administrative costs. The goodwill that is expected to be deductible for tax purposes is goodwill that originates from contingent consideration.

On April 1, 2012, the Company acquired the LLC Interests of Commodity Advisors. Commodity Advisors is the general partner of MW Commodity Strategies, L.P. (the "MW Commodity Fund LLC"), a fund whose

## Table of Contents

investment objective is to seek superior risk adjusted returns through strategic, sector-based investments with commodity and macro trading investment managers. The strategic acquisition of Commodity Advisors adds another strategy to the Company's investment management, wealth planning and reporting capabilities, including proprietary value equity and fixed income disciplines and alternative investment advisory services. On April 1, 2012, the Company, in exchange for the LLC Interests, issued 631 and 6 units of Silvercrest L.P. and Silvercrest GP LLC, respectively, at closing, with a fair value of \$132. Furthermore, as part of the LLC Agreement, the Company could be obligated to make a future one-time earnout payment in shares equal to the difference between \$800 and the annualized revenue at closing only if incremental revenue, as defined, reaches an amount equal to \$400 prior to March 31, 2014, as defined in the LLC Agreement.

Shares issued	\$132
Call rights option issued	<u>15</u>
Total purchase consideration	<u>\$147</u>

The following table summarizes the final amounts allocated to the acquired assets and assumed liabilities. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to goodwill.

Receivables	\$ 7
Liabilities	<u>(7)</u>
<b>Total fair value of net tangible assets acquired</b>	<u>—</u>
Goodwill	<u>147</u>
Total purchase consideration	<u>\$147</u>

The pro forma information below represents consolidated results of operations as if the acquisitions of Milbank and Commodity Advisors occurred on January 1, 2011. The pro forma information has been included for comparative purposes and is not indicative of results of operations of the consolidated Company had the acquisition occurred as of January 1, 2011, nor is it necessarily indicative of future results.

	<b>Pro Forma Six Months Ended June 30, 2011</b>
Total Revenue	\$ 23,520
Net Income	\$ 8,443

#### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments include \$74 and \$1,034 as of June 30, 2012 and December 31, 2011, respectively, representing the Company's equity method investments in affiliated investment funds which have been established and managed by the Company and its affiliates. The Company's financial interest in these funds can range up to 2%. Despite the Company's insignificant financial interest, the Company exerts significant influence over these funds as the Company typically serves as the general partner, managing member or equivalent for these funds. During 2007, the Silvercrest Funds granted rights to the unaffiliated investors in each respective fund to provide that a simple majority of the fund's unaffiliated investors will have the right, without cause, to remove the general partner or equivalent of that fund or to accelerate the liquidation date of that fund in accordance with certain procedures. At June 30, 2012 and 2011, the Company determined none of the Silvercrest Funds were required to be consolidated. The Company's involvement with these entities began on the dates that they were formed, which ranges from July 2003 to July 2008.

The Company evaluates each of its equity method investments to determine if any were significant as defined by guidance from the United States Securities and Exchange Commission. As of and for the six months ended

---

## [Table of Contents](#)

June 30, 2012, no individual equity method investment held by the Company met the significance criteria. As such, the Company is not required to present summarized financial information for investments accounted for under the equity method.

In 2011, the Company entered into derivative contracts that were not designated as accounting hedges. The fair value of these derivative assets is recorded within Investments in the Consolidated Statement of Financial Condition as of December 31, 2011. The Company entered into these derivative instruments in order to mitigate the risk of any exposure during the fourth quarter between the values of certain investor redemptions and the actual proceeds received by one of our funds when the underlying securities to these redemptions were sold. As of June 30, 2012, all derivative assets had been sold. For the six months ended June 30, 2012, realized gains for options and other derivative contracts were \$8 and realized (losses) were (\$10).

### **Fair Value Measurements**

U.S. generally accepted accounting principles (“GAAP”) establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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

- Level I: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities and listed derivatives.
- Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in Level II include corporate bonds and loans, less liquid and restricted equity securities, certain over-the counter derivatives, and certain fund of hedge funds investments in which the Company has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.
- Level III: Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in Level III generally include general and limited partnership interests in private equity and real estate funds, credit-oriented funds, certain over-the counter derivatives, funds of hedge funds which use net asset value per share to determine fair value in which the Company may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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

## [Table of Contents](#)

The following table summarizes the valuation of the Company's financial assets by the fair value hierarchy as of June 30, 2012:

	Level I	Level II	Level III	Total
<b>Assets</b>				
Cash equivalents – Money Market Funds	<u>\$1,038</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,038</u>

The following table summarizes the valuation of the Company's financial assets by the fair value hierarchy as of December 31, 2011:

	Level I	Level II	Level III	Total
<b>Assets</b>				
Cash equivalents – Money Market Funds	\$1,037	\$ —	\$ —	\$1,037
Free Standing Derivatives – Put Options	<u>94</u>	<u>—</u>	<u>—</u>	<u>94</u>
	<u>\$1,131</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,131</u>

## 5. RECEIVABLES, NET

The following is a summary of receivables as of June 30, 2012 and December 31, 2011:

	2012	2011
Management and advisory fees receivable	\$1,996	\$1,433
Unbilled receivables	1,942	1,134
Other receivables	<u>1</u>	<u>57</u>
<b>Receivables</b>	<b>3,939</b>	<b>2,624</b>
Allowance for doubtful receivables	<u>(385)</u>	<u>(386)</u>
<b>Receivables, net</b>	<b>\$3,554</b>	<b>\$2,238</b>

## 6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

The following is a summary of furniture, equipment and leasehold improvements, net as of June 30, 2012 and December 31, 2011:

	2012	2011
Leasehold improvements	\$ 3,466	\$ 3,466
Furniture and equipment	3,420	3,360
Artwork	<u>338</u>	<u>338</u>
<b>Total cost</b>	<b>7,224</b>	<b>7,164</b>
Accumulated depreciation and amortization	<u>(5,121)</u>	<u>(4,889)</u>
<b>Furniture, equipment and leasehold improvements, net</b>	<b>\$ 2,103</b>	<b>\$ 2,275</b>

Depreciation expense for the six months ended June 30, 2012 and 2011 was \$231 and \$208, respectively.

[Table of Contents](#)

**7. GOODWILL**

The following is a summary of the changes to the carrying amount of goodwill as of June 30, 2012 and December 31, 2011:

	<u>2012</u>	<u>2011</u>
<b>Beginning of Period:</b>		
Gross balance	\$ 32,098	\$ 28,408
Accumulated impairment losses	<u>(17,415)</u>	<u>(17,415)</u>
Net balance	14,683	10,993
Purchase price adjustments from earnouts	—	419
Acquisition of Milbank	—	3,271
Acquisition of MW Commodity Advisors	147	—
End of period		
Gross balance	32,245	32,098
Accumulated impairment losses	<u>(17,415)</u>	<u>(17,415)</u>
<b>Net balance</b>	<b><u>\$ 14,830</u></b>	<b><u>\$ 14,683</u></b>

**8. INTANGIBLE ASSETS**

The following is a summary of intangible assets as of June 30, 2012 and December 31, 2011:

	<u>Customer Relationships</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<b>Cost</b>			
<b>Balance, June 30, 2012</b>	<b>\$ 15,910</b>	<b>\$ 1,566</b>	<b>\$17,476</b>
<b>Useful lives</b>	<b>15- 20 years</b>	<b>3-5 years</b>	
<b>Accumulated amortization</b>			
Balance, January 1, 2012	(3,144)	(522)	(3,666)
Amortization expense	<u>(547)</u>	<u>(176)</u>	<u>(723)</u>
<b>Balance, June 30, 2012</b>	<b><u>(3,691)</u></b>	<b><u>(698)</u></b>	<b><u>(4,389)</u></b>
<b>Net book value</b>	<b><u>\$ 12,219</u></b>	<b><u>\$ 868</u></b>	<b><u>\$13,087</u></b>

	<u>Customer Relationships</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<b>Cost</b>			
Balance, January 1, 2011	\$ 7,710	\$ 750	\$ 8,460
Acquisition of certain assets of Milbank	<u>8,200</u>	<u>816</u>	<u>9,016</u>
<b>Balance, December 31, 2011</b>	<b>15,910</b>	<b>1,566</b>	<b>17,476</b>
<b>Useful lives</b>	<b>15- 20 years</b>	<b>3-5 years</b>	
<b>Accumulated amortization</b>			
Balance, January 1, 2011	(2,351)	(338)	(2,689)
Amortization expense	<u>(793)</u>	<u>(184)</u>	<u>(977)</u>
<b>Balance, December 31, 2011</b>	<b><u>(3,144)</u></b>	<b><u>(522)</u></b>	<b><u>(3,666)</u></b>
<b>Net book value</b>	<b><u>\$ 12,766</u></b>	<b><u>\$ 1,044</u></b>	<b><u>\$13,810</u></b>

---

## [Table of Contents](#)

Amortization related to the Company's finite life intangible assets is scheduled to be expensed over the next five years and thereafter as follows:

Remainder of 2012	\$ 724
2013	1,370
2014	1,229
2015	1,100
2016	1,044
Thereafter	7,620
<b>Total</b>	<b><u>\$13,087</u></b>

## 9. NOTES PAYABLE

The following is a summary of notes payable:

	June 30, 2012	
	Interest Rate	Amount
Principal on fixed rate notes	5.0%	\$3,181
Variable rate notes issued for redemption of partners' interest (see Note 16)	Prime plus 1%	1,104
Interest payable		129
<b>Total, June 30, 2012</b>		<b><u>\$4,414</u></b>

	December 31, 2011	
	Interest Rate	Amount
Principal on fixed rate notes	5.0%	\$3,181
Variable rate notes issued for redemption of partners' interest (see Note 16)	Prime plus 1%	1,558
Interest payable		70
<b>Total, December 31, 2011</b>		<b><u>\$4,809</u></b>

The carrying value of notes payable approximates fair value. The fixed rate note, which is related to the Milbank acquisition, approximates fair value because the note, which was part of an arm's length transaction, was executed on November 1, 2011. The variable rate notes are based on a multiple of the U.S. Prime Rate.

Future amounts payable under the notes payable are as follows:

Remainder of 2012	\$1,202
2013	1,556
2014	963
2015	564
<b>Total</b>	<b><u>\$4,285</u></b>

---

[Table of Contents](#)**10. COMMITMENTS AND CONTINGENCIES****Lease Commitments**

The Company leases office space pursuant to operating leases that are subject to specific escalation clauses. Rent expense charged to operations for the six months ended June 30, 2012 and 2011 amounted to \$1,737 and \$1,675, respectively. The Company received sub-lease income from subtenants for the six months ended June 30, 2012 and 2011 of \$466 and \$511, respectively. Therefore, for the six months ended June 30, 2012 and 2011, net rent expense amounted to \$1,270 and \$1,164, respectively, and is included in general, administrative and other expenses in the Consolidated Statement of Operations.

During 2006, the Company entered into a lease agreement for office space for its headquarters. The lease commenced on January 1, 2007 and expires September 30, 2017. The lease is subject to escalation clauses and provides for rent free periods of 6 to 9 months and a leasehold improvement allowance of \$1,538 provided the Company spends at least an additional \$513 on improvements. The Company spent \$3,284 on leasehold improvements and received \$1,499 of the allowance during 2007; the remaining \$39 of the allowance was received in 2008. As security for performance under the leases, the Company is required to maintain letters of credit in favor of the landlord totaling \$2,023 that were reduced to \$1,013 on August 31, 2010 and can be further reduced to \$506 on August 31, 2014. The letter of credit is collateralized by a certificate of deposit in an equal amount.

Future minimum lease payments and rentals under lease agreements which expire through 2017 are as follows:

	<b>Minimum Lease Commitments</b>	<b>Non- cancellable Subleases</b>	<b>Minimum Net Rentals</b>
Remainder of 2012	\$ 1,755	\$ (274)	\$ 1,481
2013	3,342	(600)	2,742
2014	3,345	(317)	3,028
2015	3,293	(331)	2,962
2016	3,239	(331)	2,908
Thereafter	2,429	(248)	2,181
<b>Total</b>	<b>\$ 17,403</b>	<b>\$ (2,101)</b>	<b>\$ 15,302</b>

In 2009, the Company abandoned a portion of its unutilized space at its headquarters and subleased the space through September 29, 2017. The Company recorded a lease abandonment charge in 2009 in the amount of \$1,154 (on a net present value basis). The balance of the related liability at January 1, 2011 was \$894, which was reduced by lease payments during 2011 of \$174, resulting in an ending balance at December 31, 2011 of \$720. This liability was further reduced by lease payments during the six months ended June 30, 2012 of \$58. On May 1, 2012, the Company reoccupied space at its headquarters that it had previously abandoned in 2009. As a result, the Company released the remaining abandonment-related liability of \$662, and wrote off prepaid interest expense of \$86, resulting in a net lease abandonment reversal of \$576. This reversal was recorded in general and administrative expense in the consolidated statement of operations. The liability is included in Deferred Rent on the Condensed Consolidated Statement of Financial Condition at December 31, 2011.

In 2010, an escrow account was funded by a sub-tenant whose sub-lease with the Company commenced on January 1, 2011. Pursuant to the sub-lease, the tenant was required to deposit the first 16 months of rent into the escrow account totaling \$452. The initial deposit was depleted as of April 2012, and an additional deposit of \$99 was made by the sub-tenant. This account has been recorded as restricted certificates of deposit and escrow on the consolidated balance sheet. As of June 30, 2012, the remaining balance in the escrow account was \$99.

The Company recorded a loss on sub-lease charge in 2011 of \$150 (on a net present value basis). The related liability of \$247, established in January 2011, was reduced by lease payments during the year of \$85, resulting in

---

## Table of Contents

an ending balance at December 31, 2011 of \$162. This liability was further reduced by lease payments during the six months ended June 30, 2012 of \$42, resulting in an ending balance at June 30, 2012 of \$120. This liability is included in Deferred Rent on the Consolidated Statement of Financial Condition.

The Company has capital leases for certain office equipment. The principal balance of these leases was \$43 and \$55 as of June 30, 2012 and December 31, 2011, respectively.

### **Contingent Consideration**

In connection with its acquisition of MCG in October 2008, the Company entered into a contingent consideration agreement whereby the former members of MCG were entitled to contingent consideration equal to 22% of adjusted annual EBITDA for each of the five years subsequent to the date of acquisition. As the acquisition was completed prior to January 1, 2009, contingent consideration is recognized when the contingency is resolved pursuant to the authoritative guidance on business combinations in effect at the date of acquisition. Contingent consideration payments made during the six months ended June 30, 2012 and 2011 related to MCG were reflected in investing activities in the consolidated statement of cash flows.

### **Indemnification Agreement**

On October 13, 2011, Silvercrest Strategic Opportunities Fund (“SSOF”) entered into a \$5,000,000 revolving credit agreement (the “SSOF Credit Agreement”) with Pershing LLC (“Pershing”). Simultaneously with the execution of the SSOF Credit Agreement, SAMG LLC, the investment advisor to SSOF, entered into an indemnification agreement (the “Indemnification Agreement”) with Pershing whereby SAMG LLC agreed to indemnify Pershing from claims arising out of the exercise by Pershing of any rights and remedies under the security agreement related to the obligations of SSOF under the SSOF Credit Agreement. The SSOF Credit Agreement matured on January 15, 2012 and as of December 31, 2011 \$3,224 inclusive of interest was outstanding on the revolving credit line.

## **11. PARTNERS’ INCENTIVE ALLOCATIONS AND ALLOCATION OF INCOME AND LOSSES**

Pursuant to Silvercrest’s Operating Agreement as amended and restated, partner incentive allocations are treated as distributions of net income. The remaining net income or loss after partner incentive allocations is generally allocated to the partners based on their pro rata ownership. Net income allocation is subject to the recovery of the allocated losses of prior periods. Distributions of partner incentive allocations of net income for the six months ended June 30, 2012 and 2011 amounted to \$8,775 and \$5,073, respectively, and are included in excess of liabilities, redeemable partners’ capital and partners’ capital over assets in the Consolidated Statements of Financial Condition.

## **12. NOTES RECEIVABLE FROM PARTNERS**

Partner contributions are made in cash, in the form of five or six year interest-bearing promissory notes and/or in the form of nine year interest-bearing limited recourse promissory notes. Limited recourse promissory notes were issued in January 2008, August 2009 and September 2009 with interest rates of 3.53%, 2.77% and 2.84%, respectively. The recourse limitation includes a stated percentage of the initial principal amount of the limited recourse note plus a stated percentage of the accreted principal amount as of the date upon which all amounts due are paid in full plus all costs and expenses required to be paid by the borrower and all amounts required to be paid pursuant to a pledge agreement associated with each note issued. Certain notes receivable are payable in annual installments and are collateralized by the Company’s shares that are purchased with the note.

## [Table of Contents](#)

Notes receivable from partners as of June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012	December 31, 2011
Balance, beginning of period	\$6,024	\$ 6,125
Repayment of notes	(950)	(1,083)
Forgiveness of notes receivable	-	(34)
Interest accrued and capitalized on notes receivable	82	180
New notes receivable issued to partners	112	836
<b>Balance, end of period</b>	<b>\$5,268</b>	<b>\$ 6,024</b>

Full recourse and limited recourse notes receivable from partners as of June 30, 2012 and December 31, 2011 are \$2,756 and \$2,512 and \$3,549 and \$2,475, respectively. There is no allowance for credit losses on notes receivable from partners as of June 30, 2012 and December 31, 2011. During 2011, the Company forgave \$34 of notes receivable in connection with the termination of a partner whose corresponding capital was forfeited.

### 13. RELATED PARTY TRANSACTIONS

During 2012 and 2011, the Company provided services to the domesticated Silvercrest Hedged Equity Fund LP (formed in 2011 and formerly Silvercrest Hedged Equity Fund), Silvercrest Hedged Equity Fund (International), Silvercrest Hedged Equity Fund Ltd (formed in 2011 and includes ERISA investors of Silvercrest Hedged Equity Fund LP), the domesticated Silvercrest Emerging Markets Fund LP (formed in 2011 and formerly Silvercrest Emerging Markets Fund), Silvercrest Emerging Markets Fund (International), Silvercrest Emerging Markets Fund Ltd (formed in 2011 and includes ERISA investors of Silvercrest Emerging Markets Fund LP), Silvercrest Market Neutral Fund (currently in liquidation), Silvercrest Market Neutral Fund (International) (currently in liquidation), Silvercrest Municipal Advantage Portfolio A LLC, Silvercrest Municipal Advantage Portfolio P LLC, the domesticated Silvercrest Strategic Opportunities Fund LP (formed in 2011 and formerly Silvercrest Strategic Opportunities Fund), and Silvercrest Strategic Opportunities Fund (International) (terminated in 2011). These entities operate as feeder funds investing through master-feeder structures except for Silvercrest Hedged Equity Fund LP, Silvercrest Hedged Equity Fund Ltd, Silvercrest Emerging Markets Fund LP, Silvercrest Emerging Markets Fund Ltd, and Silvercrest Strategic Opportunities Fund LP which operate and invest as stand-alone funds.

Silvercrest also provides services for the Silvercrest Global Opportunities Fund, L.P. (currently in liquidation), Silvercrest Global Opportunities Fund (International), Ltd. (currently in liquidation), Silvercrest Capital Appreciation Fund LLC (currently in liquidation), Silvercrest International Equity Fund, L.P., Silvercrest Municipal Special Situations Fund LLC, Silvercrest Municipal Special Situations Fund II LLC, Silvercrest Select Growth Equity Fund, L.P., Silvercrest Global Partners, L.P., Silvercrest Small Cap, L.P. and Silvercrest Special Situations, L.P., which operate and invest separately as stand-alone funds.

Pursuant to agreements with the above entities, the Company provides investment advisory services and receives an annual management fee of 0% to 1.75% of assets under management and a performance fee or allocation of 0% to 10% of the above entities' net appreciation over a high-water mark.

For the six months ended June 30, 2012 and 2011, the Company earned from the above activities management fee income, which is included in Management and advisory fees in the Consolidated Statement of Operations, of \$4,235 and \$2,445, respectively, and performance fees and allocations of \$16 and \$31, respectively, which is included in performance fees in the Statement of Operations. As of June 30, 2012 and December 31, 2011, the Company was owed \$2,033 and \$2,043, respectively, from its various funds which are included in Due from Silvercrest Funds in the Consolidated Statements of Financial Condition.

For the six months ended June 30, 2012 and 2011, the Company earned advisory fees of \$215 and \$364, respectively, from assets managed on behalf of certain of its partners. As of June 30, 2012 and December 31, 2011, the Company is owed approximately \$29 and \$19, respectively, from certain of its partners.

---

## [Table of Contents](#)

### **14. INCOME TAXES**

As of June 30, 2012, the Company had net deferred tax liabilities of \$105, which is recorded as a non-current deferred tax asset of \$28 (specific to SLP which consists primarily of assets for deferred rent expense and equity-based compensation offset by a liability for the excess of book over tax basis of intangible assets) and a non-current deferred tax liability of \$135 related to the corporate activity of SFS which is primarily related to temporary differences between the financial statement and tax bases of intangible assets. These amounts are included in the “prepaid expenses and other assets” and “deferred tax and other liabilities” on the balance sheet, respectively.

As of June 30, 2011, the Company had net deferred tax liabilities of \$53, which is recorded as a non-current deferred tax asset of \$95 (specific to SLP which consists primarily of assets for deferred rent expense and equity-based compensation offset by a liability for the excess of book over tax basis of intangible assets) and non-current deferred tax liability of \$148 related to the corporate activity of SFS which is primarily related to temporary differences between the financial statement and tax bases of intangible assets. These amounts are included in the “prepaid expenses and other assets” and “deferred tax and other liabilities” on the balance sheet, respectively.

The change in the deferred tax asset for SLP from June 30, 2011 to June 30, 2012 is attributable primarily to the long-term deferred tax liability established through purchase accounting for the book over tax basis of Milbank intangible assets in the fourth quarter of 2011.

The current tax expense was \$519 and \$404 for the six months ended June 30, 2012 and 2011, respectively. The deferred tax benefit for the six months ended June 30, 2012 and 2011 was (\$3) and (\$226), respectively, which when combined with current tax expense, resulted in an income tax provision for the six months ended June 30, 2012 and 2011 of \$516 and \$178, respectively, recognized in the Consolidated Statement of Operations. The current expense increased from the comparable period for 2011 mainly due to increased profitability during 2012. The deferred benefit difference is attributable primarily to the decrease in the projected tax rate applicable to the future operations of SFS which was recorded during the first quarter of 2011.

In the normal course of business, the Company is subject to examination by federal, state, and local tax regulators. As of June 30, 2012, the Company’s U.S. federal income tax returns for the years 2008 through 2010 are open under the normal three-year statute of limitations and therefore subject to examination.

The Company does not believe that it has any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

### **15. REDEEMABLE PARTNERSHIP UNITS**

Upon the termination of employment of the Terminated Employee, as defined, of the Company, the Company has a right to call the employee’s partnership units. In addition, the terminated employee also has a right to put the partnership units back to the Company upon termination or death, provided the terminated employee has complied with certain restrictions as described in the partnership agreement. With respect to the two founders of the Company, their estate, heirs or other permitted related parties cannot require the Company to redeem their units prior to April 1, 2013. In accordance with the provisions of the Company’s partnership and operating agreements, the put described above expires with the consummation of an IPO or Sale Transaction, as defined in our partnership and operating agreements. The redemption value per share is based on a multiple of historical EBITDA, pursuant to the Company’s partnership agreement. Once units are called or put back to the Company, the redemption results in the issuance of a promissory note by the Company which is typically paid in installments over four years. The Company has recognized redeemable partners’ capital of \$96,360 and \$91,201 as of June 30, 2012 and December 31, 2011, respectively, which represents the amount of partners’ capital subject to both put and call rights.

## 16. EQUITY-BASED COMPENSATION

Determining the appropriate fair value model and calculating the fair value of equity compensation awards requires the input of complex and subjective assumptions, including the expected life of the equity compensation awards and the stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the amount of employee forfeitures and the likelihood of the achievement of certain performance targets. The assumptions used in calculating the fair value of equity compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's equity-based compensation awards changes, then the amount of expense may need to be adjusted and future equity compensation expense could be materially different from what has been recorded in the current period.

The Company has granted equity-based compensation awards to certain partners under the Company's 2010 and 2011 Deferred Equity programs (the "Equity Programs"). The Equity Programs allow for the granting of deferred equity units based in whole on the fair value of the Company's units. These deferred equity units contain both service and performance requirements.

Each grant includes a deferred equity unit ("Deferred Equity Unit") and performance unit ("Performance Unit") subject to various terms including terms of forfeiture and acceleration of vesting. Each 100 Deferred Equity Units represent the unsecured right to receive one unit of Silvercrest GP LLC and 99 units of Silvercrest L.P. The Deferred Equity Unit represents the unsecured right to receive one unit of the Company or the equivalent cash value of up to fifty percent (50%) (or such other percentage as may be determined by the Company's Executive Committee) of the Company's units issuable upon the vesting of any such Deferred Equity Units and the remaining fifty percent (50%) in units upon the vesting of any such Deferred Equity Units. Such cash amount is to be calculated using the redemption price of such units as of the applicable vesting date. The Performance Unit represents the unsecured right to receive one unit of the Company for every two units of the Company issuable upon the vesting of any such Deferred Equity Units.

Twenty-five percent of the Deferred Equity Units shall vest on each of the first, second, third, and fourth anniversaries of the grant date until the Deferred Equity Units are fully vested. The Performance Units shall be subject to forfeiture and subject to the satisfaction of a predetermined performance target at the end of the four year vesting period. If the performance target is achieved, then the Performance Units shall vest at the end of the four year vesting period. The rights of the partners with respect to the Performance Units shall remain subject to forfeiture at all times prior to the date on which such rights become vested and will be forfeited if the performance target is not achieved.

Distributions related to Deferred Equity Units that are paid to partners are charged to excess of liabilities, redeemable partners' capital and partners' capital over assets. Distributions related to the unvested portion of Deferred Equity Units that are assumed to be forfeited are recognized as additional compensation expense because these distributions are not required to be returned by partners to the Company upon forfeiture.

The Company utilized both discounted cash flow and guideline company valuation methods to determine the grant date fair value of the Deferred Equity Units. The grant date fair values of Performance Units were determined by applying a performance probability factor to the Deferred Equity Unit Value. These methodologies included the use of third party data and discounts for lack of control and marketability. All Deferred Equity Units are considered to be liability awards and are adjusted to fair value at the end of each reporting period. For the six months ended June 30, 2012 and 2011, the Company recorded compensation expense of \$793 and \$487, respectively, of which \$110 and \$169, respectively, relates to the Performance Units given that there is an explicit service period associated with the Deferred Equity Units, and the likelihood that the

## Table of Contents

performance target will be met is considered probable. Distributions include cash distributions paid on Liability Awards. Cash distributions paid on awards expected to be forfeited were \$17 and \$8 for the six months ended June 30, 2012 and 2011, respectively, and are part of total compensation expense for each of the six months then ended. During the six months ended June 30, 2012 and 2011, \$63 and \$82, respectively, of vested Deferred Equity Units were settled in cash. As of June 30, 2012 and December 31, 2011, there was \$2,481 and \$2,222, respectively, of estimated unrecognized compensation expense related to unvested awards. As of June 30, 2012 and December 31, 2011, the unrecognized compensation expense related to unvested awards is expected to be recognized over a period of 3.67 and 3.17 years, respectively.

A summary of this share activity for the Company as of June 30, 2012 and 2011 and changes during the periods then ended is presented below:

	Deferred Equity Units		Performance Units	
	Units	Fair Value per unit	Units	Fair Value per unit
Balance at January 1, 2012	22,353	\$ 157.16	12,764	\$ 60.24
Granted	1,000	\$ 241.39	500	\$ 92.27
Vested	(6,565)	\$(241.39)	—	\$(92.27)
Forfeited	—	—	(140)	—
Balance at June 30, 2012	16,788	\$ 241.39	13,124	\$ 92.27
Balance at January 1, 2011	15,808	\$ 148.35	7,904	\$ 81.19
Granted	10,802	\$ 148.35	5,401	\$ 81.19
Vested	(3,952)	\$(148.35)	—	\$(81.19)
Forfeited	—	—	(418)	—
Balance at June 30, 2011	22,658	\$ 148.35	12,887	\$ 81.19

The Company expects 10% of all awards to be forfeited and the related service period is 4 years.

### **17. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS**

SAMG LLC has a defined contribution 401(k) savings plan (the “Plan”) for all eligible employees who meet the minimum age and service requirements as defined in the Plan. The Plan is designed to be a qualified plan under sections 401(a) and 401(k) of the Internal Revenue Code. For employees who qualify under the terms of the Plan, on an annual basis Silvercrest matches dollar for dollar an employee’s contributions up to the first four percent of compensation. For the six months ended June 30, 2012 and 2011, Silvercrest accrued matching contributions of \$36 and \$26, respectively, for the benefit of employees.

LGI had an annual bonus and deferred compensation plan (the “Deferred Plan”). The amount of a Participant’s Award (as defined) for any Plan Year (as defined) shall equal the product of the Net Revenues (as defined) for such Plan Year multiplied by a percentage, the numerator of which shall be the number of Units (as defined) allocated to such Participant for such Plan Year, and the denominator of which shall be the aggregate number of Units allocated under the Plan (as defined) for such Plan Year; provided, however, that (i) the Award for any Participant in any Plan Year shall, in no event, exceed \$10 per Unit and (ii) the aggregate number of Units is subject to increase or decrease, by the Administrator (as defined) in his sole discretion, during such Plan Year to reflect the addition of new employees becoming Participants or to reflect the termination of employment of any Participant. Each Participant may elect to receive their Award in cash, on a deferred basis, or a combination of both subject to various provisions in the Deferred Plan. The Deferred Plan was discontinued as of December 31, 2009. During the year ended December 31, 2010, \$154 of payments was made to participants under the plan. The remaining liability at December 31, 2010 of \$70 was paid in full in March 2011.

---

[Table of Contents](#)

**18. SOFT DOLLAR ARRANGEMENTS**

The Company obtains research and other services through “soft dollar” arrangements. The Company receives credits from broker-dealers whereby technology-based research, market quotation and/or market survey services are effectively paid for in whole or in part by “soft dollar” brokerage arrangements. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a “safe harbor” to an investment adviser against claims that it breached its fiduciary duty under state or federal law (including ERISA) solely because the adviser caused its clients’ accounts to pay more than the lowest available commission for executing a securities trade in return for brokerage and research services. To rely on the safe harbor offered by Section 28(e), (i) the Company must make a good-faith determination that the amount of commissions is reasonable in relation to the value of the brokerage and research services being received and (ii) the brokerage and research services must provide lawful and appropriate assistance to the Company in carrying out its investment decision-making responsibilities. If the use of soft dollars is limited or prohibited in the future by regulation, the Company may have to bear the costs of such research and other services. For the six months ended June 30, 2012 and 2011, the Company utilized “soft dollar” credits of \$446 and \$430, respectively.

**19. SUBSEQUENT EVENTS**

On September 18, 2012 three of the Company’s executives repaid outstanding notes payable and accrued interest of \$1,897 that were initially issued in connection with the acquisition of their partnership interest.

The Company has evaluated subsequent events through September 18, 2012, which is the date the consolidated financial statements were available to be issued.

\* \* \* \* \*

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

	SEPTEMBER 30, 2011		DECEMBER 31, 2010
	(unaudited)		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 339,099		\$ 163,256
Investments in securities and partnerships	8,247		7,818
Accounts receivable	710,965		97,148
Prepaid taxes	—		34,915
Furniture, equipment and leasehold improvements, at cost (net of accumulated depreciation of \$285,068 and \$284,168)	28,426		27,073
Security deposit	15,220		15,220
Prepaid expenses and other	79,552		105,898
<b>Consolidated Milbank Partnerships:</b>			
Cash and cash equivalents	\$ 11,708,030		\$ 18,066,684
Investments in securities	102,190,687		123,483,737
Investments in Funds	167,976,499		198,373,114
Redemptions receivable from investments in Funds	395,139		9,624,700
Accrued income	101,398		173,463
Due from partner	81,402		—
Prepaid expenses and other	119,190	<u>282,572,345</u>	<u>153,628</u> <u>349,875,326</u>
<b>TOTAL ASSETS</b>		<b><u>\$283,753,854</u></b>	<b><u>\$350,326,654</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities:</b>			
Accrued expenses	\$ 39,210		\$ 21,400
Taxes payable	293,543		—
Deferred taxes	53,668		91,122
<b>Consolidated Milbank Partnerships:</b>			
Contributions received in advance	—		500,000
Accrued expenses	287,743		639,584
Redemptions payable	2,211,744		34,305,163
Securities sold short	2,541,031	<u>5,040,518</u>	<u>4,434,420</u> <u>39,879,167</u>
<b>Total Liabilities</b>		<b><u>\$ 5,426,939</u></b>	<b><u>\$ 39,991,689</u></b>

Commitments and Contingencies (see Note 5)

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010  
(continued)

	<u>September 30, 2011</u> (unaudited)	<u>December 31, 2010</u>
Stockholders' Equity:		
Common stock:		
7,000 Class A par \$0.05 shares authorized; 3,922 shares issued and outstanding	\$ 196	\$ 196
7,000 Class B par \$0.05 shares authorized; 2,496 shares issued and outstanding	125	125
Additional paid in capital	454,839	454,839
Retained earnings	<u>1,190,660</u>	<u>867,957</u>
Total Milbank Winthrop & Co., Inc.		
Stockholders' Equity	1,645,820	1,323,117
Minority interests in Consolidated Milbank Partnerships	<u>276,681,095</u>	<u>309,011,848</u>
Total Stockholders' Equity	<u>278,326,915</u>	<u>310,334,965</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 283,753,854</u>	<u>\$ 350,326,654</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30:

	2011		2010	
	(unaudited)		(unaudited)	
<b>REVENUES:</b>				
Investment advisory fees		\$ 1,501,604		\$ 1,355,072
Other income		535		1,016
Consolidated Milbank Partnerships				
Dividends	\$ 1,629,197		\$ 1,477,273	
Interest	394,230	2,023,427	521,669	1,998,942
Total revenues		<u>3,525,566</u>		<u>3,355,030</u>
<b>EXPENSES:</b>				
Compensation and benefits		3,780,024		3,551,485
Rent		130,348		130,157
Insurance		105,167		99,247
Office and administrative		138,384		152,014
Computer services		80,251		69,574
Professional fees		134,371		27,806
Depreciation		900		900
Consolidated Milbank Partnerships:				
Management and advisory fees	1,409,795		1,240,705	
Interest and dividends	232,863		223,503	
Professional fees	266,334		285,558	
Office and administrative	42,694		127,245	
Other expenses	83,436	2,035,122	90,158	1,967,169
Total expenses		<u>6,404,567</u>		<u>5,998,352</u>
<b>LOSS BEFORE NET GAIN (LOSS) FROM CONSOLIDATED MILBANK PARTNERSHIPS</b>				
		(2,879,001)		(2,643,322)
<b>Net gain (loss) from investment activities of Consolidated Milbank Partnerships:</b>				
Realized gain on investments in securities, net	4,987,983		6,703,204	
Realized gain on investments in Funds, net	766,884		—	
Unrealized gain (loss) on investments in securities, net change	(19,574,394)		2,940,362	
Unrealized gain (loss) on investments in Funds, net change	(21,155,552)	(34,975,079)	14,582,651	24,226,217
<b>INCOME (LOSS) BEFORE INCOME TAX EXPENSE</b>				
		(37,854,080)		21,582,895
Income tax expense		330,019		232,567
<b>NET INCOME (LOSS)</b>				
		(38,184,099)		21,350,328
Minority interest in Consolidated Milbank Partnerships		(38,506,802)		21,093,366
<b>NET INCOME ATTRIBUTABLE TO MILBANK WINTHROP &amp; CO., INC.</b>				
		<u>\$ 322,703</u>		<u>\$ 256,962</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 (unaudited)  
AND THE YEAR ENDED DECEMBER 31, 2010

	Number of Class A Shares	Par Value	Number of Class B Shares	Par Value	Additional Paid- in Capital	Retained Earnings	Minority Interests in Consolidated Milbank Partnerships	Total
Balance at December 31, 2009	3,922	\$ 196	2,496	\$ 125	\$454,839	\$ 800,541	\$299,512,994	\$300,768,695
Contributions	—	—	—	—	—	—	2,900,000	2,900,000
Redemptions	—	—	—	—	—	—	(37,863,210)	(37,863,210)
Net Income	—	—	—	—	—	67,416	44,462,064	44,529,480
Balance at December 31, 2010	3,922	196	2,496	125	454,839	867,957	309,011,848	310,334,965
Contributions	—	—	—	—	—	—	12,539,311	12,539,311
Withdrawals	—	—	—	—	—	—	(6,363,262)	(6,363,262)
Net Income (Loss)	—	—	—	—	—	322,703	(38,506,802)	(38,184,099)
Balance at September 30, 2011 (unaudited)	3,922	\$ 196	2,496	\$ 125	\$454,839	\$1,190,660	\$276,681,095	\$278,326,915

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30:

	<u>2011</u> (unaudited)	<u>2010</u> (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 322,703	\$ 256,962
Adjustments to reconcile net income to net cash provided by operating activities		
Consolidated Milbank Partnerships:		
Net income (loss)	(38,506,802)	21,093,366
Depreciation	900	900
Deferred taxes	(37,454)	26,942
Sales of securities and partnerships	—	17,130
Unrealized (gain) on investments in securities and partnerships, net change	(429)	(8,076)
Realized loss on investments in securities and partnerships, net	—	8,119
Consolidated Milbank Partnerships:		
Realized (gain) on investments in securities, net	(4,987,983)	(6,703,204)
Realized (gain) on investments in Funds, net	(766,884)	—
Unrealized (gain) loss on investments in securities, net change	19,574,394	(2,940,362)
Unrealized (gain) loss on investments in Funds, net change	21,155,552	(14,582,651)
Purchases of investments in securities	(62,909,399)	(146,801,804)
Purchases of investments in Funds	(7,000,000)	—
Sales of investments in securities	67,722,649	152,615,257
Sales of investments in Funds	17,007,947	4,060,065
(Increase) decrease in operating assets:		
Accounts receivable	(613,817)	(507,379)
Prepaid taxes	34,915	43,955
Prepaid expenses and other	26,346	(22,391)
Consolidated Milbank Partnerships:		
Cash and cash equivalents	6,358,654	6,075,279
Redemptions receivable from investments in Funds	9,229,561	82,760,368
Accrued income	72,065	137,334
Prepaid expenses and other	34,438	(22,572)
Increase (decrease) in operating liabilities:		
Accrued expenses	17,810	1,731
Taxes payable	293,543	130,337
Consolidated Milbank Partnerships:		
Accrued expenses	(351,841)	(1,299,427)
Net cash provided by operating activities	<u>\$ 26,676,868</u>	<u>\$ 94,339,879</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30:  
(continued)

	<u>2011</u> (unaudited)	<u>2010</u> (unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	\$ (2,253)	\$ (665)
Net cash used in investing activities	<u>(2,253)</u>	<u>(665)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions to Milbank Partnerships	11,957,909	775,000
Withdrawals from Milbank Partnerships	<u>(38,456,681)</u>	<u>(95,064,326)</u>
Net cash used in financing activities	<u>(26,498,772)</u>	<u>(94,289,326)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	175,843	49,888
Cash and cash equivalents at beginning of period:	<u>163,256</u>	<u>126,858</u>
Cash and cash equivalents at end of period:	<u>\$ 339,099</u>	<u>\$ 176,746</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for taxes	<u>\$ 1,561</u>	<u>\$ 31,333</u>
Cash paid during the period for interest	<u>\$ 215,690</u>	<u>\$ 200,505</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)

NOTE 1. ORGANIZATION

Milbank Winthrop & Co., Inc. (“Milbank”) was incorporated in Delaware in 1980. “Milbank” conducts an investment advisory business in New York City and is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

Milbank is the general partner (the “General Partner”) of three investment partnerships, MW Global Partners, L.P., MW Small Cap, L.P. and MW Special Situations, L.P. (the “Partnerships”) which are consolidated in these financial statements (collectively the “Company”).

The Partnerships invest in a mix of securities and independent investment partnerships (the “Funds”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis. Purchases and sales of Funds are recorded on the effective dates as specified in the Funds’ investment agreements.

Basis of Consolidation

Milbank consolidates the Partnerships in which the General Partner is presumed to have control under Accounting Standards Codification (“ASC”) 810-20. Although Milbank holds non-substantive equity-at-risk in the Partnerships, Milbank’s related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by Milbank. Accordingly, Milbank consolidates the assets, liabilities and operating results of the Partnerships and records the minority interests held by the limited partners in the accompanying consolidated financial statements. All material intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and liquid investments with maturities of less than 90 days. For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Milbank Partnerships - Cash and Cash Equivalents

Cash and cash equivalents held by the Partnerships are not available to fund any of the liquidity needs of Milbank.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value into three broad levels explained below:

Level 1 - Valuations based on quoted prices available in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with holding those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds' administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds' general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair values as determined in good faith by their respective general partners or administrators. A change in the estimated values may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

Milbank investment advisory fees are billed quarterly and recorded as revenue in the period earned. These fees are based on a percentage of assets under management.

Income from Funds is recognized based upon the Company's allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

Accounts Receivable

Accounts receivable consists of advisory fees due from clients and Funds.

Redemptions Receivable from Investments in Funds

Redemptions receivable from investments in funds consists of withdrawal requests issued to the Funds, primarily to fund redemption requests of Fund partners.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. Depreciation is calculated using accelerated methods applied over the expected lives of the assets. The difference between these accelerated methods and the straight line depreciation required by GAAP is deemed immaterial in comparison to these consolidated financial statements taken as a whole.

Leases

The Company expenses payments on operating leases on a straight line basis over the term of the lease.

Income Taxes

The Company is subject to federal and state corporate income taxes. The Company calculates both current and deferred taxes based on the difference between the financial statement carrying value of assets and liabilities versus their tax basis. A provision for these taxes has been made and is reflected on the consolidated statement of operations.

Management has determined that the Company has no uncertain tax positions that would require financial statement adjustment or disclosure. The tax years that remain subject to examination by taxing authorities are 2008, 2009 and 2010.

Foreign Securities

The value of securities and cash equivalents which are denominated in foreign currencies are stated using the exchange rate in effect on the last business day of the period. Purchases and sales of securities, interest and

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Securities (continued)

dividend income and expenses, which are denominated in foreign currencies, are recorded at the exchange rate as of the date of the transactions. For financial statement purposes, the Company does not isolate that portion of the gain or loss on securities resulting from exchange rate fluctuation. Such changes are combined with changes in market prices and shown as realized or unrealized gain or loss.

Accounting Developments

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity (“VIE”) and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements (“ASU 2010-06”). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. The Company does not anticipate that the adoption of ASU 2010-06 will have a material impact on its consolidated financial statements.

In May 2011, the FASB issued amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. The amended guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or liabilities. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair value requirements is provided. That exception permits a reporting entity to measure the fair value of such financial assets and liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarify that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity’s holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) are not permitted in a fair value measurement. The guidance also requires enhanced disclosures about fair value measurements, including, among other things,

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments (continued)

(a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial condition but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial condition but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now requires disclosure of all transfers between Levels I and II in the fair value hierarchy. The amended guidance is effective for interim and annual periods beginning after December 15, 2011. As the impact of the guidance is primarily limited to enhanced disclosures, adoption is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

The following table summarizes investments under the fair value hierarchy the valuation of the Company's as of September 30, 2011:

Assets	Level 1	Level 2	Level 3	Total
Investments in Securities and Partnerships	\$ 3,247	\$ —	\$ 5,000	\$ 8,247
From Consolidated Milbank Partnerships:				
Investments in Securities	96,449,023	5,059,848	681,816	102,190,687
Investments in Funds	—	154,867,659	13,108,840	167,976,499
Total	<u>\$96,452,270</u>	<u>\$159,927,507</u>	<u>\$13,795,656</u>	<u>\$270,175,433</u>
Liabilities				
Securities Sold Short	<u>\$ (927,955)</u>	<u>\$ (1,281,162)</u>	<u>\$ (331,914)</u>	<u>\$ (2,541,031)</u>

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2011:

Assets	Investments
Beginning balance, December 31, 2010	\$ 8,568,283
Total gains or (losses), realized and unrealized	(188,890)
Purchases and sales, net	5,416,263
Ending balance, September 30, 2011	<u>\$13,795,656</u>
The amount of gain (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at September 30, 2011	<u>\$ (267,353)</u>

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2011  
 (unaudited)  
 (continued)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

Liabilities	Securities Sold Short
Beginning balance, December 31, 2010	\$ (312,096)
Total gains or (losses), realized and unrealized	17,419
Purchases and sales, net	(37,237)
Ending balance, September 30, 2011	\$ (331,914)
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to liabilities still held at September 30, 2011	\$ 17,419

The following table summarizes the valuation of the Company's investments under the fair value hierarchy, as described above, as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investment in securities and partnerships	\$ 2,818	\$ —	\$ 5,000	\$ 7,818
From consolidated affiliated Partnerships:				
Investment in securities	114,505,465	7,887,319	1,090,953	123,483,737
Investment in Funds	—	190,900,784	7,472,330	198,373,114
Total	<u>\$114,508,283</u>	<u>\$198,788,103</u>	<u>\$8,568,283</u>	<u>\$321,864,669</u>
<u>Liabilities</u>				
Securities sold short	<u>\$ 2,143,953</u>	<u>\$ 1,978,371</u>	<u>\$ 312,096</u>	<u>\$ 4,434,420</u>

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2010:

Assets	Investments
Beginning balance, December 31, 2009	\$ 168,393,421
Total gains or (losses), realized and unrealized	29,106,390
Purchases and sales, net	2,544,680
Transferred in (out) of Level 3	(191,476,208)
Ending balance, December 31, 2010	<u>\$ 8,568,283</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2010	<u>\$ 1,540,210</u>

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

<u>Liabilities</u>	<u>Securities Sold Short</u>
Beginning balance, December 31, 2009	\$ (71,500)
Total gains or (losses), realized and unrealized	271,608
Purchases and sales, net	(526,454)
Transferred in (out) of Level 3	14,250
Ending balance, December 31, 2010	<u>\$ (312,096)</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to liabilities still held at December 31, 2010	<u>\$ 214,358</u>

Gains (losses), realized and unrealized, if any, are included in the net realized gain (loss) on investments or Funds and net change in unrealized gain (loss) on investments or Funds in the consolidated statement of operations.

The Company values its Level 2 investments in securities based on the last price in non-active markets. The Company values its Level 2 and 3 investments in Funds based on their proportionate share of the net assets of the Funds. Transfers between levels are recognized at the end of the reporting period.

NOTE 4. INVESTMENTS IN FUNDS

As of September 30, 2011 and December 31, 2010, the Partnerships invested in other Funds, none of which were related parties. The investment objectives of the Funds primarily relate to the maximization of appreciation through the investments in equity, debt and related instruments. The Funds utilize one of the following strategies:

- a. Long Only Strategy - This category includes Funds that invest in long positions only, primarily in common stocks. Management of the Funds has the ability to shift the investments from value to growth strategies and from small to large capitalization stocks,
- b. Equity Long/Short Strategy - This category includes Funds that invest both long and short, primarily in common stocks. Management of the Funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
- c. Multi-strategy Funds - This category includes Funds that pursue multiple strategies to diversify risks and reduce volatility. The Funds' composite portfolio for this category includes investments in U.S. common stocks, non-U.S. common stocks, distressed debt, commodities and arbitrage investments. In addition, some of the Funds invest in various special situation investments.
- d. Global Strategy Funds - This category includes Funds that hold investments in non-U.S. common stocks, primarily in the energy, information technology, utilities, and telecommunications sectors. They also hold investments in emerging markets and real estate sectors as well as investments in diversified currencies.

Cost is determined based on capital contributions to, and withdrawals from, the Funds, plus reinvested realized net income.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 4. INVESTMENTS IN FUNDS (continued)

Substantially all of the Funds in which the Partnerships invest charge management fees at varying rates, principally 0.75% to 2% annually of periodic net asset values.

Substantially all of the Funds in which the Partnerships invest provide for a specific allocation or fee to their respective general partner or affiliate, which is calculated at various rates, primarily 20% of appreciation, as defined in their respective partnership agreements.

Some of the Funds permit partial withdrawals during the year on either a monthly, quarterly or semiannual basis; however, substantially all of the Funds permit full withdrawals only at the end of the year.

The activities of certain Funds include the purchase and sale of a variety of derivative financial instruments such as equity options, index options, swap agreements, futures and forward contracts, and other similar instruments. These derivatives are used for trading purposes and for managing risk associated with their portfolio of securities and securities sold short. The use of derivative instruments may involve elements of market risk in excess of the amount recognized in the statement of financial condition of these Funds. In many cases, these Funds limit their risk by holding offsetting security or option positions.

The Partnerships, through their investment in other Funds, are subject to certain inherent risks arising from their investing activities of short selling and entering into forward contracts. The ultimate cost to acquire these securities or settle these contracts may exceed the liability reflected in their financial statements.

NOTE 5. LEASE COMMITMENT

The Company is subject to a lease for office space in New York City through April 30, 2012. The base rent is \$149,400 per year and includes electricity. It is also subject to real estate tax and operating cost escalations. Future minimum lease commitments are as follows:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
2011	\$ 37,350	\$ 149,400
2012	49,800	49,800
Total	<u>\$ 87,150</u>	<u>\$ 199,200</u>

Total rent expense for the nine months ended September 30, 2011 and 2010 was \$130,348 and \$130,157, respectively.

NOTE 6. PENSION PLAN

The Company sponsors a 401(k) retirement plan for its employees. The Company contributes 3% of eligible employees' compensation. The plan also permits elective deferrals by employees.

Total Pension costs for the nine months ended September 30, 2011 and 2010 were \$8,460 and \$10,013, respectively.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 7. PREPAID EXPENSES AND OTHER

The details of Milbank's prepayments at September 30, 2011 and December 31, 2010, respectively, are as follows:

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Insurance	\$ 59,091	\$ 86,685
Rent	12,450	12,450
Other	<u>8,011</u>	<u>6,763</u>
	<u>\$ 79,552</u>	<u>\$ 105,898</u>

NOTE 8. RELATED PARTY TRANSACTIONS

Milbank earns advisory fees for client assets invested with the Partnerships. It is also reimbursed for costs incurred in providing administrative services to the Partnerships. For the nine months ending September 30, 2011 and 2010, Milbank earned \$3,251,445 and \$2,737,402, respectively, in advisory fees and \$379,170 and \$356,062, respectively, in administrative fees from the Partnerships.

These intercompany fees have been fully eliminated in the consolidated financial statements.

NOTE 9. INCOME TAXES

The Company's income tax expenses for the nine months ended September 30, 2011 and 2010 has been determined as follows:

	<u>2011</u>	<u>2010</u>
Current taxes		
Federal	\$257,231	\$143,938
State and local	<u>110,242</u>	<u>61,687</u>
	367,473	205,625
Deferred taxes		
Federal	<u>(37,454)</u>	<u>26,942</u>
	<u>\$330,019</u>	<u>\$232,567</u>

Current taxes are provided using statutory tax rates as applied to taxable income. Deferred taxes are provided at approximately 35% of unrealized appreciation of investments in excess of tax basis.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(unaudited)  
(continued)

NOTE 10. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation. As discussed in Note 2, the Company applies accelerated methods of depreciation over the estimated useful lives of the assets.

Assets at cost:	September 30, 2011	December 31, 2010
Furniture and equipment	\$ 222,796	\$ 220,543
Leasehold improvements	90,698	90,698
Total cost	313,494	311,241
Less: accumulated depreciation	(285,068)	(284,168)
Net fixed assets	<u>\$ 28,426</u>	<u>\$ 27,073</u>

Depreciation expense for both the nine months ended September 30, 2011 and 2010 was \$900.

NOTE 11. SHARES OF STOCK

Under the Certificate of Amendment of the Certificate of Incorporation dated January 9, 1997 (the "Certificate"), 7,000 shares of Class A Common Stock, having a par value of \$0.05 per share, were authorized. Holders of Class A Common Stock are entitled to one vote per share. At September 30, 2011 and December 31, 2010, 3,922 shares were issued and outstanding.

Also under the Certificate, 7,000 shares of Class B Common Stock, having a par value of \$0.05 per share, were authorized. Class B Common Stock is non-voting stock. At September 30, 2011 and December 31, 2010, 2,496 shares were issued and outstanding.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 14, 2012, which is the date the consolidated financial statements were available to be issued. Milbank was purchased by Silvercrest Asset Management Group LLC on November 1, 2011.

INDEPENDENT AUDITORS' REPORT

To the Stockholders of  
Milbank Winthrop & Co., Inc.:

We have audited the accompanying consolidated statement of financial condition of Milbank Winthrop & Co., Inc. (the "Company"), as of December 31, 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milbank Winthrop & Co., Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York  
September 2, 2011

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
YEAR ENDED DECEMBER 31, 2010

ASSETS		
Cash and cash equivalents		\$ 163,256
Investments in securities and partnerships		7,818
Accounts receivable		97,148
Prepaid taxes		34,915
Furniture, equipment and leasehold improvements, at cost (net of accumulated depreciation of \$284,168)		27,073
Security deposit		15,220
Prepaid expenses and other		105,898
Consolidated Milbank Partnerships:		
Cash and cash equivalents	\$ 18,066,684	
Investments in securities	123,483,737	
Investments in Funds	198,373,114	
Redemptions receivable from investments in Funds	9,624,700	
Accrued income	173,463	
Prepaid expenses and other	153,628	349,875,326
TOTAL ASSETS		<u>\$350,326,654</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accrued expenses		\$ 21,400
Deferred taxes		91,122
Consolidated Milbank Partnerships:		
Contributions received in advance	\$ 500,000	
Accrued expenses	639,584	
Redemptions payable	34,305,163	
Securities sold short	4,434,420	39,879,167
Total Liabilities		<u>39,991,689</u>
Commitments and Contingencies (see Note 5)		
Stockholders' Equity:		
Common stock:		
7,000 Class A par \$0.05 shares authorized; 3,922 shares issued and outstanding		196
7,000 Class B par \$0.05 shares authorized; 2,496 shares issued and outstanding		125
Additional paid in capital		454,839
Retained earnings		867,957
Total Milbank Winthrop & Co., Inc. Stockholders' Equity		<u>1,323,117</u>
Minority interests in Consolidated Milbank Partnerships		<u>309,011,848</u>
Total Stockholders' Equity		<u>310,334,965</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$350,326,654</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUES:		
Investment advisory fees		\$ 1,822,748
Other income		755
Consolidated Milbank Partnerships:		
Dividends	\$ 1,996,373	
Interest	<u>663,103</u>	<u>2,659,476</u>
Total revenues		<u>4,482,979</u>
EXPENSES:		
Compensation and benefits		5,505,058
Rent		167,506
Insurance		133,034
Office and administrative		132,650
Computer services		93,653
Professional fees		39,606
Depreciation		6,751
Other		83,703
Consolidated Milbank Partnerships:		
Management and advisory fees	1,591,767	
Office and administrative	538,045	
Professional fees	377,634	
Interest and dividends	<u>318,727</u>	<u>2,826,173</u>
Total expenses		<u>8,988,134</u>
LOSS BEFORE NET GAINS FROM CONSOLIDATED MILBANK PARTNERSHIPS		(4,505,155)
Net gains from investment activities of Consolidated Milbank Partnerships:		
Realized gain on investments in securities, net	11,004,979	
Unrealized gain on investments in securities, net change	9,205,034	
Unrealized gain on investments in Funds, net change	<u>28,901,005</u>	<u>49,111,018</u>
INCOME BEFORE INCOME TAX EXPENSE		44,605,863
Income tax expense		<u>76,383</u>
NET INCOME		<u>44,529,480</u>
Minority Interests in Consolidated Milbank Partnerships		<u>(44,462,064)</u>
NET INCOME ATTRIBUTABLE TO MILBANK WINTHROP & CO., INC.		<u>\$ 67,416</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Number of Class A Shares	Par Value	Number of Class B Shares	Par Value	Additional Paid- in Capital	Retained Earnings	Minority Interests in Consolidated Milbank Partnerships	Total
Balance at December 31, 2009	3,922	\$ 196	2,496	\$ 125	\$454,839	\$800,541	\$299,512,994	\$300,768,695
Contributions	—	—	—	—	—	—	2,900,000	2,900,000
Redemptions	—	—	—	—	—	—	(37,863,210)	(37,863,210)
Net Income	—	—	—	—	—	67,416	44,462,064	44,529,480
Balance at September 30, 2011	3,922	\$ 196	2,496	\$ 125	\$454,839	\$867,957	\$309,011,848	\$310,334,965

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		\$ 67,416
Adjustments to reconcile net income to net cash provided by operating activities		
Consolidated Milbank Partnerships:		
Net income	\$ 44,462,064	
Depreciation	6,751	
Deferred taxes	34,905	
Sales of securities and partnerships	17,173	
Unrealized gain on investments in securities and partnerships, net change	(331)	
Consolidated Milbank Partnerships:		
Realized gain on investments in securities, net	(11,004,979)	
Unrealized gain on investments in securities, net change	(9,205,034)	
Unrealized gain on investments in funds, net change	(28,901,005)	
Purchases of investments in securities	(164,514,871)	
Purchases of investments in funds	(13,524)	
Sales of investments in securities	174,448,934	
Sales of investments in funds	14,502,312	
(Increase) decrease in operating assets:		
Accounts receivable	57,783	
Prepaid taxes	9,040	
Security deposit	(203)	
Prepaid expenses and other	1,668	
Consolidated Milbank Partnerships		
Cash and cash equivalents	(473,962)	
Redemption receivable from investments in funds	74,517,538	
Prepaid investments	61,430	
Accrued income	18,754	
Prepaid expenses and other	(36,671)	
Increase (decrease) in operating liabilities:		
Accrued expenses	(18,081)	
Consolidated Milbank Partnerships		
Accrued expenses	<u>(1,009,006)</u>	
Total Adjustments		<u>\$92,960,685</u>
Net Cash Provided by Operating Activities		<u>\$93,028,101</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(continued)

<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of fixed assets	\$ (5,627)
Net cash used in investing activities	<u>(5,627)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Contributions to Milbank Partnerships	3,375,000
Redemptions from Milbank Partnerships	<u>(96,361,076)</u>
Net cash used in financing activities	<u>(92,986,076)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>36,398</b>
Cash and Cash Equivalents at December 31, 2009	<u>126,858</u>
Cash and Cash Equivalents at December 31, 2010	<u>\$ 163,256</u>
<b>Supplemental cash flow information:</b>	
Cash paid during the period for taxes	<u>\$ 32,438</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1. ORGANIZATION

Milbank Winthrop & Co., Inc. (“Milbank”) was incorporated in Delaware in 1980. “Milbank” conducts an investment advisory business in New York City and is registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940.

Milbank is the General Partner (the “General Partner”) of three investment partnerships, MW Global Partners, L.P., MW Small Cap, L.P. and MW Special Situations, L.P. (the “Partnerships”) which are consolidated in these financial statements (collectively the “Company”).

The Partnerships invest in a mix of securities and independent investment partnerships (the “Funds”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis.

Basis of Consolidation

Milbank consolidates the Partnerships in which the General Partner is presumed to have control under Accounting Standards Codification (“ASC”) 810-20. Although Milbank holds non-substantive equity-at-risk in the Partnerships, Milbank’s related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by Milbank. Accordingly, Milbank consolidates the assets, liabilities and operating results of the Partnerships and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Milbank Partnerships - Cash and Cash Equivalents

Cash and cash equivalents held by the Partnerships are not available to fund any of the liquidity needs of Milbank.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value into three broad levels explained below:

Level 1 - Valuations based on quoted prices available in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with investing in those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds' administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds' general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

Milbank investment advisory fees are billed quarterly and recorded as revenue in the period earned. These fees are based on a percentage of assets under management.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

Income from Funds is recognized based upon the Company's allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

Accounts Receivable

Accounts Receivable consists of advisory fees due from clients and Funds.

Redemptions Receivable from Investments in Funds

Redemptions receivable from investments in funds consists of withdrawal requests issued to the Funds, primarily to fund redemption requests of Fund partners.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. Depreciation is calculated using accelerated methods applied over the expected lives of the assets. The difference between these accelerated methods and the straight line depreciation required by GAAP is deemed immaterial in comparison to these financial statements taken as a whole.

Leases

The Company expenses payments on operating leases on a straight line basis over the term of the lease.

Income Taxes

The Company is subject to federal and state corporate income taxes. The Company calculates both current and deferred taxes based on the difference between the financial statement carrying value of assets and liabilities versus their tax basis. A provision for these taxes has been made and is reflected on the statement of income.

Management has determined that the Company has no uncertain tax positions that would require financial statement adjustment or disclosure. The tax years that remain subject to examination by taxing authorities are 2007, 2008 and 2009.

Foreign Securities

The value of securities and cash equivalents which are denominated in foreign currencies are stated using the exchange rate in effect on the last business day of the year. Purchases and sales of securities, interest and dividend income and expenses, which are denominated in foreign currencies, are recorded at the exchange rate as of date of the transactions. For financial statement purposes, the Company does not isolate that portion of the gain or loss on securities resulting from exchange rate fluctuation. Such changes are combined with changes in market prices and shown as realized or unrealized gain or loss.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity (“VIE”) and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures About Fair Value Measurements (“ASU 2010-06”). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. We do not anticipate that the adoption of ASU 2010-06 will have a material impact on the Company’s financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

The following table summarizes the valuation of the Company’s investments under the fair value hierarchy, as described above, as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Investment in securities and partnerships	\$ 2,818	\$ —	\$ 5,000	\$ 7,818
From consolidated affiliated Partnerships:				
Investment in securities	114,505,465	7,887,319	1,090,953	123,483,737
Investment in Funds	—	190,900,784	7,472,330	198,373,114
Total	<u>\$114,508,283</u>	<u>\$198,788,103</u>	<u>\$8,568,283</u>	<u>\$321,864,669</u>
<u>Liabilities</u>				
Securities sold short	<u>\$ 2,143,953</u>	<u>\$ 1,978,371</u>	<u>\$ 312,096</u>	<u>\$ 4,434,420</u>

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2010:

<u>Assets</u>	<u>Investments</u>
Beginning balance, December 31, 2009	\$ 168,393,421
Total gains or (losses), realized and unrealized	29,106,390
Purchases and sales, net	2,544,680
Transferred in (out) of Level 3	(191,476,208)
Ending balance, December 31, 2010	<u>\$ 8,568,283</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2010	<u>\$ 1,540,210</u>
<u>Liabilities</u>	<u>Securities Sold Short</u>
Beginning balance, December 31, 2009	\$ (71,500)
Total gains or (losses), realized and unrealized	271,608
Purchases and sales, net	(526,454)
Transferred in (out) of Level 3	14,250
Ending balance, December 31, 2010	<u>\$ (312,096)</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to liabilities still held at December 31, 2010	<u>\$ 214,358</u>

Gains (losses), realized and unrealized, if any, are included in the net realized gain (loss) on investments or Funds and net change in unrealized gain (loss) on investments or Funds in the Statement of Income.

The Company values its Level 2 investments in securities based on the last price in non-active markets. The Company values its Level 2 and 3 investments in Funds based on their proportionate share of the net assets of the Funds. Transfers between levels are recognized at the end of the reporting period.

NOTE 4 INVESTMENTS IN FUNDS

As of December 31, 2010, the Partnerships invested in other Funds, none of which were related parties. The investment objectives of the Funds primarily relate to the maximization of appreciation through the investments in equity, debt and related instruments. The Funds utilize one of the following strategies:

- a Long Only Strategy - This category includes Funds that invest in long positions only, primarily in common stocks. Management of the Funds has the ability to shift the investments from value to growth strategies and from small to large capitalization stocks.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 4. INVESTMENTS IN FUNDS (continued)

- b Equity Long/Short Strategy - This category includes Funds that invest both long and short, primarily in common stocks. Management of the Funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
- c Multi-strategy Funds - This category includes Funds that pursue multiple strategies to diversify risks and reduce volatility. The Funds' composite portfolio for this category includes investments in U.S. common stocks, non-U.S. common stocks, distressed debt, commodities and arbitrage investments. In addition, some of the Funds invest in various special situation investments.
- d Global Strategy Funds - This category includes Funds that hold investments in non-U.S. common stocks, primarily in the energy, information technology, utilities, and telecommunications sectors. They also hold investments in emerging markets and real estate sectors as well as investments in diversified currencies.

Cost is determined based on capital contributions to, and withdrawals from, the Funds, plus reinvested realized net income.

Substantially all of the Funds in which the Partnerships invest are charged management fees at varying rates, principally 0.75% to 2% annually of periodic net asset values.

Substantially all of the Funds in which the Partnerships invest provide for a specific allocation or fee to their respective general partner or affiliate, which is calculated at various rates, primarily 20% of appreciation, as defined in their respective partnership agreements.

Some of the Funds permit partial withdrawals during the year on either a monthly, quarterly or semiannual basis; however, substantially all of the Funds permit full withdrawals only at the end of the year.

The activities of certain Funds include the purchase and sale of a variety of derivative financial instruments such as equity options, index options, swap agreements, futures and forward contracts, and other similar instruments. These derivatives are used for trading purposes and for managing risk associated with their portfolio of securities and securities sold short. The use of derivative instruments may involve elements of market risk in excess of the amount recognized in the statement of assets and liabilities of these Funds. In many cases, these Funds limit their risk by holding offsetting security or option positions.

The Partnerships, through their investment in other Funds, is subject to certain inherent risks arising from their investing activities of short selling and entering into forward contracts. The ultimate cost to acquire these securities or settle these contracts may exceed the liability reflecting in their financial statements.

NOTE 5. LEASE COMMITMENT

The Company is subject to a lease for office space in New York City through April 30, 2012. The base rent is \$149,400 per year and includes electricity. It is also subject to real estate tax and operating cost escalations. Future minimum lease commitments for the year ending December 31 are as follows:

2011	\$ 149,400
2012	<u>49,800</u>
	<u>\$ 199,200</u>

Total rent expense for the year ended December 31, 2010 was \$167,506.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 6. PENSION PLAN

The Company sponsors a 401(k) retirement plan for its employees. The Company contributes 3% of eligible employee's compensation. The plan also permits elective deferrals by employees.

Total Pension costs for the year ended December 31, 2010 were \$13,350.

NOTE 7. PREPAID EXPENSES AND OTHER

The details of Milbank's prepayments at December 31, 2010 are as follows:

Insurance	\$ 86,685
Rent	12,450
Other	<u>6,763</u>
	<u>\$105,898</u>

NOTE 8. RELATED PARTY TRANSACTIONS

Milbank earns advisory fees for client assets invested with the Partnerships. It is also reimbursed for costs incurred in providing administrative services to the Partnerships. During 2010, Milbank earned \$3,829,228 in advisory fees and \$505,200 in administrative fees from the Partnerships.

These intercompany fees have been fully eliminated in the consolidated financial statements.

NOTE 9. INCOME TAXES

The Company's income tax expense for the year ended December 31, 2010 has been determined as follows:

Current taxes	
Federal	\$(11,820)
State and local	<u>53,298</u>
	41,478
Deferred taxes	
Federal	<u>34,905</u>
	<u>\$ 76,383</u>

Current taxes are provided using statutory tax rates as applied to taxable income. Deferred taxes are provided at approximately 35% of unrealized appreciation of investments in excess of tax basis.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(continued)

NOTE 10. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation. As discussed in Note 2, the Company applies accelerated methods of depreciation over the estimated useful lives of the assets.

Asset at cost:	
Furniture and equipment	\$ 220,543
Leasehold improvement	90,698
Total cost	311,241
Less accumulated depreciation	<u>(284,168)</u>
Net fixed assets	<u>\$ 27,073</u>

Depreciation expense for the year ended December 31, 2010 was \$6,751.

NOTE 11. SHARES OF STOCK

Under the Certificate of Amendment of the Certificate of Incorporation dated January 9, 1997 (the "Certificate"), 7,000 shares of Class A Common Stock, having a par value of \$0.05 per share, were authorized. Holders of Class A Common Stock are entitled to one vote per share. At December 31, 2010, 3,922 shares were issued and outstanding.

Also under the Certificate, 7,000 shares of Class B Common Stock, having a par value of \$0.05 per share, were authorized. Class B Common Stock is non-voting stock. At December 31, 2010, 2,496 shares were issued and outstanding.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 2, 2011, which is the date the financial statements were available to be issued. The Company is engaged in negotiations to merge with an outside entity.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Milbank Winthrop & Co., Inc.:

We have audited the accompanying consolidated statement of financial condition of Milbank Winthrop & Co., Inc. (the "Company"), as of December 31, 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milbank Winthrop & Co., Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York  
August 30, 2011

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2009

ASSETS	
Cash and cash equivalents	\$ 126,858
Investments in securities and partnerships	24,660
Accounts receivable	18,173
Prepaid taxes	43,955
Furniture, equipment and leasehold improvements, at cost (net of accumulated depreciation of \$277,417)	28,197
Security deposit	15,017
Prepaid expenses and other	107,566
Consolidated Milbank Partnerships:	
Cash and cash equivalents	\$ 17,592,722
Investments in securities	112,117,035
Investments in Funds	183,960,896
Redemptions receivable from investments in Funds	84,142,238
Accrued income	253,647
Prepaid expenses and other	116,957
TOTAL ASSETS	<u>\$398,547,921</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities:	
Accrued expenses	\$ 39,481
Deferred taxes	56,217
Consolidated Milbank Partnerships:	
Contributions received in advance	\$ 25,000
Accrued expenses	1,511,832
Redemptions payable	92,803,029
Securities sold short	3,343,667
Total Liabilities	<u>97,779,226</u>
Commitments and Contingencies (see Note 5)	
Stockholders' Equity:	
Common stock:	
7,000 Class A par \$0.05 shares authorized; 3,922 shares issued and outstanding	196
7,000 Class B par \$0.05 shares authorized; 2,496 shares issued and outstanding	125
Additional paid in capital	454,839
Retained earnings	800,541
Total Milbank Winthrop & Co., Inc. Stockholders' Equity	<u>1,255,701</u>
Minority interests in Consolidated Milbank Partnerships	<u>299,512,994</u>
Total Stockholders' Equity	<u>300,768,695</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$398,547,921</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2009

REVENUES:		
Investment advisory fees		\$ 1,732,854
Other income		5,074
Consolidated Milbank Partnerships:		
Dividends	\$ 1,837,732	
Interest	<u>1,134,922</u>	<u>2,972,654</u>
Total revenues		<u>4,710,582</u>
EXPENSES:		
Compensation and benefits		5,293,535
Rent		164,251
Insurance		140,120
Office and administrative		134,206
Professional fees		109,482
Depreciation		2,097
Other		156,041
Consolidated Milbank Partnerships:		
Management and advisory fees	1,582,597	
Office and administrative	1,226,115	
Professional fees	396,815	
Interest and dividends	<u>295,978</u>	<u>3,501,505</u>
Total expenses		<u>9,501,237</u>
LOSS BEFORE NET GAINS FROM CONSOLIDATED MILBANK PARTNERSHIPS		(4,790,655)
Net gains from investment activities of Consolidated Milbank Partnerships:		
Realized gain on investments in securities, net	2,239,337	
Unrealized gain on investments in securities, net change	36,511,370	
Realized gain on investments in Funds, net	1,861,609	
Unrealized gain on investments in Funds, net change	<u>56,060,996</u>	<u>96,673,312</u>
INCOME BEFORE INCOME TAX EXPENSE		91,882,657
Income tax expense		<u>138,669</u>
NET INCOME		<u>91,743,988</u>
Minority Interests in Consolidated Milbank Partnerships		<u>(91,653,265)</u>
NET INCOME ATTRIBUTABLE TO MILBANK WINTHROP & CO., INC.		<u>\$ 90,723</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Number of Class A Shares	Par Value	Number of Class B Shares	Par Value	Additional Paid- in Capital	Retained Earnings	Minority Interests in Consolidated Milbank Partnerships	Total
Balance at December 31, 2008	3,922	\$ 196	2,496	\$ 125	\$454,839	\$709,818	\$299,398,031	\$300,563,009
Contributions	—	—	—	—	—	—	2,150,000	2,150,000
Redemptions	—	—	—	—	—	—	(93,688,302)	(93,688,302)
Net Income	—	—	—	—	—	90,723	91,653,265	91,743,988
Balance at December 31, 2009	3,922	\$ 196	2,496	\$ 125	\$454,839	\$800,541	\$299,512,994	\$300,768,695

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		\$ 90,723
Adjustments to reconcile net income to net cash provided by operating activities		
Consolidated Milbank Partnerships:		
Net income	\$ 91,653,265	
Depreciation	2,097	
Deferred taxes	56,217	
Purchases of securities and partnerships	(28,808)	
Sales of securities and partnerships	103	
Unrealized gain on investments in securities and partnerships, net change	(4,514)	
Consolidated Milbank Partnerships:		
Realized gain on investments in securities, net	(2,239,337)	
Unrealized gain on investments in securities, net change	(36,511,370)	
Realized gain on investments in funds, net	(1,861,609)	
Unrealized gain on investments in funds, net change	(56,060,996)	
Purchases of investments in securities	(122,598,527)	
Purchases of investments in funds	(10,000,000)	
Sales of investments in securities	150,623,210	
Sales of investments in funds	84,466,655	
(Increase) decrease in operating assets:		
Accounts receivable	16,348	
Prepaid taxes	(43,955)	
Security deposit	(203)	
Prepaid expenses and other	(2,488)	
Consolidated Milbank Partnerships:		
Cash and cash equivalents	(7,342,804)	
Redemption receivable from investments in funds	(52,342,738)	
Prepaid investments	7,000,000	
Accounts receivable	159,750	
Accrued income	215,963	
Prepaid expenses and other	10,596	
Increase (decrease) in operating liabilities:		
Accrued expenses	16,792	
Consolidated Milbank Partnerships:		
Accrued expenses	<u>805,938</u>	
Total Adjustments		<u>45,989,585</u>
Net cash provided by Operating Activities		<u>\$46,080,308</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(continued)

<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Contributions to Milbank Partnerships	\$ 2,175,000
Redemption from Milbank Partnerships	<u>(48,233,273)</u>
Net cash used in financing activities	<u>(46,058,273)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>22,035</b>
Cash and Cash Equivalents at December 31, 2008	<u>104,823</u>
Cash and Cash Equivalents at December 31, 2009	<u>\$ 126,858</u>
Supplemental cash flow information:	
Cash paid during the period for taxes	<u>\$ 88,729</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009

NOTE 1. ORGANIZATION

Milbank Winthrop & Co., Inc. (“Milbank”) was incorporated in Delaware in 1980. “Milbank” conducts an investment advisory business in New York City and is registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940.

Milbank is the General Partner (the “General Partner”) of three investment partnerships, MW Global Partners, L.P., MW Small Cap, L.P. and MW Special Situations, L.P. (the “Partnerships”) which are consolidated in these financial statements (collectively the “Company”).

The Partnerships invest in a mix of securities and independent investment partnerships (the “Funds”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis.

Basis of Consolidation

Milbank consolidates the Partnerships in which the General Partner is presumed to have control under Accounting Standards Codification (“ASC”) 810-20. Although Milbank holds non-substantive equity-at-risk in the Partnerships, Milbank’s related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnerships or have substantive kick out rights or participating rights that would overcome the presumption of control by Milbank. Accordingly, Milbank consolidates the assets, liabilities and operating results of the Partnerships and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Milbank Partnerships - Cash and Cash Equivalents

Cash and cash equivalents held by the Partnerships are not available to fund any of the liquidity needs of Milbank.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value into three broad levels explained below:

Level 1 - Valuations based on quoted prices available in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with investing in those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds' administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds' general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

Milbank investment advisory fees are billed quarterly and recorded as revenue in the period earned. These fees are based on a percentage of assets under management.

Income from Funds is recognized based upon the Company's allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

Accounts Receivable

Accounts Receivable consists of advisory fees due from clients and Funds

Redemptions Receivable from Investments in Funds

Redemptions receivable from investments in funds consists of withdrawal requests issued to the Funds, primarily to fund redemption requests of Fund partners.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. Depreciation is calculated using accelerated methods applied over the expected lives of the assets. The difference between these accelerated methods and the straight line depreciation required by GAAP is deemed immaterial in comparison to these financial statements taken as a whole.

Leases

The Company expenses payments on operating leases on a straight line basis over the term of the lease.

Income Taxes

The Company is subject to federal and state corporate income taxes. The Company calculates both current and deferred taxes based on the difference between the financial statement carrying value of assets and liabilities versus their tax basis. A provision for these taxes has been made and is reflected on the statement of income.

Management has determined that the Company has no uncertain tax positions that would require financial statement adjustment or disclosure. The tax years that remain subject to examination by taxing authorities are 2006, 2007 and 2008.

Foreign Securities

The value of securities and cash equivalents which are denominated in foreign currencies are stated using the exchange rate in effect on the last business day of the year. Purchases and sales of securities, interest and dividend income and expenses, which are denominated in foreign currencies, are recorded at the exchange rate as of date of the transactions. For financial statement purposes, the Company does not isolate that portion of the gain or loss on securities resulting from exchange rate fluctuation. Such changes are combined with changes in market prices and shown as realized or unrealized gain or loss.

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation Number (“FIN”) 48 which is part of ASC 740, Income Taxes. ASC 740 clarifies the accounting for income taxes recognized in financial statements. This interpretation prescribes a comprehensive model for how an entity should recognize, measure, present and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. In February 2008, the FASB issued Staff Position FIN 48-2, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, deferring the effective date for certain nonpublic enterprises, including the Company, to annual financial statements beginning after December 15, 2007. In January 2009, the FASB issued Staff Position FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, to provide another one-year delay of the effective date for certain nonpublic entities including the Company. Eligible entities that elect the deferral will be required to apply the uncertain tax position guidance of ASC 740 to annual financial statements for fiscal years beginning after December 15, 2008. Effective January 1, 2009, the Company adopted the application of uncertain tax positions which did not have a material effect on its consolidated financial statements.

In May 2007, the FASB issued FASB Staff Position FIN 46(R)-7, Application of FIN 46(R) to Investment Companies (incorporated into ASC 810) (“ASC 810 Interpretation”) which amends ASC 810 to make permanent the temporary deferral of the application of ASC 810 to entities within the scope of the revised audit guide under Statement of Position (“SOP”) 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies (formerly SOP 07-1 and now incorporated into ASC 946-10 Financial Services – Investment Companies) (“ASC 946-10”). ASC 810 Interpretation is effective upon adoption of ASC 946-10. In February 2008, the FASB indefinitely deferred the effective date of ASC 946-10. The Company does not expect the adoption of ASC 810 Interpretation to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, now ASC 805 (“ASC 805”). ASC 805 requires the acquiring entity in a business combination to recognize the full fair value of assets, liabilities, contractual contingencies and contingent consideration obtained in the transaction (whether for a full or partial acquisition); establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. ASC 805 applies to all transactions or other events in which the Company obtains control of one or more businesses, including those sometimes referred to as “true mergers” or “mergers of equals” and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The adoption of ASC 805 did not have an impact on the Company’s consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51, now incorporated into ASC 810. This pronouncement requires reporting entities to present non-controlling (minority) interests as equity (as opposed to as a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. This pronouncement applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements which will

---

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments (continued)

be applied retrospectively for all periods presented. The adoption of this pronouncement did not have an impact on the Company's consolidated financial statements.

In April 2008, the FASB issued Staff Position Financial Accounting Standards ("FAS") 142-3, Determination of the Useful Life of Intangible Assets (incorporated into ASC 350) ("ASC 350 Interpretation"). ASC 350 Interpretation amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under ASC 350, Goodwill and Other Intangible Assets. ASC 350 Interpretation affects entities with recognized intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The new guidance applies prospectively to (1) intangible assets that are acquired individually or with a group of other assets and (2) both intangible assets acquired in business combinations and asset acquisitions. The adoption of ASC 350 Interpretation by the Company did not have an impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity ("VIE") and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In July 2009, the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the "Codification") were issued. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification combines the previous GAAP hierarchy which included four levels of authoritative accounting literature distributed among a number of different sources. The Codification does not by itself create new accounting standards but instead reorganizes existing GAAP accounting rules into approximately 90 accounting topics. All existing accounting standard documents are superseded by the Codification and all other accounting literature not included in the Codification is now considered nonauthoritative. The Codification is now the single source of authoritative nongovernmental accounting standards in the United States of America.

In 2009, FASB amended ASC 855, Subsequent Events ("ASC 855"). ASC 855 establishes the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. We have evaluated events that have occurred subsequent to December 31, 2009 as prescribed by the FASB.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures About Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments (continued)

disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

NOTE 3. FAIR VALUE MEASUREMENTS

The following table summarizes the valuation of the Company's investments under the fair value hierarchy, as described above, as of December 31, 2009:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in securities and partnerships	\$ 2,487	\$ —	\$ 22,173	\$ 24,660
From Consolidated affiliated Partnerships:				
Investments in securities	99,416,010	10,239,480	2,461,545	112,117,035
Investments in Funds	—	18,051,193	165,909,703	183,960,896
Total	<u>\$99,418,497</u>	<u>\$28,290,673</u>	<u>\$168,393,421</u>	<u>\$296,102,591</u>
Liabilities				
Securities sold short	<u>\$ 1,844,370</u>	<u>\$ 1,427,797</u>	<u>\$ 71,500</u>	<u>\$ 3,343,667</u>

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2009:

<u>Assets</u>	<u>Investments</u>
Beginning balance, December 31, 2008	\$203,148,415
Total gains or (losses), realized and unrealized	51,669,953
Purchases and sales, net	(70,575,571)
Transferred in/out of Level 3	(15,849,376)
Ending balance, December 31, 2009	<u>\$168,393,421</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2009	<u>\$ 52,044,937</u>

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

<u>Liabilities</u>	<u>Securities Sold Short</u>
Beginning balance, December 31, 2008	\$ (179,100)
Total gains or (losses), realized and unrealized	52,368
Purchases and sales, net	<u>55,232</u>
Ending balance, December 31, 2009	<u>\$ (71,500)</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to liabilities still held at December 31, 2009	<u>\$ 7,300</u>

Gains (losses), realized and unrealized, if any, are included in the net realized gain (loss) on investments or Funds and net change in unrealized gain (loss) on investments or Funds in the Statement of Income.

The Company values its Level 2 investments in securities based on the last price in non-active markets. The Company values its Level 2 and 3 investments in Funds based on their proportionate share of the net assets of the Funds. Transfers between levels are recognized at the end of the reporting period.

NOTE 4. INVESTMENTS IN FUNDS

As of December 31, 2009, the Partnerships invested in other Funds, none of which were related parties. The investment objectives of the Funds primarily relate to the maximization of appreciation through the investments in equity, debt and related instruments. The Funds utilize one of the following strategies:

- a Long Only Strategy - This category includes Funds that invest in long positions only, primarily in common stocks. Management of the Funds has the ability to shift the investments from value to growth strategies and from small to large capitalization stocks.
- b Equity Long/Short Strategy - This category includes Funds that invest both long and short, primarily in common stocks. Management of the Funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
- c Multi-strategy Funds - This category includes Funds that pursue multiple strategies to diversify risks and reduce volatility. The Funds' composite portfolio for this category includes investments in U.S. common stocks, non-U.S. common stocks, distressed debt, commodities and arbitrage investments. In addition, some of the Funds invest in various special situation investments.
- d Global Strategy Funds - This category includes Funds that hold investments in non-U.S. common stocks, primarily in the energy, information technology, utilities, and telecommunications sectors. They also hold investments in emerging markets and real estate sectors as well as investments in diversified currencies.

Cost is determined based on capital contributions to, and withdrawals from, the Funds, plus reinvested realized net income.

Substantially all of the Funds in which the Partnerships invest are charged management fees at varying rates, principally 0.75% to 2% annually of periodic net asset values.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 4. INVESTMENTS IN FUNDS (continued)

Substantially all of the Funds in which the Partnerships invest provide for a specific allocation or fee to their respective general partner or affiliate, which is calculated at various rates, primarily 20% of appreciation, as defined in their respective partnership agreements.

Some of the Funds permit partial withdrawals during the year on either a monthly, quarterly or semiannual basis; however, substantially all of the Funds permit full withdrawals only at the end of the year.

The activities of certain Funds include the purchase and sale of a variety of derivative financial instruments such as equity options, index options, swap agreements, futures and forward contracts, and other similar instruments. These derivatives are used for trading purposes and for managing risk associated with their portfolio of securities and securities sold short. The use of derivative instruments may involve elements of market risk in excess of the amount recognized in the statement of assets and liabilities of these Funds. In many cases, these Funds limit their risk by holding offsetting security or option positions.

The Partnerships, through their investment in other Funds, are subject to certain inherent risks arising from their investing activities of short selling and entering into forward contracts. The ultimate cost to acquire these securities or settle these contracts may exceed the liability reflecting in their financial statements.

NOTE 5. LEASE COMMITMENT

The Company is subject to a lease for office space in New York City through April 30, 2012. The base rent is \$149,400 per year and includes electricity. It is also subject to real estate tax and operating cost escalations. Future minimum lease commitments for the year ending December 31 are as follows:

2010	\$149,400
2011	149,400
2012	<u>49,800</u>
	<u>\$348,600</u>

Total rent expense for the year ended December 31, 2009 was \$164,251.

NOTE 6. PENSION PLAN

The Company sponsors a 401(k) retirement plan for its employees. The Company contributes 3% of eligible employee's compensation. The plan also permits elective deferrals by employees.

Total Pension costs for the year ended December 31, 2009 were \$15,150.

[Table of Contents](#)

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 7. PREPAID EXPENSES AND OTHER

The details of Milbank's prepayments at December 31, 2009 are as follows:

Insurance	\$ 84,116
Rent	12,450
Other	<u>11,000</u>
	<u>\$107,566</u>

NOTE 8. RELATED PARTY TRANSACTIONS

Milbank earns advisory fees for client assets invested with the Partnerships. It is also reimbursed for costs incurred in providing administrative services to the Partnerships. During 2009, Milbank earned \$3,807,621 in advisory fees and \$474,750 in administrative fees from the Partnerships.

These intercompany fees have been fully eliminated in the consolidated financial statements.

NOTE 9. INCOME TAXES

The Company's income tax expense for the year ended December 31, 2009 has been determined as follows:

Current taxes	
Federal	\$ 14,347
State and local	<u>68,100</u>
	82,447
Deferred taxes	
Federal	<u>56,222</u>
	<u>\$138,669</u>

Current taxes are provided using statutory tax rates as applied to taxable income. Deferred taxes are provided at approximately 35% of unrealized appreciation of investments in excess of tax basis.

NOTE 10. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation. As discussed in Note 2, the Company applies accelerated methods of depreciation over the estimated useful lives of the assets.

Assets at cost:	
Furniture and equipment	\$ 214,916
Leasehold improvement	<u>90,698</u>
Total cost	305,614
Less accumulated depreciation	<u>(277,417)</u>
Net fixed assets	<u>\$ 28,197</u>

Depreciation expense for the year ended December 31, 2009 was \$2,097.

MILBANK WINTHROP & CO., INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009  
(continued)

NOTE 11. SHARES OF STOCK

Under the Certificate of Amendment of the Certificate of Incorporation dated January 9, 1997 (the "Certificate"), 7,000 shares of Class A Common Stock, having a par value of \$0.05 per share, were authorized. Holders of Class A Common Stock are entitled to one vote per share. At December 31, 2009, 3,922 shares were issued and outstanding.

Also under the Certificate, 7,000 shares of Class B Common Stock, having a par value of \$0.05 per share, were authorized. Class B Common Stock is non-voting stock. At December 31, 2009, 2,496 shares were issued and outstanding.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 30, 2011, which is the date the financial statements were available to be issued. The Company is engaged in negotiations to merge with an outside entity.

INDEPENDENT AUDITORS' REPORT

To the Member of  
MW Commodity Advisors, LLC:

We have audited the accompanying consolidated statement of financial condition of MW Commodity Advisors, LLC (the "Company"), as of December 31, 2011, and the related consolidated statements of operations, changes in member's equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MW Commodity Advisors, LLC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York  
March 15, 2012

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011

ASSETS			
Cash and cash equivalents		\$	2,919
Accounts receivable			4,000
MW Commodity Strategies, L.P.:			
Cash and cash equivalents	\$	141,356	
Investments in Funds		29,919,624	
Other assets		488	<u>30,061,468</u>
TOTAL ASSETS			<u>\$30,068,387</u>
LIABILITIES AND MEMBER'S EQUITY			
Liabilities:			
Professional fees payable		\$	4,915
MW Commodity Strategies, L.P.:			
Redemptions payable		194,946	
Professional fees payable		27,325	
Other liabilities		20,614	<u>242,885</u>
Total Liabilities			<u>247,800</u>
Member's Equity:			
Member's Equity			71,811
Minority interests in MW Commodity Strategies, L.P.			<u>29,748,776</u>
Total Member's Equity			<u>29,820,587</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY			<u>\$30,068,387</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUES:		
MW Commodity Strategies, L.P.:		\$ 203
Interest		<u>203</u>
Total revenues		
EXPENSES:		
Account fees		27,164
Other		9,703
MW Commodity Strategies, L.P.:		
Professional fees	\$ 41,138	
Other	<u>17,031</u>	<u>58,169</u>
Total expenses		<u>95,036</u>
LOSS BEFORE NET GAINS (LOSS) FROM		
MW COMMODITY STRATEGIES, L.P. (94,833)		
Net loss from MW Commodity Strategies, L.P.:		
Realized loss on investments in Funds, net	(288,915)	
Unrealized loss on investments in Funds, net change	<u>(2,287,676)</u>	<u>(2,576,591)</u>
NET LOSS (2,671,424)		
Minority Interests in MW Commodity Strategies, L.P. 2,793,270		
NET INCOME ATTRIBUTABLE TO MW COMMODITY ADVISORS, LLC \$ <u>121,846</u>		

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2011

	MW Commodity Advisors, LLC Sole Member	Minority Interests in MW Commodity Strategies, L.P.	Total
Member's Equity - December 31, 2010	\$ 169,965	\$ 27,650,761	\$27,820,726
Contributions-	—	5,650,000	5,650,000
Withdrawals	(220,000)	(758,715)	(978,715)
Net Income (Loss)	121,846	(2,793,270)	(2,671,424)
Member's Equity - December 31, 2011	<u>\$ 71,811</u>	<u>\$ 29,748,776</u>	<u>\$29,820,587</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income	\$ 121,846
Adjustments to reconcile net income to net cash used in operating activities:	
MW Commodity Strategies, L.P.:	
Net loss	\$(2,793,270)
Realized loss on investments in Funds, net	288,915
Unrealized loss on investments in Funds, net change	2,287,676
Purchase of investments in Funds	(8,500,000)
Proceeds from investments in Funds	4,273,076
(Increase) decrease in operating assets:	
Accounts receivable	(4,000)
MW Commodity Strategies, L.P.:	
Cash and cash equivalents	909,153
Redemptions receivable from investments in Funds	100,000
Other assets	6,893
Increase (decrease) in operating liabilities:	
Professional fees payable	4,915
MW Commodity Strategies, L.P.:	
Professional fees payable	(46,575)
Other liabilities	7,857
Total adjustments	<u>(3,465,360)</u>
Net Cash Used in Operating Activities	<u>(3,343,514)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Withdrawals	(220,000)
MW Commodity Strategies, L.P.:	
Contributions	5,650,000
Withdrawals	<u>(2,155,810)</u>
Net Cash Provided by Financing Activities	<u>3,274,190</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(69,324)</b>
Cash and Cash Equivalents at December 31, 2010	<u>72,243</u>
Cash and Cash Equivalents at December 31, 2011	<u>\$ 2,919</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE 1. ORGANIZATION

MW Commodity Advisors, LLC (“Advisors”), a single member limited liability company formed in Delaware on June 17, 2005, conducts an investment advisory business in New York City and is an affiliate of Milbank Winthrop & Co., an investment advisor registered under the Investment Advisers Act of 1940, as amended.

Advisors is the general partner (the “General Partner”) of MW Commodity Strategies, L.P., an investment partnership (the “Partnership”) which is consolidated in these financial statements (collectively, the “Company”).

The Partnership invests in various independent investment partnerships (the “Funds”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis. Purchases and sales of Funds are recorded on the effective date as specified in the Funds’ investment agreements.

Use of Estimates

The presentation of financial statements in conformity with GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and liquid investments with maturities of less than 90 days. For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

Basis of Consolidation

Advisors consolidates the Partnership in which the General Partner is presumed to have control under Accounting Standards Codification (“ASC”) 810-20. Although Advisors holds non-substantive equity-at-risk in the Partnership, Advisors’ related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnership or have substantive kick out rights or participating rights that would overcome the presumption of control by Advisors. Accordingly, Advisors consolidates the assets, liabilities and operating results of the Partnership and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MW Commodity Strategies, L.P. - Cash and Cash Equivalents

Cash and cash equivalents held by the Partnership are not available to fund any of the liquidity needs of Advisors.

Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

Level 1 - Valuations based on quoted prices available in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with holding those investments.

Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds' administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds' general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation and Revenue Recognition (continued)

Income from Funds is recognized based upon the Company's allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

The Funds generally value their investments according to the following guidelines:

- Short-term investments are valued at amortized cost, which approximates fair value.
- Securities held and sold short listed on a national securities exchange are valued at the last sale price on the date of valuation, or if no sale occurred on such date, at the last bid or ask price thereon or at an appropriate discount from such price if such securities are restricted.
- Non-marketable securities are carried at estimated fair value as determined by the management of the Funds. Trade debt, bank debt, and warrants for which market quotations are not readily available are generally valued by the management of the Funds at fair value after consideration of a variety of factors including quotations available from dealers who make a market in these financial instruments and model produced valuations. Private equity investments are carried at fair value, which may be estimated using methods such as comparable companies' earnings multiples, cash flow analyses, and review of underlying financial conditions. Loan participations are interests in short-term loans valued at fair value, which generally approximates cost plus accrued interest.
- Options for the purchase or sale of securities traded on an exchange are valued at the mean of the last report bid and ask prices. Forward contracts are valued by adjusting the spot market price of the underlying security for the cost of carrying from the trade date to the settlement date.
- All other securities are valued initially at cost, with subsequent adjustment to value which reflect either the basis of meaningful third party transactions in the private market or the fair value deemed appropriate by the general partner of each of the Funds. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that Funds can reasonably expect to realize upon the sale of the securities and any other factors deemed relevant.

The Fund's general partners' estimates and assumptions of fair value of the non-marketable securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material.

Interest and Dividends

Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

Income Taxes

Advisors and the Partnership themselves are not subject to U.S. Federal income taxes. Each member/partner is individually liable for income taxes, if any, on its share of the entity's net taxable income. Interest, dividends and other income realized by the Partnership from non-U.S. sources and capital gains realized on the sale of securities of non-U.S. issuers may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced.

The General Partner determined that there are no uncertain tax positions which would require adjustments or disclosures on the financial statements. The tax years that remain subject to examination by taxing authorities are 2008, 2009 and 2010.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity (“VIE”) and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In January 2010, the FASB issued Accounting Standards Update 201006, Improving Disclosures About Fair Value Measurements (“ASU 2010-06”). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. The Company does not anticipate that the adoption of ASU 2010-06 will have a material impact on its consolidated financial statements.

In May 2011, the FASB issued amended guidance on fair value measurements to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. The amended guidance specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or liabilities. The amendments include requirements specific to measuring the fair value of those instruments, such as equity interests used as consideration in a business combination. An entity should measure the fair value of its own equity instrument from the perspective of a market participant that holds the instrument as an asset. With respect to financial instruments that are managed as part of a portfolio, an exception to fair value requirements is provided. That exception permits a reporting entity to measure the fair value of such financial assets and liabilities at the price that would be received to sell a net asset position for a particular risk or to transfer a net liability position for a particular risk in an orderly transaction between market participants at the measurement date. The amendments also clarify that premiums and discounts should only be applied if market participants would do so when pricing the asset or liability. Premiums and discounts related to the size of an entity’s holding (e.g., a blockage factor) rather than as a characteristic of the asset or liability (e.g., a control premium) are not permitted in a fair value measurement. The guidance also requires enhanced disclosures about fair value measurements, including, among other things, (a) for fair value measurements categorized within Level III of the fair value hierarchy, (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (2) the valuation process used by the reporting entity, and (3) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (b) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial condition but for which the fair value is required to be disclosed (for example, a financial instrument that is measured at amortized cost in the statement of financial condition but for which fair value is disclosed). The guidance also amends disclosure requirements for significant transfers between Level I and Level II and now

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(continued)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Developments (continued)

requires disclosure of all transfers between Levels I and II in the fair value hierarchy. The amended guidance is effective for interim and annual periods beginning after December 15, 2011. As the impact of the guidance is primarily limited to enhanced disclosures, adoption is not expected to have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued a deferral of the effective date for certain disclosures relating to the comprehensive income, specifically with respect to the presentation of reclassifications of items out of accumulated other comprehensive income. The deferral is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As the amendments are limited to presentation only, adoption is not expected to have a material impact on the Company's financial statements.

NOTE 3. INVESTMENTS IN FUNDS

As of December 31, 2011, the Company was invested in 13 Funds, none of which are related parties. The Funds employ, to varying degrees, directional, volatility and relative value based strategies for investments in the commodity and macro markets. See detailed descriptions of the Fund strategies below.

The partnership agreements of the Funds provide for compensation to the investment managers in the form of management fees ranging from 0% to 2% annually of net assets and an incentive allocation not exceeding 30% of net new profits earned.

<u>Fund and (Strategy)</u>	<u>Fair Value at December 31, 2011</u>	<u>Capital Liquidity</u>
Covepoint Emerging Markets Macro Fund, L.P. CI. A. (d)	\$ 2,258,119	Quarterly
Covepoint Emerging Markets Macro Fund, L.P. CI. B. (d)	448,619	Quarterly
Dynamic Domestic Fund L.P. (d)	2,898,050	Monthly
Goldfinch Capital Management, L.P. (b)	1,939,801	Monthly
Hard Assets Partners 2X L.P. (d)	2,112,717	Quarterly
Peak Partners, L.P. (d)	1,922,912	Monthly
Tiverton Investments, LLC (d)	4,432,502	Monthly
Vardana Partners, LP (d)	2,728,342	Quarterly
Wexford Catalyst Fund, L.P. (d)	3,180,816	Quarterly
Bocage Global Resource Fund, L.P. (b)	4,257,486	Monthly
Taylor Woods (b)	3,250,111	Quarterly
Other Funds (a), (c)	490,149	
<b>Total Investments in Funds</b>	<b>\$ 29,919,624</b>	

As of December 31, 2011, the investments in Funds had no remaining significant lockups and all Funds qualified as Level 2 investments. The Partnership values Level 2 investments based on its proportionate share of the net asset value of the Funds. Gains and losses (realized and unrealized), if any, are included in the net realized gain (loss) on investments in Funds and net change in unrealized gain (loss) on investments in Funds in the statement of operations. Transfers between levels are recognized at the end of the reporting period.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(continued)

NOTE 3. INVESTMENTS IN FUNDS (continued)

The Fund investment strategies are as follows:

a) Equity Long/Short Funds:

This category includes investments in Funds that invest both long and short primarily in U.S. common stocks. Portfolio managers have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund's associated administrators.

b) Futures and Derivatives Funds:

This category includes investments in Funds that invest primarily in commodity futures and derivatives. The Portfolio manager's investment strategy may use fundamental analysis, technical analysis or a combination of the two. Investment decisions target both short and long term price movement in the commodity and associated markets. In certain instances, managers may use relative value based strategies, weighing different time horizons or commodities against each other. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund's associated administrators.

c) Macro Funds:

The category is similar to Futures and Derivatives Funds above but with a focus on using macro-based strategies, which may include commodity futures and derivatives, currencies (including "commodity" currencies), fixed income instruments and securities. The economics of the commodity markets may influence the portfolio manager's decisions in this category. The fair value of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund's associated administrators.

d) Multi-Strategy Funds:

This category includes investments in Funds which utilize a combination of the preceding Equity Long/Short, Futures and Derivatives and Macro Funds approaches. Portfolio managers will determine allocations to such strategies based on their expectations of return and risk. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund's associated administrators.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(continued)

NOTE 4. OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK, AND OTHER RISKS

In the normal course of business, the Funds in which the Partnership invests trade various financial instruments and enter into various investment activities with off-balance sheet risk. These include, but are not limited to, short selling activities, writing option contracts, and equity swaps. To the extent that the Partnership's investment activity is limited to making investments in Funds via limited partnership interests or limited liability company holdings, the Partnership's risk of loss in these Funds is generally limited to the value of these investments reported by the Partnership. To date, the Partnership has only invested in such limited partnership interests and limited liability company holdings.

There are a number of other risks to the Partnership. Three principal types of risk that can adversely affect the Partnership's investment approach are market risk, strategy risk, and manager risk. The Partnership is also subject to multiple manager risks, possible limitations in investment opportunities, allocation risks, illiquidity, lack of diversification, and other risks for the Partnership and potentially for each Fund.

NOTE 5. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The general indemnifications apply not only to the extent such representations and warranties are untrue but also may cover third parties such as the Partnership's Administrator for claims related to the services performed for the Partnership. The Company's maximum exposure under any such arrangements are unknown, as exposure only arises to the extent further claims that have not yet occurred are made against the Company.

NOTE 6. RELATED PARTY TRANSACTIONS

Advisors earned \$158,015 in management fees from the Partnership during 2011. These intercompany fees have been fully eliminated in these consolidated financial statements.

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 15, 2012, which is the date the consolidated financial statements were available to be issued. In January, 2012, Advisors signed an agreement to sell its assets to Silvercrest Asset Management Group LLC on March 31, 2012.

INDEPENDENT AUDITORS' REPORT

To the Member of  
MW Commodity Advisors, LLC:

We have audited the accompanying consolidated statement of financial condition of MW Commodity Advisors, LLC (the "Company"), as of December 31, 2010, and the related consolidated statements of income, changes in member's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MW Commodity Advisors, LLC as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Fulvio & Associates, LLP

New York, New York  
October 28, 2011

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2010

ASSETS		
Cash and cash equivalents		\$ 72,243
MW Commodity Strategies, L.P.:		
Cash and cash equivalents	\$ 1,050,509	
Investments in Funds	28,269,291	
Redemptions receivable	100,000	
Other assets	<u>7,381</u>	<u>29,427,181</u>
TOTAL ASSETS		<u>\$29,499,424</u>
LIABILITIES AND MEMBER'S EQUITY		
Liabilities:		
MW Commodity Strategies, L.P.:		
Redemptions payable	\$ 1,592,041	
Professional fees payable	73,900	
Other liabilities	<u>12,757</u>	
Total Liabilities		<u>\$ 1,678,698</u>
Member's Equity:		
Member's Equity		<u>169,965</u>
Minority interests in MW Commodity Strategies, L.P.		<u>27,650,761</u>
Total Member's Equity		<u>27,820,726</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY		<u>\$29,499,424</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUES:		
MW Commodity Strategies, L.P.:		
Interest		\$ 679
Total revenues		<u>679</u>
EXPENSES:		
Account fees		26,384
Liability fees		18,648
Filing fees		783
Other		2,211
MW Commodity Strategies, L.P.:		
Professional fees	\$ 86,482	
Other	<u>14,510</u>	<u>100,992</u>
Total expenses		<u>149,018</u>
LOSS BEFORE NET GAINS FROM MW COMMODITY STRATEGIES, L.P.		(148,339)
Net gains from investment activities of MW Commodity Strategies, L.P.:		
Realized gain on investments in Funds, net	84,434	
Unrealized gain on investments in Funds, net change	<u>1,125,925</u>	<u>1,210,359</u>
NET INCOME		<u>\$1,062,020</u>
Minority Interests in MW Commodity Strategies, L.P.		<u>(939,734)</u>
NET INCOME ATTRIBUTABLE TO MW COMMODITY ADVISORS, LLC		<u>\$ 122,286</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010

	MW Commodity Advisors, LLC Sole Member	Minority Interests in MW Commodity Strategies, L.P.	Total
Member's Equity - December 31, 2009	\$ 167,590	\$ 26,957,046	\$27,124,636
Contributions	—	4,708,688	4,708,688
Withdrawals	(119,911)	(4,954,707)	(5,074,618)
Net Income	122,286	939,734	1,062,020
Member's Equity - December 31, 2010	<u>\$ 169,965</u>	<u>\$ 27,650,761</u>	<u>\$27,820,726</u>

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income	\$ 122,286
Adjustments to reconcile net income to net cash provided by operating activities:	
MW Commodity Strategies, L.P.:	
Net income	\$ 939,734
Proceeds from investments	69,911
Realized gain on investments in Funds, net	(84,434)
Unrealized gain on investments in Funds, net change	(1,125,925)
Purchase of investments in Funds	(4,000,000)
Proceeds from investments in Funds	2,018,051
(Increase) decrease in operating assets:	
Accounts receivable	8,669
MW Commodity Strategies, L.P.:	
Cash and cash equivalents	9,101,694
Redemptions receivable from investments in Funds	1,235,938
Other assets	6,887
Increase (decrease) in operating liabilities:	
MW Commodity Strategies, L.P.:	
Professional fees payable	(92,106)
Other liabilities	<u>5,435</u>
Total adjustments	<u>8,083,854</u>
Net Cash Flows Provided by Operating Activities	<u>8,206,140</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Withdrawals	(119,911)
MW Commodity Strategies, L.P.:	
Contributions	2,408,688
Withdrawals	<u>(10,464,144)</u>
Net Cash Used in Financing Activities	<u>(8,175,367)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>30,773</u>
Cash and Cash Equivalents at December 31, 2009	<u>41,470</u>
Cash and Cash Equivalents at December 31, 2010	<u>\$ 72,243</u>

The accompanying notes are an integral part of these consolidated financial statements.

---

[Table of Contents](#)

MW COMMODITY ADVISORS, LLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1. ORGANIZATION

MW Commodity Advisors, LLC (“Advisors”), a single member limited liability company formed in Delaware on June 17, 2005, conducts an investment advisory business in New York City and is an affiliate of Milbank Winthrop & Co., an investment advisor registered under the Investment Advisors Act of 1940, as amended.

Advisors is the general partner (the “General Partner”) of MW Commodity Strategies, L.P., an investment partnership (the “Partnership”) which is consolidated in these financial statements (collectively, the “Company”).

The Partnership invests in various independent investment partnerships (the “Funds”).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Accounting

The Company follows the accrual method of accounting. Income is recorded when earned, and expenses are recorded when incurred in the period to which they pertain. Purchases and sales of securities are recorded on the trade date basis. Purchases and sales of Funds are recorded on the effective date as specified in the Funds investment agreements.

Use of Estimates

The presentation of financial statements in conformity with GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and liquid investments with maturities of less than 90 days. For purposes of the statement of cash flows, cash and cash equivalents includes cash in banks and readily available money market funds in investment accounts.

Basis of Consolidation

Advisors consolidates the Partnership in which the General Partner is presumed to have control under Accounting Standards Codification (“ASC”) 810-20. Although Advisors holds non-substantive equity-at-risk in the Partnership, Advisors’ related parties, including its de facto agents, hold substantive equity-at-risk. Further, the limited partners do not have the right to dissolve the Partnership or have substantive kick out rights or participating rights that would overcome the presumption of control by Advisors. Accordingly, Advisors consolidates the assets, liabilities and operating results of the Partnership and records the minority interests held by the limited partners in the accompanying financial statements. All material intercompany transactions and balances have been eliminated.

---

## Table of Contents

### MW Commodity Strategies, L.P. - Cash and Cash Equivalents

Cash and cash equivalents held by the Partnership are not available to fund any of the liquidity needs of Advisors.

### Fair Value Measurements

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

Level 1 - Valuations based on quoted prices available in active markets for identical investments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with holding those investments.

### Valuation and Revenue Recognition

Investments in securities, option contracts, and securities sold short which are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. Investments in securities and securities sold short which are traded in the over-the-counter market are valued at the last reported bid and ask prices, respectively.

Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner.

Although the General Partner and the Funds' administrators use their best judgment in estimating the fair value of the investments in the Funds, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material. The valuation of the Funds has been deemed reasonable based on inquiry and the documentation provided from the Funds' general partners or administrators.

The Funds may carry investments for which market quotations are not readily available and are valued at their fair value as determined in good faith by their respective general partners or administrators. A change in the estimated value may occur in the near term.

Certain Funds invest in emerging markets. The risks of investments are often increased in developing countries. These risks include repatriation restrictions, foreign exchange fluctuations, low trading volume in securities markets of emerging countries, lack of uniform reporting standards, and political, economic and legal uncertainties.

Income from Funds is recognized based upon the Company's allocable share of the earnings of the Funds which carry their investments at fair value, which include unrealized gains and losses.

The Funds generally value their investments according to the following guidelines:

- Short-term investments are valued at amortized cost, which approximates fair value.
- Securities held and sold short listed on a national securities exchange are valued at the last sale price on the date of valuation, or if no sale occurred on such date, at the last bid or ask price thereon or at an appropriate discount from such price if such securities are restricted.

---

## Table of Contents

- Non-marketable securities are carried at estimated fair value as determined by the management of the Funds. Trade debt, bank debt, and warrants for which market quotations are not readily available are generally valued by the management of the Funds at fair value after consideration of a variety of factors including quotations available from dealers who make a market in these financial instruments and model produced valuations. Private equity investments are carried at fair value, which may be estimated using methods such as comparable companies' earnings multiples, cash flow analyses, and review of underlying financial conditions. Loan participations are interests in short-term loans valued at fair value, which generally approximates cost plus accrued interest.
- Options for the purchase or sale of securities traded on an exchange are valued at the mean of the last report bid and ask prices. Forward contracts are valued by adjusting the spot market price of the underlying security for the cost of carrying from the trade date to the settlement date.
- All other securities are valued initially at cost, with subsequent adjustment to value which reflect either the basis of meaningful third party transactions in the private market or the fair value deemed appropriate by the general partner of each of the Funds. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that Funds can reasonably expect to realize upon the sale of the securities and any other factors deemed relevant.

The Fund's general partners' estimate and assumption of fair value of the non-marketable securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material.

## Interest and Dividends

Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

## Income Taxes

Advisors and the Partnership themselves are not subject to U.S. Federal income taxes. Each member/partner is individually liable for income taxes, if any, on its share of the entity's net taxable income. Interest, dividends and other income realized by the Partnership from non-U.S. sources and capital gains realized on the sale of securities of non-U.S. issuers may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced.

The General Partner determined that there are no uncertain tax positions which would require adjustments or disclosures on the financial statements. The tax years that remain subject to examination by taxing authorities are 2007, 2008 and 2009.

## Accounting Developments

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 167, Amendments to FASB Interpretation No. 46(R), which changes the approach to determining the primary beneficiary of a Variable Interest Entity ("VIE") and requires companies to more frequently assess whether they must consolidate VIEs. This pronouncement is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. In November 2009, the FASB agreed to defer the effective date of this pronouncement for certain types of asset manager funds until the completion of its consolidation project. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements and disclosures.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures About Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 requires disclosing separately the amount of significant transfers in and out of the Level 1 and Level 2 categories and the reasons for the transfers and it requires that Level 3 purchases, sales, issuances and settlements activity be reported on a gross rather than a net

## Table of Contents

basis. ASU 2010-06 also requires fair value measurement disclosures for each class of assets and liabilities and disclosures about valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 measurements. These disclosures are effective for fiscal periods beginning after December 15, 2009, except for the Level 3 gross reporting which is effective for fiscal periods beginning after December 15, 2010. We do not anticipate that the adoption of ASU 2010-06 will have a material impact on the Company's financial statements.

### NOTE 3. INVESTMENTS IN FUNDS

As of December 31, 2010, the Partnership was invested in 12 Funds, none of which are related parties. The Funds employ to varying degrees directional, volatility and relative value based strategies for investment in the commodity and macro markets. See detailed descriptions of the Fund strategies below.

The partnership agreements of the Funds provide for compensation to the investment managers in the form of management fees ranging from 0% to 2% annually of net assets and an incentive allocation not exceeding 30% of net new profits earned.

<u>Fund and (Strategy)</u>	<u>Fair Value at December 31, 2010</u>	<u>Liquidity Capital</u>
Covepoint Emerging Markets Macro Fund, L.P. (d)	\$ 4,005,911	Quarterly
Dynamic Domestic Fund L.P. (d)	2,711,778	Monthly
Goldfinch Capital Management, L.P. (b)	1,611,218	Monthly
Hard Assets Partners 2X L.P. (d)	2,440,332	Quarterly
Peak Partners, L.P. (d)	2,941,146	Monthly
Quantitative Global 1X Fund LLC (b)	2,795,278	Monthly
Tiverton Investments, LLC (d)	4,606,234	Monthly
Vardana Partners, LP (d)	1,731,625	Quarterly
Wexford Catalyst Fund, L.P. (d)	3,442,623	Quarterly
Other Investments (a),(c)	1,983,146	
	<u>\$ 28,269,291</u>	

As of December 31, 2010, the investments in the Funds had no remaining significant lockups.

The Fund investment strategies are as follows:

#### a) Equity Long/Short Funds:

This category includes investments in Funds that invest both long and short primarily in U.S. common stocks. Portfolio managers have the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund's associated administrators.

#### b) Futures and Derivatives Funds:

This category includes investments in Funds that invest primarily in commodity futures and derivatives. The Portfolio manager's investment strategy may use fundamental analysis, technical analysis or a combination of the two. Investment decisions target both short and long term price movement in the commodity and associated markets. In certain instances, managers may use relative value based strategies, weighing different time horizons or commodities against each other. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund's associated administrators.

## Table of Contents

### c) Macro Funds:

The category is similar to Futures and Derivatives Funds above but with a focus on using macro-based strategies, which may include commodity futures and derivatives, currencies (including “commodity” currencies), fixed income instruments and securities. The economics of the commodity markets may influence the portfolio manager’s decisions in this category. The fair value of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund’s associated administrators.

### d) Multi-Strategy Funds:

This category includes investments in Funds which utilize a combination of the preceding Equity Long/Short, Futures and Derivatives and Macro Funds approaches. Portfolio managers will determine allocations to such strategies based on their expectations of return and risk. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by the Fund’s associated administrators.

## NOTE 4. FAIR VALUE MEASUREMENTS

The following table discloses a reconciliation of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2010:

	<u>Investments in Funds</u>
Beginning balance, December 31, 2009	\$ 25,076,983
Total gains or losses (realized and unrealized)	1,210,359
Purchases and sales, net	1,981,949
Transfer in (out) of Level 3	<u>(28,269,291)</u>
Ending balance, December 31, 2010	<u>\$ —</u>
The amount of gains (losses) included in income attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2010	<u>\$ —</u>

Gains and losses (realized and unrealized), if any, are included in the net realized gain on investments in Funds and net change in unrealized gain on investments in Funds in the statement of income.

The Partnership values Level 2 investments based on its proportionate share of the net asset value of the Funds. At December 31, 2010, all investments were valued using Level 2 inputs. Transfers between levels are recognized at the end of the reporting period.

## NOTE 5. OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK, AND OTHER RISKS

In the normal course of business, the Funds in which the Partnership invests trade various financial instruments and enter into various investment activities with off-balance sheet risk. These include, but are not limited to, short selling activities, writing option contracts, and equity swaps. To the extent that the Partnership’s investment activity is limited to making investments in Funds via limited partnership interests or limited liability company holdings, the Partnership’s risk of loss in these Funds is generally limited to the value of these investments reported by the Partnership. To date, the Partnership has only invested in such limited partnership interests and limited liability company holdings.

There are a number of other risks to the Partnership. Three principal types of risk that can adversely affect the Partnership’s investment approach are market risk, strategy risk, and manager risk. The Partnership is also subject to multiple manager risks, possible limitations in investment opportunities, allocation risks, illiquidity, lack of diversification, and other risks for the Partnership and potentially for each Fund.

---

[Table of Contents](#)

NOTE 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The general indemnifications apply not only to the extent such representations and warranties are untrue but also may cover third parties such as the Partnership's Administrator for claims related to the services performed for the Partnership. The Company's maximum exposure under any such arrangements is unknown, as exposure only arises to the extent further claims that have not yet occurred are made against the Company.

NOTE 7. RELATED PARTY TRANSACTIONS

Advisors earned \$132,685 in management fees from the Partnership during 2010. These intercompany fees have been fully eliminated in these consolidated financial statements.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2011, which is the date the financial statements were available to be issued. The Company is in negotiations to merge with an outside entity.



SILVERCREST  
ASSET MANAGEMENT GROUP

**Silvercrest Asset Management Group Inc.**

Until \_\_\_\_\_, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

---

**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the estimated expenses payable by the registrant in connection with the sale and distribution of the securities registered hereby. All amounts are estimates except for the SEC registration fee, the FINRA filing fee and Nasdaq listing fee.

SEC Registration Fee	\$ 6,876
FINRA Filing Fee	\$ 9,500
Nasdaq Listing Fee	\$25,000
Accounting Fees and Expenses	\$ *
Legal Fees and Expenses	\$ *
Printing Fees and Expenses	\$ *
Miscellaneous	\$ *
Total:	\$ *

\* To be filed by amendment.

**Item 14. Indemnification of Directors and Officers.**

Our amended and restated certificate of incorporation provides that we, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. It further provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by us in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by us as authorized thereby.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

**Item 15. Recent Sales of Unregistered Securities.**

On May 7, 2012, the Registrant issued 10 shares of its common stock, par value \$0.01 per share, to Mr. Cochran in exchange for \$100. The issuance was exempt from registration under Section 4(2) of the Securities Act, as a transaction by an issuer not involving any public offering.

---

## Table of Contents

### **Item 16. Exhibits and Financial Statements Schedules.**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1 *	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of Silvercrest Asset Management Group Inc.
3.2 †	Bylaws of Silvercrest Asset Management Group Inc.
4.1 *	Specimen stock certificate for shares of Class A common stock.
4.2	2012 Exchange Agreement.
4.3	Resale and Registration Rights Agreement.
4.4	2012 Equity Incentive Plan.
4.5	Stockholders Agreement.
4.6 †	Form of Deferred Equity Unit Award Agreement.
5.1 *	Opinion of Bingham McCutchen LLP.
10.1	Form of Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.
10.2	Tax Receivable Agreement.
10.3 †	Form of Indemnification Agreement with directors.
21.1 †	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of Fulvio & Associates, LLP.
23.4 *	Consent of Bingham McCutchen LLP (included as part of Exhibit 5.1).
23.5 *	Consent of Cerulli Associates.
24.1 †	Powers of Attorney (included in the Registration Statement filed September 18, 2012 under "Signatures").

\* To be filed by amendment.  
† Previously filed.

---

[Table of Contents](#)

**Item 17. Undertakings.**

- (1) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each person.
- (2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel, the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.
- (3) The undersigned registrant hereby undertakes that:
  - (a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
  - (b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

[Table of Contents](#)

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of New York, state of New York on October 9, 2012.

**SILVERCREST ASSET MANAGEMENT  
GROUP INC.**

By: /s/ G. Moffett Cochran  
G. Moffett Cochran  
Chief Executive Officer

By: /s/ Scott A. Gerard  
Scott A. Gerard  
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities indicated on the 9<sup>th</sup> day of October, 2012:

Signature	Title	Date
<u>/s/ G. Moffett Cochran</u> <b>G. Moffett Cochran</b>	(Principal Executive Officer) and Director	October 9, 2012
<u>/s/ Scott A. Gerard</u> <b>Scott A. Gerard</b>	(Principal Financial and Accounting Officer)	October 9, 2012
<u>*</u> <b>Richard R. Hough III</b>	Director	October 9, 2012
<u>*</u> <b>Winthrop B. Conrad, Jr.</b>	Director	October 9, 2012
<u>*</u> <b>Wilmot H. Kidd III</b>	Director	October 9, 2012
<u>*</u> <b>Richard S. Pechter</b>	Director	October 9, 2012

\*By: /s/ G. Moffett Cochran  
**G. Moffett Cochran**  
as attorney-in-fact

---

## Table of Contents

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1 *	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of Silvercrest Asset Management Group Inc.
3.2 †	Bylaws of Silvercrest Asset Management Group Inc.
4.1 *	Specimen stock certificate for shares of Class A common stock.
4.2	2012 Exchange Agreement.
4.3	Resale and Registration Rights Agreement.
4.4	2012 Equity Incentive Plan.
4.5	Stockholders Agreement.
4.6 †	Form of Deferred Equity Unit Award Agreement.
5.1 *	Opinion of Bingham McCutchen LLP.
10.1	Form of Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P.
10.2	Tax Receivable Agreement.
10.3 †	Form of Indemnification Agreement with directors.
21.1 †	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of Fulvio & Associates, LLP.
23.4 *	Consent of Bingham McCutchen LLP (included as part of Exhibit 5.1).
23.5 *	Consent of Cerulli Associates.
24.1 †	Powers of Attorney (included in the Registration Statement filed September 18, 2012 under "Signatures").

\* To be filed by amendment.  
† Previously filed.

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**  
**OF**  
**SILVERCREST ASSET MANAGEMENT GROUP INC.**

Silvercrest Asset Management Group Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

WHEREAS, the Corporation was formed on July 11, 2011 under the name Silvercrest Asset Management Group Inc.;

WHEREAS, this Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL; and

NOW, THEREFORE, the text of the Certificate of Incorporation of the Corporation is hereby restated and amended to read in its entirety as follows:

**FIRST:** The name of the Corporation is:

Silvercrest Asset Management Group Inc.

**SECOND:** The address of its registered office in the State of Delaware is located at 615 S. Dupont Highway, Dover, Delaware 19901, County of Kent. The name of its registered agent at such address is Capitol Services, Inc.

**THIRD:** The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is 85,000,000 shares. The total number of shares of all classes of common stock which the Corporation shall have authority to issue is 75,000,000, consisting solely of 50,000,000 shares of Class A Voting Common Stock, par value \$0.01 per share (the "Class A Common Stock"); and 25,000,000 shares of Class B Voting Common Stock, par value \$0.01 per share (the "Class B Common Stock" and, together with Class A Common Stock, "Common Stock"). The total number of shares of all classes of preferred stock which the Corporation shall have authority to issue is 10,000,000 shares (the "Preferred Stock").

The following is a statement of the designations, powers, privileges and rights, and the qualifications, limitations and restrictions, in respect of each class of capital stock of the Corporation.

1. Dividend and Other Rights of Common Stock.

(a) Dividends. Subject to the provisions of this Amended and Restated Certificate of Incorporation, as it may be amended from time to time, the holders of Class A Common Stock shall be entitled to receive ratably, in proportion to the number of shares held by them, such dividends and other distributions in cash, stock or property of the Corporation when, as and if

---

declared by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, the holders of Class B Common Stock shall not be entitled to receive any dividends or distributions.

(b) Liquidation; Dissolution. In the event of any liquidation, dissolution or winding up (either voluntarily or involuntarily) of the Corporation, after payments to creditors and to the holders of any Preferred Stock that may at the time be outstanding, the holders of shares of Class B Common Stock shall be entitled to receive an amount per share of Class B Common Stock equal to the par value thereof, following which the holders of shares of Class A Common Stock shall be entitled to receive all remaining assets and funds of the Corporation available for distribution in proportion to the number of shares held by them.

(c) Reclassification. Neither the Class A Common Stock nor the Class B Common Stock may be subdivided, consolidated, reclassified, or otherwise changed unless contemporaneously therewith the other class of Common Stock and the Class A Units (as defined in the Second Amended and Restated Limited Partnership Agreement, dated as of [ ], of Silvercrest L.P. as may be amended from time to time (the "Silvercrest L.P. Agreement") and the Class B Units (as defined in the Silvercrest L.P. Agreement) are subdivided, consolidated, reclassified, or otherwise changed in the same proportion and in the same manner.

(d) Exchange and Redemption. The holder of each Class B Unit shall, pursuant to the Silvercrest L.P. Agreement, have the right, under certain circumstances, to exchange such Class B Unit for one fully paid and nonassessable share of Class A Common Stock, on and subject to the terms and conditions set forth hereunder and in the Silvercrest L.P. Agreement.

(1) Any holder of a Class B Unit who wishes to exercise the exchange privilege under the Silvercrest L.P. Agreement shall present and surrender, or cause to be presented and surrendered to Silvercrest L.P., for further surrender and presentation to the Corporation, the certificate or certificates representing the number of shares of Class B Common Stock that corresponds to such Class B Units surrendered for exchange during the Corporation's normal business hours at any office or agency of the Corporation maintained for the transfer of Class B Common Stock. If so required by the Corporation, any certificate for shares surrendered for redemption and exchange shall be accompanied by instruments of transfer, in a form reasonably satisfactory to the Corporation, duly executed by the holder of such share or shares or his or its duly authorized representative. Each redemption and exchange of shares of Class B Common Stock shall be deemed to have been effected on the date on which the certificate or certificates representing such shares shall have been surrendered and any required instruments of transfer shall have been received as aforesaid.

(2) As promptly as practicable after the presentation and surrender for redemption and cancellation, as herein provided, of any certificate for a share or shares of Class B Common Stock, the Corporation shall redeem such shares in cash (to the extent that the Corporation shall have funds legally available for such payment) at a redemption value equal to the par value of the share or shares surrendered for redemption. In case any certificate for shares of Class B Common Stock shall be surrendered for redemption or cancellation for a part of the share or shares represented thereby, the Corporation shall deliver at such office or agency of the

---

Corporation maintained for the transfer of Class B Common Stock, to or upon the written order thereof, a certificate or certificates for the number of shares of Class B Common Stock represented by such surrendered certificate that are not being redeemed.

(3) If the Corporation has insufficient funds legally available on the redemption date to redeem a share of Class B Common Stock, the Corporation shall accept any and all shares properly surrendered for redemption and shall hold such shares of Class B Common Stock in trust until the Corporation has sufficient funds legally available for payment of the redemption price for such shares, and the shares of Class B Common Stock so surrendered and so held in trust shall be cancelled only upon payment of the redemption price for such shares of Class B Common Stock. Notwithstanding the foregoing, shares of Class B Common Stock so surrendered and so held in trust shall be deemed to have been redeemed and cancelled for purposes of the Silvercrest L.P. Agreement, and the tendering holder of such shares shall have no voting rights with respect to such shares.

(4) In connection with the exercise of the exchange privilege of a holder of Class B Units pursuant to the Silvercrest L.P. Agreement, the Corporation, upon the request of Silvercrest L.P., shall issue the number of shares of Class A Common Stock equal to the number of Class B Units surrendered by such holder to Silvercrest L.P. for exchange and deliver such shares of Class A Common Stock to Silvercrest L.P., provided that such number of shares of Class A Common Stock delivered shall not exceed the number of Class B Units surrendered to Silvercrest L.P. by such holder.

(5) All shares of Class B Common Stock that shall have been surrendered for redemption and cancellation as herein provided shall be deemed to be retired and may not be reissued, and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall thereupon cease and terminate.

(6) Such number of shares of Class A Common Stock as may from time to time be required for exchange of Class B Units pursuant to the Silvercrest L.P. Agreement shall be reserved for issuance upon exchange of outstanding Class B Units.

(e) Transfers.

(1) No holder of shares of Class B Common Stock may transfer shares of Class B Common Stock to any Person unless (i) such holder obtains the consent of the Corporation, in its capacity as the General Partner of Silvercrest L.P., and (ii) such holder transfers an equal number of Class B Units to the same Person. If a holder of shares of Class B Common Stock transfers Class B Units pursuant to the Silvercrest L.P. Agreement, such holder must transfer an equal number of shares of Class B Common Stock to the same Person. The term "Person" means both natural persons and legal entities.

(2) Any purported transfer of shares of Class B Common Stock not permitted hereunder shall be null and void. The Corporation may, as a condition to the transfer or the registration of transfer of shares of Class B Common Stock, require the furnishing of such affidavits or other proof as it deems necessary to establish that such transferee is permitted to hold such shares of Class B Common Stock under the terms hereof.

---

## 2. Voting Rights of Common Stock.

(a) Class A Common Stock. Except as otherwise provided by law, the holders of Class A Common Stock shall have full voting rights and powers to vote on all matters submitted to stockholders of the Corporation for vote, consent or approval. Each holder of Class A Common Stock shall be entitled to one (1) vote for each share of Class A Common Stock held of record by such holder.

(b) Class B Common Stock. Except as otherwise provided by law, the holders of Class B Common Stock shall have full voting rights and powers to vote on all matters submitted to stockholders of the Corporation for vote, consent or approval. Each holder of Class B Common Stock shall be entitled to one (1) vote for each share of Class B Common Stock held of record by such holder.

(c) Cumulative Voting. There shall be no cumulative voting.

(d) Increases and Decreases in Authorized Shares. The number of authorized shares of each class or series of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of at least a majority of the shares of capital stock of such affected class.

## 3. Preferred Stock.

(a) Authority to Issue Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series, each of such series to have such powers, designations, preferences, and relative, participating, optional, or other special rights, if any, and such qualifications and restrictions, if any, of such preferences and rights, as are stated or expressed in the resolution or resolutions of the Board of Directors providing for such series of Preferred Stock. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly so provided in such resolution or resolutions.

(b) Increases and Decreases in Authorized Shares. The Board of Directors may, from time to time, issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions to determine and fix the powers, designations, preferences, and relative, participating, optional, or other special rights, if any, and the qualifications and restrictions, if any, of such preferences and rights, including without limitation dividend rights, conversion rights, voting rights (if any), redemption privileges, and liquidation preferences, of such series of Preferred Stock (which need not be uniform among series), all to the fullest extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, the resolution or resolutions providing for the creation or issuance of any series of Preferred Stock may provide that such series shall be superior to, rank equally with, or be junior to the Preferred Stock of any other series, all to the fullest extent permitted by the DGCL, as amended from time to time. No resolution, vote, or consent of the holders of the capital stock of the Corporation shall be required in connection with the creation or issuance of any shares of any series of Preferred Stock authorized by and complying with the conditions of this Amended and Restated Certificate of Incorporation, the right to any such resolution, vote, or consent being

---

expressly waived by all present and future holders of the capital stock of the Corporation. Any resolution or resolutions adopted by the Board of Directors pursuant to the authority vested in them by this section shall be set forth in a certificate of designation along with the number of shares of stock of such series as to which the resolution or resolutions shall apply and such certificate shall be executed, acknowledged, filed, recorded, and shall become effective, in accordance with Section 103 of the DGCL. Unless otherwise provided in any such resolution or resolutions, the number of shares of stock of any such series to which such resolution or resolutions apply may be increased (but not above the total number of authorized shares of the class) or decreased (but not below the number of shares thereof then outstanding) by a certificate likewise executed, acknowledged, filed and recorded, setting forth a statement that a specified increase or decrease therein has been authorized and directed by a resolution or resolutions likewise adopted by the Board of Directors. In case the number of such shares shall be decreased, the number of shares so specified in the certificate shall resume the status which they had prior to the first resolution or resolutions pursuant to which such shares were issued. When no shares of any such class or series are outstanding, either because none were issued or because none remain outstanding, a certificate setting forth a resolution or resolutions adopted by the Board of Directors that none of the authorized shares of such class or series are outstanding, and that none will be issued subject to the certificate of designations previously filed with respect to such class or series, may be executed, acknowledged, filed and recorded in the same manner as previously described and it shall have the effect of eliminating from the Amended and Restated Certificate of Incorporation all matters set forth in the certificate of designations with respect to such class or series of stock. If no shares of any such class or series established by a resolution or resolutions adopted by the Board of Directors have been issued, the voting powers, designations, preferences and relative, participating, optional or other rights, if any, with the qualifications, limitations or restrictions thereof, may be amended by a resolution or resolutions adopted by the Board of Directors. In the event of any such amendment, a certificate which (i) states that no shares of such class or series have been issued, (ii) sets forth the copy of the amending resolution or resolutions and (iii) if the designation of such class or series is being changed, indicates the original designation and the new designation, shall be executed, acknowledged, filed, recorded, and shall become effective, in accordance with Section 103 of the DGCL.

#### 4. Provisions of Common Application.

(a) Registration of Transfer. The Corporation will keep at its principal office a register for the registration of all classes of Common Stock and Preferred Stock. Upon the surrender of any certificate representing Common Stock or Preferred Stock at such place, the Corporation will, at the request of the record holder of such certificate, execute and deliver a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of Common Stock or Preferred Stock represented by the surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares of Common Stock or Preferred Stock as is requested by the holder of the surrendered certificate and will be substantially identical in form to the surrendered certificate. The issuance of new certificates will be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance, unless such issuance is made in connection with a transfer of Common Stock or Preferred Stock, in which case the transferring holder will pay all taxes arising from such transfer.

---

(b) Replacement. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing shares of Common Stock or Preferred Stock, and in the case of any such loss, theft or destruction upon receipt of indemnity reasonably satisfactory to the Corporation, or, in the case of any such mutilation upon surrender of such certificate, the Corporation will (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares and class of Common Stock or Preferred Stock represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

(c) Notices. Except as otherwise expressly provided, all notices referred to herein will be in writing and will be deemed properly delivered if either personally delivered or sent by overnight courier or mailed certified or registered mail, return receipt requested, postage prepaid, to the recipient (i) in the case of any stockholder of the Corporation, at such holder's address as it appears in the stock records of the Corporation (unless otherwise indicated in a writing delivered to the Corporation by any such holder) and (ii) in the case of the Corporation, at its principal office. Any such notice shall be effective (A) if delivered personally or by facsimile, when received, (B) if sent by overnight courier, when received for, and (C) if mailed, five (5) days after being mailed as described above.

(d) Power to Sell and Purchase Shares. Subject to the requirements of applicable law, the Corporation shall have the power to issue and sell all or any part of any shares of any class of stock herein or hereafter authorized to such persons, and for such consideration as the Board of Directors shall from time to time, in its discretion, determine, whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law; provided, however, that the Corporation shall only be permitted to issue and sell shares of (i) Class A Common Stock to the extent such issuance and sale complies with the Silvercrest L.P. Agreement, and (ii) Class B Common Stock in connection with the issuance by Silvercrest L.P. of Class B Units. In furtherance of the foregoing, each time Silvercrest L.P. shall issue Class B Units, the Corporation shall issue and sell to the holder of such Class B Unit an equal number of shares of Class B Common Stock at a purchase price equal to the par value of such shares, subject only to (i) the payment of the applicable purchase price therefor by the holder thereof, and (ii) such holder's agreement to be bound by the terms of the Class B Stockholders' Agreement, dated as of [ ], as may be amended from time to time. Subject to the requirements of applicable law, the Corporation shall have the power to purchase any shares of any class of stock herein or hereafter authorized from such persons, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

(e) Amendments. No amendment, modification or waiver of any provision of this Article Fourth that adversely affects the rights of the holders of one particular Class (as hereinafter defined) of the Corporation's capital stock in a manner different from the rights of such holder's existing Class rights shall be effective against the holders of such adversely affected Class unless approved in writing by the holders of at least a majority of the then outstanding shares of capital stock of such adversely affected Class. As used in this Section 4(e), the term "Class" shall mean any of the Class A Common Stock or the Class B Common Stock, taken individually.

---

**FIFTH:** The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for defining and regulating the powers of the Corporation and its directors and stockholders and are in furtherance and not in limitation of the powers conferred upon the Corporation by statute:

1. Election of the Board of Directors.

(a) The Board of Directors shall consist of not less than three (3) nor more than eleven (11) directors, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the entire Board of Directors.

(b) The election of directors need not be by written ballot.

(c) Subject to the rights of holders of any class or series of Common Stock or Preferred Stock to elect directors, the Board of Directors shall be and is divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The Board of Directors is authorized to assign members of the Board of Directors already in office to Class I, Class II or Class III at the time such classification becomes effective.

(d) Subject to the rights of holders of any class or series of Common Stock or Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation's first annual meeting of stockholders held after the effectiveness of this Amended and Restated Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation's second annual meeting of stockholders held after the effectiveness of this Amended and Restated Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation's third annual meeting of stockholders held after the effectiveness of this Amended and Restated Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, resignation or removal.

(e) Except as may otherwise be provided by the DGCL, any director or the whole Board of Directors may be removed only for cause by the vote of the holders of a majority of the shares of the Corporation's Common Stock and Preferred Stock entitled to vote for the election of directors.

2. Power of the Board of Directors. The Board of Directors shall have the power and authority (i) to adopt, amend or repeal by-laws of the Corporation, subject only to such limitation, if any, as may be from time to time imposed by law or by the by-laws, (ii) to the fullest extent permitted or not prohibited by law, and without the consent of or other action by the stockholders, to authorize or create mortgages, pledges or other liens or encumbrances upon any or all of the assets, real, personal or mixed, and franchises of the Corporation, including

---

after-acquired property, and to exercise all of the powers of the Corporation in connection therewith and (iii) subject to any provision of the by-laws, to determine whether, to what extent, at what times and places and under what conditions and regulations the accounts, books and papers of the Corporation (other than the stock ledger), or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or paper of the Corporation except as conferred by statute or authorized by the by-laws or by the Board of Directors.

3. **Action by Stockholders: Stockholder Meeting.** Any action required or permitted to be taken by the stockholders of the Corporation may be taken only at a duly called annual or special meeting of the stockholders, and not by written consent in lieu of such meeting, and special meetings of stockholders may only be called (i) pursuant to a resolution adopted by a majority of the Board of Directors, (ii) by a committee of the Board of Directors that has been duly designated by the Board of Directors and whose powers and authority include the power to call such meetings or (iii) by the Chairman of the Board of Directors. Stockholders are not permitted to call a special meeting or to require the Board of Directors to call a special meeting.

**SIXTH:** Unless the Board of Directors consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation, the Corporation's stockholders or its creditors, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, this Amended and Restated Certificate of Incorporation or the by-laws or (iv) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

**SEVENTH:** No director of the Corporation shall be personally liable to the Corporation or to any of its stockholders for monetary damages for breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability; provided, however, that to the extent required from time to time by applicable law, this Article Seventh shall not eliminate or limit the liability of a director, to the extent such liability is provided by applicable law, (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of Title 8 of the Delaware Code or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to the effective date of such amendment or repeal. If the DGCL hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended DGCL. No amendment to or repeal of this Article Seventh shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to the effective date of such amendment or repeal.

---

**EIGHTH:** The Corporation shall, to the fullest extent permitted by Section 145 of the DGCL, as amended from time to time, indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom.

Indemnification shall include payment by the Corporation of expenses in defending an action or proceeding in advance of the final disposition of such action or proceeding upon (i) receipt of an undertaking by the person indemnified to repay such payment if it is ultimately determined that such person is not entitled to indemnification under this Article Eighth, which undertaking may be accepted without reference to the financial ability of such person to make such repayment, (ii) receipt of a written affirmation of the director's or officer's good faith belief that the director or officer has met the standard of conduct prescribed by Delaware law and (iii) a determination that the facts then known to those making the determination would not preclude indemnification under the DGCL.

The Corporation shall not indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person unless the initiation thereof was approved by the Board of Directors.

The indemnification rights provided in this Article Eighth (i) shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any law, agreement or vote of stockholders or disinterested directors or otherwise, and (ii) shall inure to the benefit of the heirs, executors and administrators of such persons. The Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article Eighth.

**NINTH:** This Amended and Restated Certificate of Incorporation may be altered, amended or repealed at any meeting of the stockholders by the vote of the holders of at least 66 2/3% of the stock issued and outstanding and entitled to vote at such meeting in accordance with the provision of this Amended and Restated Certificate of Incorporation and the laws of Delaware.

*[signature page to follow]*

---

In WITNESS WHEREOF, the undersigned has executed this Amended and Restated Certificate of Incorporation this [ ] day of [ ], 2012.

Silvercrest Asset Management Group Inc.

By: \_\_\_\_\_

Name:

Title:

**EXCHANGE AGREEMENT**

**dated as of**

**, 2012**

**among**

**SILVERCREST ASSET MANAGEMENT GROUP INC.,**

**SILVERCREST L.P.**

**and**

**THE CLASS B PARTNERS SET FORTH  
ON THE SIGNATURE PAGES HERETO**

---

---

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
ARTICLE I	DEFINITIONS
	1
1.1	Certain Definitions
	1
ARTICLE II	EXCHANGE
	3
2.1	Exchange Dates
	3
2.2	Permissible Exchanges by Class B Partners
	4
2.3	Exchange Request
	5
2.4	Suspensions
	5
2.5	Closing Date
	6
2.6	Closing Conditions
	6
2.7	Closing Deliveries
	7
2.8	Expenses
	7
ARTICLE III	MISCELLANEOUS
	7
3.1	Termination of Partner Group Membership; Cancellation of Class B Units; Issuance of Class A Units
	7
3.2	Tax Treatment
	8
3.3	Notices
	8
3.4	Term of the Agreement
	8
3.5	Amendments; Waivers
	9
3.6	Adjustment Upon Changes in Capitalization
	9
3.7	Severability
	9
3.8	Representatives, Successors and Assigns
	9
3.9	Governing Law
	9
3.10	Submission to Jurisdiction; Waiver of Immunity
	10
3.11	Waiver of Jury Trial
	10
3.12	Further Assurances
	10
3.13	Counterparts
	10
3.14	Entire Agreement
	11
3.15	Construction
	11
3.16	Interpretation
	11
3.17	Assignment
	11
Annex A — Instrument of Transfer	

---

This EXCHANGE AGREEMENT (this "Agreement") is dated as of [            ], 2012, by and among Silvercrest Asset Management Group Inc., a Delaware corporation (the "Company"), Silvercrest L.P., a Delaware limited partnership (the "Partnership"), and the Class B Partners signatory hereto or to the Additional Party Signature Page in the form attached hereto as Annex A.

**WITNESSETH**

WHEREAS, the Class B Partners beneficially own all of the outstanding Class B Units of the Partnership and all of the outstanding Class B Shares of the Company;

WHEREAS, the Company is the general partner of the Partnership and owns all of the Class A Units of the Partnership;

WHEREAS, the Company and the Class B Partners are parties to the Second Amended and Restated Limited Partnership Agreement of the Partnership, dated as of [            ], 2012, as amended from time to time (the "Silvercrest LPA"); and

WHEREAS, the parties hereto desire to agree to the exchange of Class B Units for Class A Shares by the Class B Partners at such time and upon the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, covenants and provisions herein contained and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

1.1 **Certain Definitions**. As used in this Agreement, the following terms shall have the following meanings:

"Act" shall have the meaning set forth in the Silvercrest LPA.

"Affiliate" means, (i) as to any Person who is an individual, the Immediate Family of such Person and trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family and any entity (other than the Company or its Affiliates) that, directly or indirectly, through one or more intermediaries is controlled by or is under common control with such Person, the Immediate Family of such Person, or trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family, and (ii) as to any Person which is not an individual, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. For the avoidance of doubt, the Company's Affiliates shall include its Control Affiliates. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

---

“Agreement” has the meaning set forth in the preamble.

“Board” shall mean the board of directors of the Company.

“Cause” shall have the meaning set forth in the Silvercrest LPA.

“Class A Shares” shall mean shares of Class A common stock, par value \$.01 per share, of the Company.

“Class A Units” shall have the meaning set forth in the Silvercrest LPA.

“Class B Partner” shall mean an employee of the Company or any of its Affiliates who holds Class B Units.

“Class B Shares” shall mean shares of Class B common stock, par value \$.01 per share, of the Company.

“Class B Units” shall have the meaning set forth in the Silvercrest LPA.

“Closing” has the meaning set forth in Section 2.5.

“Closing Date” has the meaning set forth in Section 2.5.

“Company” has the meaning set forth in the preamble.

“Control Affiliate” means any Person for which the Partnership serves as general partner, investment manager or in a similar capacity.

“Disability” shall have the meaning set forth in the Silvercrest LPA.

“Exchange” shall mean the exchange by a Class B Partner of one or more Class B Units for an equal number of Class A Shares pursuant to the provisions of this Agreement.

“Exchange Date” has the meaning set forth in Section 2.1(a).

“Exchange Request” has the meaning set forth in Section 2.3.

“Executive Committee” shall mean the Executive Committee of the Partnership established pursuant to the Silvercrest LPA.

“Immediate Family” has the meaning assigned to it in the Silvercrest LPA.

“IPO Date” shall mean the date of the closing of the initial public offering of the Class A Shares.

“Lien” shall mean a mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, easement, right of way, restriction on the use of real property, title defect, title retention agreement, voting trust agreement, option, right of first refusal, lien, charge, license to third-parties, lease to third parties, restriction on transfer or assignment, or other restriction or limitation of any nature or irregularity in title.

---

“Member Tax Obligation” has the meaning set forth in Section 2.2(c).

“Open Window Period” shall mean the open window period for trading of Class A Shares by employees of the Partnership and its Subsidiaries that occurs once each fiscal quarter of the Company pursuant to the Insider Trading Policy established by the Board, as may be amended from time to time in its sole discretion.

“Partner Group” has the meaning set forth in Section 2.2(a).

“Partnership” has the meaning set forth in the preamble.

“Permitted Charitable Institution” means an organization formed for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them and exempted from certain taxation pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code.

“Person” means and includes an individual and any legal entity including a corporation, partnership, association, limited liability company, joint stock company, trust or estate.

“Registration Rights Agreement” shall mean the Resale and Registration Rights Agreement, dated as of the date hereof, by and among the Company and the Class B Partners named on the signature pages thereto.

“Retirement” shall have the meaning set forth in the Silvercrest LPA.

“Silvercrest LPA” has the meaning set forth in the recitals.

“Specified Permitted Transferee” shall have the meaning set forth in the Silvercrest LPA.

“Subsidiary” means, when used with reference to an entity, any corporation or other entity, a majority of the outstanding voting securities of which are owned directly or indirectly by such entity, and when used without reference to an entity, shall mean a Subsidiary with reference to the Partnership.

“Unit(s)” shall mean the Class A Units and the Class B Units (whether or not vested).

## **ARTICLE II**

### **EXCHANGE**

2.1 **Exchange Dates**. Each Class B Partner shall be permitted to Exchange its Class B Units at any time during the first ten (10) days of an Open Window Period unless the Executive Committee elects to extend the period during which Exchanges may be made, in its sole discretion (each day within such ten (10) day period, as extended, is referred to herein as an “Exchange Date”). The Company shall ensure that an Open Window Period occurs once each

---

fiscal quarter of the Company; provided that the Company may close any Open Window Period and restrict trading in any such period as required by the Company's Insider Trading Policy and applicable securities laws. For the avoidance of doubt, the Company may establish as many Exchange Dates as it shall determine in its sole discretion.

## 2.2 Permissible Exchanges by Class B Partners.

(a) General Rule. Subject to Sections 2.2(b) through (e) and 2.6, during any twelve (12) month period commencing on or following the six-month anniversary of the IPO Date and until the date of termination of employment of a Class B Partner, each Class B Partner (along with his or her Specified Permitted Transferees) (collectively, the "Partner Group") shall be permitted collectively to Exchange, or to transfer or gift Class B Units held by the Partner Group to a Permitted Charitable Institution, a number of vested Class B Units in an amount not to exceed twenty percent (20%) of the aggregate number of vested and unvested Class B Units held by such Partner Group as of the first day of such 12-month period in which the applicable Exchange (or transfer or gift) occurs; provided that, at all times following the IPO Date until termination of employment, (i) each Class B Partner who was a Class B Partner on the IPO Date must retain at least twenty-five percent (25%) of the number of Class B Units held by such Class B Partner on the IPO Date (as adjusted for any stock splits, reverse stock splits, share combinations, dividends and reclassifications occurring after the IPO Date) and (ii) each Class B Partner who became a Class B Partner at any time after the IPO Date must retain at least twenty-five percent (25%) of the number of Class B Units held by such Class B Partner on the date of admission of such Class B Partner to the Partnership (as adjusted for any stock splits, reverse stock splits, share combinations, dividends and reclassifications occurring after the date of his or her admission to the Partnership). Notwithstanding the foregoing, Class B Partners whose employment is terminated due to Retirement may Exchange any number of Class B Units for Class A Shares at any time.

(b) Post-IPO Date Class B Partners. Notwithstanding Section 2.2(a), but subject to Sections 2.2(c) through (e) and 2.6, any Person who becomes an employee of the Company or any of its Affiliates after the IPO Date may not exchange any Class B Units during his or her first year of employment.

(c) Exceptions. Notwithstanding Section 2.2(a) and (b), (i) following the six-month anniversary of the IPO Date, the Board may permit any Class B Partner or his or her Specified Permitted Transferees to exchange vested Class B Units in an amount exceeding that described in Section 2.2(a), which permission may be withheld, delayed, or granted on such terms and conditions as the Board may determine in its sole discretion, and (ii) in the event that the aggregate amount of income taxes payable by a member of a Partner Group and attributable to any of (A) the grant or vesting of Class B Units, (B) the exercise of options to acquire Class B Units and/or (C) the Exchange of Class B Units for Class A Shares upon termination of employment (whether or not such partner is or was an employee of the Company or any of its Affiliates at the time that such income tax first became due and payable) (the "Member Tax Obligation") exceeds the net proceeds such partner would receive upon the sale of all of the Class A Shares issued to such Class B Partner in exchange for vested Class B Units pursuant to Section 2.2(a) as of the first day of the relevant twelve month period during which the Member Tax Obligation first becomes due and payable, such partner shall instead, in the case of a

---

condition described in subsection (ii)(A) and (ii)(B) above, be entitled to Exchange a number of vested Class B Units and resell an equal number of Class A Shares issued in exchange for such Class B Units, and in the case of a condition described in subsection (ii)(C) above, sell sufficient Class A Shares issued in exchange for exchanged Class B Units, such that, in each case, the net proceeds from the sale of such Class A Shares would enable such member to satisfy the Member Tax Obligations. For the avoidance of doubt, the Member Tax Obligation shall be mutually agreed to by the relevant Class B Partner and the Executive Committee and calculated by taking into account the marginal federal, state and applicable local income tax rate applicable to the relevant member of the Partner Group, the deductibility of state and local income taxes for federal income tax purposes, the availability of offsetting losses or tax credits, and such other relevant factors as are mutually agreed to by such partner and the Executive Committee, acting in good faith.

(d) Restrictions on Class A Shares. Each Class B Partner hereby acknowledges and agrees that (i) the Company shall not have any obligation to deliver Class A Shares that have been registered under the Securities Act, and (ii) the Company reserves the right on any Exchange Date to provide registered Class A Shares, unregistered Class A Shares or any combination thereof, as it may determine in its sole discretion. The Company reserves the right to cause certificates evidencing such Class A Shares to be imprinted with legends as to restrictions on transfer that it may deem necessary or appropriate, including legends as to applicable U.S. federal or state securities laws or other legal or contractual restrictions and may require any Class B Partner to which Class A Shares are to be issued to agree in writing (A) that such Class A Shares will not be transferred except in compliance with such restrictions and (B) to such other matters as the Company may deem reasonably necessary or appropriate in light of applicable law and existing agreements.

(e) Vested Class B Units. For the avoidance of doubt, a Class B Partner may not Exchange any vested Class B Units for six (6) months following the IPO Date.

(f) Unvested Class B Units. For the avoidance of doubt, a Class B Partner may not Exchange any unvested Class B Units at any time.

2.3 **Exchange Request.** A Class B Partner may submit a request to effect an Exchange by delivering to the Company, not less than fourteen (14) calendar days prior to an Exchange Date (or such lesser number of days as the Company may permit in its sole discretion), a written notice (the "Exchange Request"). An Exchange Request shall set forth the number of Class B Units such Class B Partner's Partner Group elects to Exchange for Class A Shares and the proposed Exchange Date. The Class B Partner shall represent to the Company that such Class B Partner's Partner Group owns the Class B Units to be delivered at such Closing pursuant to Section 2.7, free and clear of all Liens, except as set forth therein, and, if there are any Liens identified in the Exchange Request, such Class B Partner shall covenant that such Class B Partner's Partner Group will deliver at the applicable Closing evidence reasonably satisfactory to the Company that all such Liens have been released. An Exchange Request is not revocable or modifiable, except with the written consent of the Company.

2.4 **Suspensions.** Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled, at all times, in its sole discretion and without a limitation, to block any Exchange by a Partner Group or shorten the Open Window Period if it becomes aware of any nonpublic information that has not been disclosed to the public.

---

## **2.5 Closing Date.**

(a) If an Exchange Request has been timely delivered pursuant to Section 2.3, then, on the Exchange Date set forth in the Exchange Request (as may be extended pursuant to this Section 2.5, the “Closing Date”), the parties shall effect the closing (the “Closing”) of the transactions contemplated by this Article II at the offices of the Company at 1330 Avenue of the Americas, 38th Floor, New York, New York 10019, or at such other time, at such other place, and in such other manner, as the applicable parties to such Exchange shall agree in writing; provided, however, that, except as may be determined otherwise by the Company in its sole discretion, if an applicable Exchange Date falls on a day during which directors, officers or other employees of the Company or any of its Affiliates are prohibited by the trading policies of the Company from disposing of equity securities of the Company, then with respect to all requested Exchanges, the Closing Date shall instead be deemed to be the first business day after such Exchange Date that such officers and directors are allowed to dispose of equity securities of the Company pursuant to the trading policies of the Company.

## **2.6 Closing Conditions.**

(a) The obligations of any of the parties to consummate an Exchange pursuant to this Article II shall be subject to the conditions that there shall be no injunction, restraining order or decree of any nature of any governmental or regulatory authority that is then in effect that restrains or prohibits the Exchange of Class B Units or the transfer of Class B Shares for redemption.

(b) The obligations of the Company to consummate an Exchange pursuant to this Article II shall be subject to the following conditions:

(1) The Class B Partner shall have taken all actions reasonably requested by the Company to permit the automatic redemption, immediately following the Closing, of a number of Class B Shares equal to the number of Class B Units being Exchanged by such Class B Partner’s Partner Group at such Closing (including delivery to the Company of certificates evidencing such number of Class B Shares and confirmation that any Liens on such Class B Shares shall have been released); and

(2) If such Class B Partner is not a party to the Registration Rights Agreement, such Class B Partner shall have executed and delivered a counterpart signature page of the Registration Rights Agreement and all other documents reasonably requested by the Company in connection therewith.

(c) The obligations of each Person in the Class B Partner’s Partner Group exchanging Class B Units at such Closing shall be subject to the following conditions:

(1) The Company shall have taken all actions reasonably required to permit the automatic redemption, immediately following the Closing, of a number of Class B Shares held by such Class B Partner’s Partner Group equal to the number of Class B Units being Exchanged by such Class B Partner’s Partner Group at such Closing; and

---

(2) If such Class B Partner is not a party to the Registration Rights Agreement, the Company shall have executed and delivered a copy of the Registration Rights Agreement.

2.7 **Closing Deliveries.** At each Closing, the Company and each Class B Partner that has submitted an Exchange Request in respect of such Closing shall deliver the following:

(a) each such Person in such Class B Partner's Partner Group Exchanging Class B Unit shall deliver an instrument of transfer, substantially in the form of Annex A hereto or otherwise in form reasonably satisfactory to the Company, sufficient (i) to transfer to the Company the number of vested Class B Units set forth in the Exchange Request of such Class B Partner's Partner Group and (ii) to affirm that such Class B Partner agrees to comply with the covenants contained in Section 3.1 of the Registration Rights Agreement and Section 8.5 of the Silvercrest LPA as may be applicable to such Class B Partner at that time;

(b) if applicable, each such Person in such Class B Partner's Partner Group shall deliver evidence reasonably satisfactory to the Company, that all Liens on such Class B Partner's Partner Group's Class B Units delivered pursuant to this Section 2.7 have been released;

(c) the Company shall deliver to the Partnership a certificate issued in the name of each such Class B Partner representing a number of Class A Shares equal to the number of Class B Units such Class B Partner elected to Exchange; and

(d) the Partnership shall deliver to each such Class B Partner a certificate representing a number of Class A Shares equal to the number of such Class B Units such Class B Partner elected to Exchange.

2.8 **Expenses.** Each party hereto shall bear such party's own expenses in connection with the consummation of any of the transactions contemplated hereby, whether or not any such transaction is ultimately consummated.

### **ARTICLE III**

#### **MISCELLANEOUS**

3.1 **Termination of Partner Group Membership; Cancellation of Class B Units; Issuance of Class A Units.** Upon consummation of each Closing contemplated by Article II, each Class B Unit transferred to the Company at such Closing shall be cancelled, the Partnership shall issue one Class A Unit to the Company in respect of each such Class B Unit that was transferred and surrendered and the Executive Committee shall modify the books and records of the Partnership to reflect such cancellation and issuance. In the event that, as a result of an Exchange, a Class B Partner shall cease to hold any vested or unvested Class B Units, such Class B Partner shall cease to be a Class B Partner for any purpose under the Silvercrest LPA, this Agreement and the Act.

---

3.2 **Tax Treatment.** As required by the Code and the Regulations: (i) the parties shall report an Exchange consummated hereunder as a taxable sale of Class B Units by a Class B Partner to the Company (in conjunction with an associated cancellation of Class B Shares) and (ii) no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority.

3.3 **Notices.** All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by facsimile (provided a copy is thereafter promptly delivered as provided in this Section 3.3) or nationally recognized overnight courier, addressed to such party at the address or facsimile number set forth below or such other address or facsimile number as may hereafter be designated in writing by such party to the other parties:

(a) if to the Company, to:

Silvercrest Asset Management Group Inc.  
1330 Avenue of the Americas  
38<sup>th</sup> Floor  
New York, NY 10019  
(T) (212) 649-0600  
(F) (212) 649-0606  
Attention: General Counsel

with a copy to:

Bingham McCutchen LLP  
399 Park Avenue  
New York, New York 10022  
(T) (212) 705-7000  
(F) (212) 752-5378  
Attention: Floyd I. Wittlin, Esq.

(b) if to any of the Class B Partners, to:

the address and facsimile number set forth in the records of the Company.

(c) All such notices, requests, demands, waivers and other communications shall be deemed to have been given and received (i) if by personal delivery or telecopy, on the day of such delivery, (ii) if by first-class, registered or certified mail, on the fifth Business Day after the mailing thereof or (iii) if by reputable overnight delivery service, on the day delivered.

### 3.4 **Term of the Agreement.**

(a) This Agreement shall become effective on the date hereof and shall terminate on the earlier of (i) the first date on which there are no Class B Units remaining, (ii) the date on which the Executive Committee and all Class B Partners agree to terminate this Agreement, or (iii) the dissolution of the Partnership. Unless this Agreement is theretofore terminated pursuant to this Section 3.4(a), all Class B Partners shall be bound by its terms.

---

(b) A Class B Partner shall cease to be a party to this Agreement upon the Transfer of all the Class B Units held by such Class B Partner to another Person in accordance with the terms of this Agreement.

**3.5 Amendments; Waivers.**

(a) This Agreement may be amended or modified, and any provision in this Agreement may be waived, with the consent of the Company, the Partnership and the Class B Partners that hold, in aggregate, sixty percent (60%) of the outstanding Class B Units, and who are then bound by the terms of this Agreement (other than an amendment that, in the good faith judgment of the Executive Committee, is intended to cure any ambiguity or correct or supplement any provisions of this Agreement that may be incomplete or inconsistent with any other provision contained herein, which amendment may be made by the Company); provided, that, without the consent of any Person, a Person who becomes a Class B Partner after the date hereof shall execute and deliver an Additional Party Signature Page to this Agreement in the form attached hereto as Annex A to become a party to this Agreement.

(b) The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the rights at a later time to enforce the same. No waiver by any party of the breach of any term contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach or the breach of any other term of this Agreement.

**3.6 Adjustment Upon Changes in Capitalization.** In the event of any change in the outstanding Class B Units of the Partnership or Class A Shares of the Company by reason of stock dividends, split-ups, recapitalizations, combinations, exchanges of shares and the like, the terms "Class B Units" and "Class A Shares" shall refer to and include the securities received or resulting therefrom and the terms and provisions of this Agreement shall be appropriately adjusted so that each Class B Partner will thereafter continue to have and be subject to, to the greatest extent practicable, the same rights and obligations he, she or it had been subject to prior to such change.

**3.7 Severability.** If the final determination of a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision hereof is invalid or unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

**3.8 Representatives, Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their respective legatees, legal representatives, successors and assigns.

**3.9 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF**

---

**DELAWARE (WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF).** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions and other equitable remedies to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the United States District Court for the Southern District of New York and the courts of the state of New York sitting in the County of New York (and any court to which an appeal therefrom may be taken), this being in addition to any other remedy to which they are entitled at law or in equity. Any requirements for the securing or posting of any bond with respect to such remedy are hereby waived by each of the parties hereto. Each party further agrees that, in the event of any action for an injunction or other equitable remedy in respect of such breach or enforcement of specific performance, it will not assert the defense that a remedy at law would be adequate.

3.10 **Submission to Jurisdiction; Waiver of Immunity.** Each Class B Partner, for itself and its successors and assigns, hereby irrevocably waives (a) any objection, and agrees not to assert, as a defense in any legal or equitable action, suit or proceeding against such Class B Partner arising out of or relating to this Agreement or any transaction contemplated hereby or the subject matter of any of the foregoing, that (i) it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable before such arbitral body or in said courts, (ii) the venue thereof may not be appropriate and (iii) the internal laws of the State of Delaware do not govern the validity, interpretation or effect of this Agreement, (b) any immunity from jurisdiction to which it might otherwise be entitled in any such arbitration, action, suit or proceeding which may be instituted for specific performance before any state or federal court in the State of Delaware or the State of New York and (c) any immunity from the maintaining of an action against it to enforce any judgment for money obtained in any such arbitration, action, suit or proceeding and, to the extent permitted by applicable law, any immunity from execution.

3.11 **Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE, IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

3.12 **Further Assurances.** Each party shall execute, deliver, acknowledge and file such other documents and take such further actions as may be reasonably requested from time to time by the other party hereto to give effect to and carry out the transactions contemplated herein.

3.13 **Counterparts.** This Agreement may be executed in any number of counterparts, including electronic counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument, it being understood that both parties need not sign the same counterpart.

---

3.14 **Entire Agreement.** This Agreement, including Annex A hereto, contains the entire understanding of the parties with respect to the subject matter hereof, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

3.15 **Construction.** This Agreement shall be decided by a court of law and shall not be construed in favor of the drafters of this Agreement.

3.16 **Interpretation.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “included”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

3.17 **Assignment.** Neither this Agreement nor any of the rights or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties.

---

IN WITNESS WHEREOF, the parties have caused this Exchange Agreement to be duly executed and delivered, all as of the date first set forth above.

SILVERCREST ASSET MANAGEMENT GROUP  
INC.

By: \_\_\_\_\_  
Name:  
Title:

SILVERCREST L.P.

By: \_\_\_\_\_  
Name:  
Title:

CLASS B PARTNERS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

---

ANNEX A  
**INSTRUMENT OF TRANSFER**

This INSTRUMENT OF TRANSFER (this "Instrument") is made as of the Applicable Date by the undersigned (the "Transferor"). Capitalized terms used but not otherwise defined herein shall have the meanings set forth on the signature page to this Instrument and, if not defined therein, in the Second Amended and Restated Limited Partnership Agreement (as amended or modified, the "Silvercrest LPA") of Silvercrest L.P., a Delaware limited partnership (the "Partnership") between Silvercrest Asset Management Group Inc., a Delaware corporation (the "Company"), the Partnership and the Transferors.

WITNESSETH

WHEREAS, Transferor is the owner of the Applicable Number of vested Class B Units (the "Transferred Units") and a party to the Silvercrest LPA;

WHEREAS, Transferor has submitted to the Company an Exchange Request, dated as of the Exchange Request Date, electing to exchange (the "Exchange") the Transferred Units for an equal number of Class A Shares of the Company (the "Exchange Shares"); and

WHEREAS, in connection with the Exchange, Transferor desires to transfer to the Company all of Transferor's right, title and interest in, to and under the Transferred Units.

NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein and in the Silvercrest LPA and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Transferor hereby agrees as follows:

1. Transfer. Transferor hereby transfers, assigns and delivers to the Company, free and clear of all Liens, all of Transferor's right, title and interest in, to and under the Transferred Units.

2. Representations and Warranties. Transferor hereby represents and warrants to the Company as follows:

(a) Transferred Units. Immediately prior to giving effect to the transfer contemplated by this Instrument, Transferor owns, beneficially and of record, the Transferred Units free and clear of any Liens.

(b) Authority of Transferor. If Transferor is not a natural person, Transferor is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which Transferor was formed or organized. Transferor has full right, authority, power and legal capacity to enter into this Instrument and each agreement, document and instrument to be executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument and to carry out the transactions contemplated hereby and thereby. This Instrument and each agreement, document and instrument executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument constitutes, or when executed and delivered will

---

constitute, the legal, valid and binding obligations of Transferor enforceable in accordance with their respective terms. The execution, delivery and performance by Transferor of this Instrument and each such other agreement, document and instrument:

- (i) does not and will not violate any laws applicable to Transferor, or require Transferor to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made;
- (ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, lien, security interest, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Transferor is a party or by which the property of Transferor is bound or affected, or result in the creation or imposition of any Lien on any of the assets of Transferor; and
- (iii) in the event that Transferor is not a natural person, does not and will not violate any provision of any organization document of Transferor.

(c) Accredited Investor. Transferor has either (1) completed and delivered to the Company a questionnaire in the form of Schedule 1 attached hereto in respect of Transferor's qualification as an "accredited investor," as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act, and the representations and warranties made by Transferor to the Company in such questionnaire are true, complete and accurate or (2) provided to the Company such representations, warranties and undertakings as the Company shall reasonably require to ensure that the Exchange does not violate the Securities Act and/or other applicable securities laws.

(d) Investment Purpose. The Exchange Shares to be acquired by Transferor upon the consummation of the Exchange are being acquired by Transferor for investment for Transferor's own account, not as a nominee or agent, and not with a view towards the public sale or distribution thereof, except pursuant to a sale or sales that are registered under the Securities Act or exempt from such registration. Transferor (other than a natural person) either (1) was not formed for the purpose of investing in the Company or (2) has provided to the Partnership and the Company such representations, warranties and undertakings as the Partnership and the Company shall reasonably require to ensure that the Exchange does not violate the Securities Act and/or other applicable securities laws. Transferor acknowledges that holders of the Exchange Shares must bear the economic risk of an investment in the Exchange Shares so acquired for an indefinite period of time because, among other reasons, such Exchange Shares have not been registered under the Securities Act and, therefore, such Exchange Shares cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available. Transferor also acknowledges that transfers of the Exchange Shares so acquired are further restricted by applicable United States federal and state and foreign securities laws.

---

(e) Access to Information. Transferor understands the risks of, and other considerations relating to, the acquisition and ownership of the Exchange Shares. Transferor has been provided an opportunity to ask questions of, and has received answers satisfactory to Transferor from, the Company and its representatives regarding the Exchange Shares, and has obtained any and all additional information from the Company and its representatives that Transferor deems necessary regarding the Exchange Shares.

(f) Evaluation of and Ability to Bear Risks. Transferor has such knowledge and experience in financial affairs that Transferor is capable of evaluating the merits and risks of, and other considerations relating to, the ownership of the Exchange Shares, and has not relied in connection with the acquisition of the Exchange Shares upon any representations, warranties or agreements other than those set forth in this Instrument. Transferor's financial situation is such that Transferor can afford to bear the economic risk of holding the Exchange Shares for an indefinite period of time, and Transferor can afford to suffer the complete loss of its investment in the Exchange Shares.

(g) Registration Rights Agreement. Transferor has executed and delivered to the Company a countersigned signature page to the Registration Rights Agreement and understands that the Exchange Shares will be subject to the provisions of the Registration Rights Agreement, which provides certain restrictions on the transferability of such Exchange Shares.

3. Transferor Acknowledgement. Transferor hereby acknowledges that he or she is receiving a significant economic benefit by Exchanging the otherwise illiquid Transferred Units into the Exchange Shares and therefore reaffirms his or her obligation to comply with the restrictive covenants contained in the Silvercrest LPA and the Resale and Registration Rights Agreement each dated as of the date hereof as may be applicable to such Transferor on and following the date hereof.

4. Further Assurance. Transferor hereby agrees to execute and deliver such further agreements and instruments and take such other actions as may be necessary to make effective the transfer contemplated by this Instrument.

5. Successors and Assigns. This Instrument shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6. Governing Law. This Instrument shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to principles of conflict of laws.

7. Descriptive Headings. The descriptive headings in this Instrument are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Instrument.

8. Counterparts. This Instrument may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

---

9. Entire Agreement. This Instrument and any other schedules, certificates, lists and documents referred to herein, and any documents executed by any of the parties simultaneously herewith or pursuant thereto, constitutes the entire agreement of the parties hereto, except as expressly provided herein, and supersedes all prior agreements and understandings, discussions, negotiations and communications, written and oral, among the parties with respect to the subject matter hereof.

**[Remainder of page intentionally left blank]**

---

**IN WITNESS WHEREOF**, intending to be legally bound hereby, Transferor has executed this Instrument as of the Applicable Date.

TRANSFEROR:

\_\_\_\_\_  
Name:

Acknowledged and accepted  
as of the Applicable Date by:

SILVERCREST ASSET MANAGEMENT GROUP  
INC.

\_\_\_\_\_  
Name:  
Title:

Certain Defined Terms

Applicable Date: \_\_\_\_\_

Transferor: \_\_\_\_\_

Applicable Number: \_\_\_\_\_

Exchange Request Date: \_\_\_\_\_

**[Signature Page to Instrument of Transfer]**

---

### Schedule 1

Transferor represents and warrants to the Company that Transferor is an “accredited investor” within the meaning of Regulation D promulgated under the Securities Act and has answered “Yes” to the applicable statements below pursuant to which Transferor so qualify.

\_\_\_\_\_ Yes If Transferor is a natural person, Transferor’s own net worth, taken together with the net worth of Transferor’s spouse, exceeds \$1,000,000. “Net worth” for this purpose means total assets (excluding the value of the primary residence of such Transferor and any indebtedness secured by the residence, but including indebtedness secured by the residence in excess of its estimated fair market value and any indebtedness incurred 60 days before the date the securities are offered (unless such indebtedness is used to purchase the residence)) in excess of total liabilities.

\_\_\_\_\_ Yes If Transferor is a natural person, Transferor had an individual gross income in excess of \$200,000 (or joint income with Transferor’s spouse in excess of \$300,000) in each of the two previous years and reasonably expects a gross individual income in excess of \$200,000 (or joint income with Transferor’s spouse in excess of \$300,000) this year.

\_\_\_\_\_ Yes If Transferor is an entity, Transferor has total assets in excess of \$5,000,000, AND was not formed for the specific purpose of acquiring the securities offered, AND is any of the following:

- a corporation,
- a partnership,
- a limited liability company,
- a Massachusetts or similar business trust, or
- an organization described in Section 501(c)(3) of the Internal Revenue Code

\_\_\_\_\_ Yes If Transferor is an entity, all of Transferor’s equity owners are “accredited investors” within the meaning of Regulation D (taking into account the need to look through certain entities under applicable law).

**RESALE AND REGISTRATION RIGHTS AGREEMENT**

**dated as of**

**, 2012**

**among**

**SILVERCREST ASSET MANAGEMENT GROUP INC.**

**and**

**THE CLASS B PARTNERS SET FORTH  
ON THE SIGNATURE PAGES HERETO**

---

---

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>	
ARTICLE I	DEFINITIONS	1
1.1	Certain Definitions	1
1.2	Gender	5
ARTICLE II	RESALE RIGHTS	5
2.1	Resale Rights and Restrictions	5
2.2	Resales Following Termination of Employment	6
ARTICLE III	CLASS B PARTNER RESTRICTIONS	7
3.1	Forfeiture and Repurchase of Class B Units and Class A Shares; Restrictive Covenants	7
ARTICLE IV	REGISTRATION RIGHTS	8
4.1	Shelf Registration	8
4.2	Registration Procedures	9
4.3	Registration Expenses	12
4.4	Registration Indemnification	13
ARTICLE V	TERMINATION	15
5.1	Term	15
5.2	Survival	15
ARTICLE VI	MISCELLANEOUS	15
6.1	Notices	15
6.2	Interpretation	16
6.3	Severability	16
6.4	Representatives, Successors and Assigns	16
6.5	Counterparts	16
6.6	Entire Agreement; No Third Party Beneficiaries	16
6.7	Further Assurances	16
6.8	Governing Law; Equitable Remedies	16
6.9	Submission to Jurisdiction; Waiver of Immunity	17
6.10	Waiver of Jury Trial	17
6.11	Amendments; Waivers	17
6.12	Assignment	18
6.13	Entire Agreement	18
6.14	Construction	18

---

This RESALE AND REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of [            ], 2012, is by and among Silvercrest Asset Management Group Inc., a Delaware corporation (the "Company"), and each of the employees and former employees of the Company and its Affiliates and each of their Specified Permitted Transferees who are holders of Class B Units (the "Class B Units") of Silvercrest L.P. (the "Partnership") listed on the signature pages to this Agreement or to the Additional Party Signature Page in the form attached hereto as Annex A (the "Class B Partners").

### WITNESSETH

WHEREAS, the Second Amended and Restated Limited Partnership Agreement of the Partnership, dated as of [            ], 2012 (the "Silvercrest LPA") allows each holder of Class B Units to Exchange each Class B Unit for one share of Class A common stock, par value \$0.01 per share, of the Company (the "Class A Shares") at certain times and under certain circumstances as described therein; and

WHEREAS, the Company and Class B Partners desire to enter into an agreement relating to any and all Class A Shares that the Company may issue to Class B Partners upon Exchange of their Class B Units in accordance with the terms of the Silvercrest LPA, providing for (i) restrictions on the Transfer (as defined below) of such Class A Shares, which restrictions are intended to provide for the maintenance of an orderly market for the Class A Shares and the alignment of the interests of the Company with its stockholders who are affiliated with it, and (ii) the Class B Partners' rights to have such Class A Shares registered for resale at certain times and under certain circumstances described herein;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

### ARTICLE I

#### DEFINITIONS

1.1 **Certain Definitions.** As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means, (i) as to any Person who is an individual, the Immediate Family of such Person and trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family and any entity (other than the Company or its Affiliates) that, directly or indirectly, through one or more intermediaries is controlled by or is under common control with such Person, the Immediate Family of such Person, or trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family, and (ii) as to any Person which is not an individual, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. For the avoidance of doubt, the Company's Affiliates shall include its Control Affiliates. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

---

“Agreement” shall have the meaning set forth in the preamble to this Agreement.

“Board” means the board of directors of the Company.

“Cause” shall have the meaning set forth in the Silvercrest LPA.

“Class A Shares” shall have the meaning set forth in the recitals to this Agreement.

“Class B Partners” shall have the meaning set forth in the preamble to this Agreement.

“Class B Partner Group” shall have the meaning set forth in Section 2.1(a).

“Class B Shares” means the shares of Class B common stock, par value \$0.01 per share, of the Company.

“Class B Units” shall have the meaning set forth in the preamble to this Agreement.

“Client” shall include all Past Clients, Present Clients, and Potential Clients, subject to the following general rule: with respect to each such Client, the term shall also include any Persons which are known to the Class B Partner to be Affiliates of such Client. Past Clients, Present Clients and Potential Clients shall be defined as follows: “Past Client” shall mean, at any particular time, any Person who at any point within the five (5) years prior to such time had been a recipient of services from the Partnership (including, without limitation, its predecessors) or any of its Affiliates but at such time is not a recipient of services from the Partnership or any of its Affiliates; “Present Client” shall mean, at any particular time, any Person who is at such time a recipient of services from the Partnership or its Affiliates; and “Potential Client” shall mean, as of any time of determination, any Person to whom the Partnership (including without limitation, its predecessors) or its Affiliates has offered to provide investment products or services at any point during the period of two (2) years immediately preceding such time of determination (but who has not become a recipient of investment products or services from the Partnership or its Affiliates).

“Company” shall have the meaning set forth in the preamble to this Agreement.

“Competing Act” shall have the meaning set forth in Section 3.1(a)(iii).

“Control Affiliate” means any Person for which the Partnership serves as general partner, investment manager or in a similar capacity.

“Disability” shall have the meaning set forth in the Silvercrest LPA.

“Exchange” shall have the meaning assigned to it in the Exchange Agreement.

---

“Exchange Act” means the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder.

“Exchange Agreement” means that certain Exchange Agreement dated as of the date hereof between the Company, the Partnership and the Class B Partners.

“Exchange Closing Date” shall have the meaning assigned to “Closing Date” in the Exchange Agreement.

“Executive Committee” means the Executive Committee of the Partnership established pursuant to the Silvercrest LPA.

“Exchange Securities” means any and all Class A Shares that the Company may issue to the Class B Partners upon Exchange of any and all Class B Units currently owned or hereafter acquired by any Class B Partner in accordance with the terms of the Silvercrest LPA and the Exchange Agreement.

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“Form S-3 Registration Statement” means a registration statement on Form S-3 (or any successor form) under the Securities Act.

“Free Writing Prospectus” shall have the meaning set forth in Section 4.2(a)(iii).

“Governmental Entity” means any court, administrative agency, regulatory body, commission or other governmental authority, board, bureau or instrumentality, domestic or foreign and any subdivision thereof.

“Immediate Family” shall have the meaning assigned to it in the Silvercrest LPA.

“IPO” means the initial offering of Class A Shares to the public, as described in the IPO Registration Statement.

“IPO Date” means the date of the consummation of the IPO.

“IPO Registration Statement” means the Company’s Registration Statement on Form S-1 (No. 333- ), as amended to the date hereof.

“Losses” shall have the meaning set forth in Section 4.4(a).

“Member Tax Obligation” shall have the meaning set forth in Section 2.1(d).

“Open Window Period” means the open window period for trading of Class A Shares by employees of the Partnership and its Subsidiaries that occurs once each fiscal quarter of the Company pursuant to the Insider Trading Policy established by the Board, as may be amended from time to time in its sole discretion.

“Partnership” shall have the meaning set forth in the preamble to this Agreement.

---

“Person” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, Governmental Entity or other entity.

“Proceeding” shall have the meaning set forth in Section 6.8.

“Requested Information” shall have the meaning set forth in Section 4.1(c).

“Restricted Period” means, with respect to any Person, the eighteen (18) month period following (i) the termination of employment of such Person with the Company or its Affiliates or (ii) if such Person is not a former employee of the Company or its Affiliates, the termination of employment of the employee of the Company or its Affiliates with whom such Person is Affiliated.

“Retirement” shall have the meaning set forth in the Silvercrest LPA. “Retired” and “Retires” shall have the correlative meaning thereto.

“SEC” means the United States Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

“Securities Act” means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder.

“Selling Class B Partner” shall have the meaning set forth in Section 4.2(a)(i).

“Shelf Registration Statement” means each Form S-3 Registration Statement filed by the Company pursuant to Section 4.1(a) hereof.

“Silvercrest LPA” shall have the meaning set forth in the recitals to this Agreement.

“Specified Permitted Transferees” shall have the meaning assigned to it in the Silvercrest LPA.

“Subsidiary” means, when used with reference to an entity, any corporation or other entity, a majority of the outstanding voting securities of which are owned directly or indirectly by such entity, and when used without reference to an entity, shall mean a Subsidiary with reference to the Partnership.

“Suspension Period” shall have the meaning set forth in Section 4.1(b).

“Tax Receivable Agreement” means that certain Tax Receivable Agreement, dated as of the date hereof, between the Class B Partners and the Company.

“Threshold Amount” shall have the meaning set forth in Section 3.1(b).

“Threshold Payment” shall have the meaning set forth in Section 3.1(b).

A “Transfer” means any sale, assignment, transfer or other disposal, directly or indirectly.

---

To “Transfer” means to sell, assign, transfer or otherwise dispose, directly or indirectly.

“Transfer Notice” shall have the meaning assigned to in Section 2.1(a)(i).

1.2 **Gender.** For the purposes of this Agreement, the words “he,” “his” or “himself” shall be interpreted to include the masculine, feminine and corporate, other entity or trust form.

## **ARTICLE II**

### **RESALE RIGHTS**

#### **2.1 Resale Rights and Restrictions.**

(a) Each Class B Partner and his Specified Permitted Transferees (hereinafter “Class B Partner Group”), may only Transfer Exchange Securities in accordance with this Article II.

(b) From the six (6)-month anniversary of the IPO Date to the five (5) year anniversary of the IPO Date, each Class B Partner (and his Specified Permitted Transferees) other than Retired Class B Partners or Class B Partners terminated due to death or Disability or by the Partnership or its Affiliates without Cause, may only Transfer the number of Exchange Securities that the Company is obligated to issue to such Class B Partner (and his Specified Permitted Transferees) on each Exchange Closing Date that occurs prior to such fifth (5th) anniversary, at any time during the first ten (10) day period of an Open Window Period, unless such period is extended by the Executive Committee, in its sole discretion. Each Class B Partner Group must submit a written request to the Executive Committee (a “Transfer Notice”) to Transfer a certain number of Exchange Securities at the same time as such Class B Partner Group submits a request to Exchange Class B Units pursuant to the terms of the Exchange Agreement. The Executive Committee shall have ten (10) days to consider any such request to sell the number of Exchange Securities set forth in the Transfer Notice. Such Transfer Notice may be denied by the Executive Committee if the Executive Committee, in its sole discretion, believes in good faith that the Transfer would have a negative impact on the market for the Company’s Class A Shares. If such request set forth in the Transfer Notice by a Class B Partner Group is denied, the denied Class B Partner Group will be given the first opportunity to sell Exchange Securities in the next available Open Window Period. If such request set forth in the Transfer Notice by a Class B Partner Group is approved, subject to limitations under applicable securities laws, the Class B Partner Group may sell the number of Exchange Securities set forth in the Transfer Notice at any time during the Open Window Period specified in the Transfer Notice. The Company shall ensure that an Open Window Period occurs once each fiscal quarter of the Company; provided that the Company may close any Open Window Period and restrict trading in any such period as required by the Company’s Insider Trading Policy and applicable securities laws.

(c) Notwithstanding the restrictions described in this Agreement, subject to limitations under applicable securities laws, the estate of any deceased Class B Partner, or the beneficiaries thereof, and any Retired Class B Partner (and his Specified Permitted Transferees) or a Class B Partner whose employment has been terminated by the Company or its Affiliates due to Disability shall be permitted to sell any or all Exchange Securities he, she, or it holds without regard to the restrictions described in this Agreement.

---

(d) In addition, in the event that the aggregate amount of income taxes payable by the Class B Partner Group and attributable to any of (A) the grant or vesting of Class B Units, (B) the exercise of options to acquire Class B Units and/or (C) the Exchange of Class B Units for Class A Shares upon termination of employment (whether or not such partner is or was an employee of the Company or any of its Affiliates at the time that such income tax first became due and payable) (the "Member Tax Obligation") exceeds the net proceeds such Class B Partner Group would receive upon the sale of all of the Class A Shares permitted to be sold by such Class B Partner Group pursuant to this Agreement as of the first day of the relevant twelve month period during which the Member Tax Obligation first becomes due and payable, such Class B Partner Group shall instead, in the case of a condition described in subsection (ii)(A) and (ii)(B) above, be entitled to sell a number of Class A Shares, and in the case of a condition described in subsection (ii)(C) above, sell sufficient Class A Shares issued in exchange for exchanged Class B Units, such that, in each case, the net proceeds from the sale of such Class A Shares would enable such member to satisfy the Member Tax Obligations. For the avoidance of doubt, the Member Tax Obligation shall be mutually agreed to by the relevant Class B Partner and the Executive Committee and calculated by taking into account the marginal federal, state and applicable local income tax rate applicable to the relevant member of the Class B Partner Group, the deductibility of state and local income taxes for federal income tax purposes, the availability of offsetting losses or tax credits, and such other relevant factors as are mutually agreed to by such partner and the Executive Committee, acting in good faith

(e) To the extent that a Class B Partner is subject to any trading policies of the Company, such Class B Partner (and his Specified Permitted Transferees) shall be prohibited from Transferring any Exchange Securities pursuant to this Agreement, except in accordance with such policies.

## **2.2 Resales Following Termination of Employment.**

(a) Subject to the restrictions described in Section 2.1,

(i) If the Class B Partner's employment is terminated by the Company or any of its Affiliates for any reason other than Retirement, death, Disability or voluntary resignation, such Class B Partner (and his Specified Permitted Transferees) may (i) at the time of termination of employment, Transfer Exchange Securities according to Section 2.1(d) above and (ii) in each twelve (12) month period following the Restricted Period, Transfer a number of Exchange Securities equal to one-half (1/2) of the difference between the aggregate number of vested Class A Shares received upon Exchange of the Class B Units held as of the date of termination of his employment and the number of Class A Shares, if any, the Class B Partner Group sold to cover taxes pursuant to Section 2.1(d) above.

(ii) If a Class B Partner voluntarily terminates his or her employment with the Company or its Affiliates, then the Class B Partner Group may (i) at the time of termination of employment of the Class B Partner, Transfer a number of Exchange Securities according to Section 2.1(d) above and (ii) in each twelve (12) month period following the Restricted Period, Transfer a number of Exchange Securities equal to one-third (1/3) of the difference between the aggregate number of vested Class A Shares received upon Exchange of the Class B Units held as of the date of termination of his employment and the number of Class A Shares, if any, the Class B Partner Group sold pursuant to Section 2.1(d) above.

(iii) Notwithstanding the restrictions described in Section 2.2(a)(i) and (ii), if the Class B Partner has Retired from the Company and its Affiliates, the Retired Class B Partner (and his Specified Permitted Transferees) (x) may continue to hold Class B Units and (y) following such Class B Partner's Retirement, may Transfer any and all Class A Shares or Class B Units held by the Retired Class B Partner (and his Specified Permitted Transferees), subject to any applicable securities law limitations.

(iv) Notwithstanding anything to the contrary contained in this Agreement, if the Class B Partner has Retired from the Company or its Affiliates, died or become Disabled, the Class B Partner Group (x) may, but shall not be required to, Transfer all Exchange Securities pursuant to the Shelf Registration Statement and (y) shall not be subject to a Restricted Period.

### **ARTICLE III**

#### **CLASS B PARTNER RESTRICTIONS**

##### **3.1 Forfeiture and Repurchase of Class B Units and Class A Shares; Restrictive Covenants.**

(a) **Breach of Restrictive Covenants; Competing Act.** Unless otherwise determined by the Board, in its sole discretion, or previously agreed to by the Class B Partner Group and the Company, if the Class B Partner:

(i) breaches the restrictive covenants applicable to such Class B Partner as set forth in Section 5.5 of the Silvercrest LPA;

(ii) breaches the restrictive covenants applicable to such Class B Partner as set forth in Section 11.7 of the Silvercrest LPA; or

(iii) voluntarily resigns or Retires from the Company or its Affiliates and directly or indirectly, owns, manages, operates, controls, is employed by, advises or in any manner participates or engages in any business that is competitive with any business in which the Partnership, the Company or their respective Affiliates are engaged or have been engaged at any time during the twelve (12) months following the Class B Partner's termination of employment (a "**Competing Act**"),

then, in addition to any legal rights and remedies available to the Company, unless the Board, in its sole discretion, determines otherwise, the Class B Partner and each of his Specified Permitted Transferees shall each (i) forfeit one hundred percent (100%) of his or her unvested Class B Units and/or unvested Class A Shares, if any, and, (ii) Transfer to the Partnership all of the vested Class B Units collectively held by the Class B Partner Group in exchange for a purchase price equal to the lesser of (x) the capital account balance in the Partnership of such Class B Partner Group on the date of termination of employment less any amounts paid to the Class B Partner Group upon the sale of Class A Shares by such Class B Partner Group pursuant to Section 2.1(d) subject to such termination of employment of the related Class B Partner, and

---

(y) the purchase price paid by the terminated Class B Partner to first acquire the redeemed Class B Units, and, (iii) Transfer to the Company all of the Class A Shares collectively held by the Class B Partner Group in exchange for a purchase price equal to the purchase price paid by the Class B Partner to first acquire the Class B Units for which such Class A Shares had been Exchanged.

(b) Retired Class B Partners. To the extent a Retired Class B Partner breaches the restrictive covenants referenced in Section 3.1(a) and the Retired Class B Partner and his or her Specified Permitted Transferees had, at the time of such breach, Transferred more than twenty percent (20%) of the Class B Units and/or Class A Shares held by the Retired Class B Partner (and his Specified Permitted Transferees) on the date of the Class B Partner's Retirement (the "Threshold Amount"), then, in addition to the repurchase of Class B Units and Class A Shares described in Section 3.1(a), the Company will have the right to require the payment from the Retired Class B Partner (and his Specified Permitted Transferees) of an amount equal to the purchase price received for the Class A Shares and/or Class B Units Transferred above the Threshold Amount. If such Class B Partner Transfers an amount of Class A Shares and/or Class B Units in excess of the Threshold Amount, the Company shall provide the violating Class B Partner written notice of his or her violation, which notice shall (i) state the number of Class A Shares and/or Class B Units sold in excess of the Threshold Amount and (ii) request payment from the Class B Partner of an amount equal to (A) the purchase price received for the Class A Shares and/or Class B Units Transferred in excess of the Threshold Amount less (B) the purchase price paid by such Class B Partner to first acquire such Class B Units or the Class B Units which were exchanged for such Class A Shares by such Class B Partner ("Threshold Payment"). The Class B Partner must pay the Threshold Payment to the Company within ten (10) days, in cash or such form immediately convertible into cash.

## ARTICLE IV

### **REGISTRATION RIGHTS**

#### **4.1 Shelf Registration.**

(a) Shelf Registration Statement. As soon as practicable after the Company becomes eligible to file a Form S-3 Registration Statement under the Securities Act, the Company shall use its best efforts to file with the SEC a Form S-3 Registration Statement providing for an offering of all Exchange Securities then eligible to be Transferred pursuant to Article II hereof on the date(s) and in accordance with the method(s) of distribution designated by the Company pursuant to Article II hereof. The Company commits to use its best efforts to cause the SEC to declare such Form S-3 Registration Statement effective as soon as practicable. The Company shall use its best efforts to keep such Form S-3 Registration Statement continuously effective until the earlier of (i) five (5) years after such Form S-3 Registration Statement has been declared effective; and (ii) the date on which all Exchange Securities included in such Form S-3 Registration Statement have been sold in accordance with the plan and method of distribution disclosed in the prospectus included in such Form S-3 Registration Statement, or otherwise.

(b) Suspensions. Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled, from time to time, by providing written notice to the

---

Class B Partners, to require such Class B Partners (and their Specified Permitted Transferees) to suspend the use of the prospectus for sales of Exchange Securities under any Shelf Registration Statement for a reasonable period of time not to exceed ninety (90) days in succession or one hundred eighty (180) days in the aggregate in any twelve (12) month period (a “Suspension Period”) if the Company shall determine in good faith that it is required to disclose in any such Shelf Registration Statement a financing, acquisition, corporate reorganization or other similar transaction or other material event or circumstance affecting the Company or its securities, and that the disclosure of such information at such time would be detrimental to the Company or the holders of its equity securities. Immediately upon receipt of such notice, the Class B Partners shall suspend the use of the prospectus until the requisite changes to the prospectus have been made as required below. Any Suspension Period shall terminate at such time as the public disclosure of such information is made. After the expiration of any Suspension Period and without any further request from a Class B Partner, the Company shall, as promptly as reasonably practicable, prepare a post-effective amendment or supplement to the applicable Shelf Registration Statement or the prospectus, or any document incorporated therein by reference, or file any other required document so that, as thereafter delivered to purchasers of the Exchange Securities included therein, the prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the information provided in this Section 4.1(b), the Company may, at all times, in its good faith discretion and without a timing limitation, block all Transfers of Class A Shares by the Class B Partner Group under the Shelf Registration Statement if it becomes aware of any nonpublic information that has not been disclosed to the public.

(c) No Grant of Future Registration Rights. The Company shall not grant any shelf, demand, piggyback or incidental registration rights that are senior to the rights granted to the Class B Partners hereunder to any other Person without the prior written consent of Class B Partners having the right to acquire at least a majority of the total number of potential Exchange Securities as of the date that the Company requests such consent and such consent may be given in the sole discretion of each of the Class B Partners.

#### **4.2 Registration Procedures.**

(a) In connection with the Company’s obligations to use its best efforts to effect the registration under the Securities Act of the Transfer of Exchange Securities pursuant to Section 4.1 hereof, the Company shall as expeditiously as reasonably possible:

(i) before the filing of any Shelf Registration Statement, and any amendment to any such Shelf Registration Statement, furnish to the Class B Partners electing to include Exchange Securities in such Shelf Registration Statement (the “Selling Class B Partners”), or counsel selected by the Selling Class B Partners, a copy of such document for review, which review shall be conducted with reasonable promptness;

(ii) prepare and file with the SEC such amendments, post-effective amendments and supplements to each Shelf Registration Statement required to be filed pursuant to subsection Section 4.1(a) hereof, and the prospectus(es) used in connection therewith, as may be necessary to (A) keep each such Shelf Registration Statement effective as required pursuant to such subsections hereof, and (B) comply with the provisions of the Securities Act with respect to the disposition of all Exchange Securities covered by such Shelf Registration Statement;

---

(iii) furnish each Selling Class B Partner (A) a conformed copy of such Shelf Registration Statement and each amendment and supplement thereto (in each case including all exhibits), (B) such number of copies of the prospectus contained in such Shelf Registration Statement (including each preliminary prospectus and any summary prospectus), each “free writing prospectus” (as defined in Rule 405 of the Securities Act, a “Free Writing Prospectus”) utilized in connection therewith, and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and (C) such other documents as such Selling Class B Partner may reasonably request in order to facilitate the public sale or other disposition of the Exchange Securities being sold by such Selling Class B Partner (and his Specified Permitted Transferees);

(iv) use reasonable best efforts to register or qualify the Exchange Securities being sold pursuant to such Shelf Registration Statement under such other securities laws or blue sky laws of such jurisdictions as any Selling Class B Partner shall reasonably request, and take any other action which may be reasonably necessary or advisable to enable any such Selling Class B Partner (and his Specified Permitted Transferees) to consummate the disposition in such jurisdictions of such Exchange Securities in conformity with the requirements of such laws, except that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (iv) be obligated to be so qualified, (B) subject itself to taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(v) use reasonable best efforts to cause the Exchange Securities being sold pursuant to each such Shelf Registration Statement to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(vi) use reasonable best efforts to cause the Exchange Securities being sold pursuant to each such Shelf Registration Statement to be registered with or approved by such other governmental agencies or authorities with jurisdiction over the sale of securities as may be necessary to enable the Selling Class B Partner(s) thereof to consummate the disposition of such Exchange Securities;

(vii) promptly notify in writing each applicable Selling Class B Partner of the following events:

- (1) the filing of the applicable Shelf Registration Statement, the prospectus or any prospectus supplement related thereto or post-effective amendment to such Shelf Registration Statement or any Free Writing Prospectus utilized in connection therewith, and, with respect to such Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective;

- 
- (2) any request by the SEC or any other Government Entity for amendments or supplements to such Shelf Registration Statement or the prospectus or for additional information;
  - (3) the issuance by the SEC or any other Government Entity of any stop order suspending the effectiveness of such Shelf Registration Statement or the initiation of any proceedings by any Person for that purpose; and
  - (4) the receipt by the Company of any notification with respect to the suspension of the qualification of applicable Exchange Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation or threat of any proceeding for such purpose;

(viii) notify each Selling Class B Partner, at any time when a prospectus relating to the sale of its Exchange Securities is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, such prospectus, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and, at the request of any Selling Class B Partner, promptly prepare and furnish to each such Selling Class B Partner a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Exchange Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ix) use reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of any Shelf Registration Statement then required to be effective pursuant to Section 4.1(a) hereof;

(x) otherwise use reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to all Selling Class B Partners, as soon as reasonably practicable, an earnings statement of the Company covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first day of the Company's first full quarter after the effective date of each Shelf Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder; and

(xi) cooperate with the Selling Class B Partners to facilitate the timely preparation and delivery of certificates (which shall not bear any restrictive legends unless required under applicable law) representing the Exchange Securities being sold under each Shelf Registration Statement, and enable such Exchange Securities to be in such denominations and registered in such names as the Selling Class B Partners may request and keep available and make available to the Company's transfer agent prior to the effectiveness of each such Shelf Registration Statement a supply of such certificates.

---

(b) The Company may require each Selling Class B Partner to furnish the Company, in writing, such information regarding each Selling Class B Partner (and his Specified Permitted Transferees) and the distribution of such Exchange Securities as the Company may from time to time reasonably request to complete or amend the information required by the applicable Shelf Registration Statement.

(c) Each Selling Class B Partner agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in clauses (vii) or (viii) of Section 4.2(a), such Selling Class B Partner (and his Specified Permitted Transferees) shall forthwith discontinue such Selling Class B Partner's (and his Specified Permitted Transferees') disposition of Exchange Securities pursuant to the applicable Shelf Registration Statement and prospectus relating thereto until such Selling Class B Partner's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.2(a)(viii) and, if so directed by the Company, deliver to the Company, at the Company's expense, all copies, other than permanent file copies, then in such Selling Class B Partner's possession of the prospectus current at the time of receipt of such notice relating to such Exchange Securities. In the event the Company shall give such notice, any applicable period during which such Shelf Registration Statement must remain effective pursuant to this Agreement shall be extended by the number of days during the period from the date of giving of a notice regarding the happening of an event of the kind described in clauses (vii) or (viii) of Section 4.2(a), as applicable, to the date when all such Selling Class B Partners shall receive such a supplemented or amended prospectus and such prospectus shall have been filed with the SEC.

(d) In connection with any Transfer of Class A Shares pursuant to a Shelf Registration Statement, the Company may, in its discretion, designate a broker through which sales by the Class B Partner Group must be made in the market.

#### **4.3 Registration Expenses.**

All expenses incident to the Company's performance of, or compliance with, its obligations under this Agreement including, without limitation, all registration and filing fees, all fees and expenses of compliance with securities and blue sky laws, all fees and expenses associated with filings required to be made with FINRA, all fees and expenses of compliance with securities and blue sky laws, all printing (including, without limitation, expenses of printing certificates for the Exchange Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by a holder of Exchange Securities) and copying expenses, all messenger and delivery expenses and all fees and expenses of the Company's independent certified public accountants and counsel (collectively, the "Registration Expenses") shall be borne by the each of the Class B Partners in proportion to the number of Exchange Securities that they choose to include in any Shelf Registration Statement, regardless of whether a Transfer is affected. The Company will pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties, the expense of any annual audit and the expense of any liability insurance) and the expenses and fees for filing the initial Shelf Registration Statement covering all Exchange Securities with the SEC and listing the Exchange Securities on each securities exchange and included in each established over-the-counter market on which similar securities issued by the Company are then listed or traded. Each Selling Class

---

B Partner shall pay its portion of all transfer taxes, if any, relating to the sale of such Selling Class B Partner's (and his Specified Permitted Transferees') Exchange Securities pursuant to any Shelf Registration Statement.

#### 4.4 **Registration Indemnification.**

(a) **By the Company.** The Company agrees to indemnify and hold harmless, to the fullest extent permitted by law, each Selling Class B Partner and their respective officers, directors, employees, managers, partners and agents and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) such Selling Class B Partner or such other indemnified Person from and against all losses, claims, damages, liabilities and expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses) (collectively, the "**Losses**") caused by, resulting from or relating to any untrue statement (or alleged untrue statement) of a material fact contained in any Shelf Registration Statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission (or alleged omission) of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as the same are caused by any information furnished in writing to the Company by such Selling Class B Partner expressly for use therein or such Selling Class B Partner has agreed to indemnify the Company against all losses caused by their misstatements or omissions as explained below. Reimbursements payable pursuant to the indemnification contemplated by this Section 4.4(a) will be made by periodic payments during the course of any investigation or defense, as and when bills are received or expenses incurred.

(b) **By the Selling Class B Partners.** In connection with any Shelf Registration Statement in which a Class B Partner is participating, each such Selling Class B Partner will furnish to the Company, in writing, information regarding such Selling Class B Partner's ownership of Exchange Securities and its intended method of distribution thereof and, to the extent permitted by law, shall, severally and not jointly, indemnify the Company, its Affiliates and their respective directors, officers, employees and agents and each Person who controls (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) the Company or such other indemnified Person against all Losses caused by any untrue statement of material fact contained in the applicable Shelf Registration Statement, prospectus or preliminary prospectus or Free Writing Prospectus or any amendment or supplement thereto or any omission of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but only to the extent that such untrue statement or omission is caused by and contained in such information so furnished in writing by such Selling Class B Partner expressly for use therein; **provided, however,** that each Selling Class B Partner's obligation to indemnify the Company hereunder shall, to the extent more than one Selling Class B Partner is subject to the same indemnification obligation, be apportioned between each Selling Class B Partner based upon the net amount received by each Selling Class B Partner from the sale of Exchange Securities, as compared to the total net amount received by all of the Selling Class B Partners (and their Specified Permitted Transferees) of Exchange Securities sold pursuant to such Shelf Registration Statement. Notwithstanding the foregoing, no Selling Class B Partner shall be liable to the Company for amounts in excess of the lesser of (i) such apportionment and (ii) the amount received by such holder in the offering giving rise to such liability.

---

(c) Notice. Any Person entitled to indemnification hereunder shall give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, the failure to give such notice shall not release the indemnifying party from its obligation, except to the extent that the indemnifying party has been materially prejudiced by such failure to provide such notice on a timely basis.

(d) Defense of Actions. In any case in which any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such indemnified party hereunder for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, supervision and monitoring (unless (i) such indemnified party reasonably objects to such assumption on the grounds that there may be defenses available to it which are different from or in addition to the defenses available to such indemnifying party or (ii) the indemnifying party shall have failed within a reasonable time to assume such defense and the indemnified party is or is reasonably likely to be prejudiced by such delay, in either event the indemnified party shall be promptly reimbursed by the indemnifying party for the expenses incurred in connection with retaining separate legal counsel). An indemnifying party shall not be liable for any settlement of an action or claim effected without its consent (such consent not to be unreasonably withheld). The indemnifying party shall lose its right to defend, contest, litigate and settle a matter if it shall fail to diligently contest such matter (except to the extent settled in accordance with the next following sentence). No matter shall be settled by an indemnifying party without the consent of the indemnified party (which consent shall not be unreasonably withheld, it being understood that the indemnified party shall not be deemed to be unreasonable in withholding its consent if the proposed settlement imposes any obligation on the indemnified party).

(e) Survival. The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified Person and will survive the transfer of the Exchange Securities and the termination of this Agreement.

(f) Contribution. If recovery is not available under the foregoing indemnification provisions for any reason or reasons other than as specified therein, any Person who would otherwise be entitled to indemnification by the terms thereof shall nevertheless be entitled to contribution with respect to any Losses with respect to which such Person would be entitled to such indemnification but for such reason or reasons. In determining the amount of contribution to which the respective Persons are entitled, there shall be considered the Persons' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and other equitable considerations appropriate under the circumstances. It is hereby agreed that it would not necessarily be equitable if the amount of such contribution were determined by pro rata or per

---

capita allocation. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not found guilty of such fraudulent misrepresentation. Notwithstanding the foregoing, no Selling Class B Partner shall be required to make a contribution in excess of the net amount received by such holder from its sale of Exchange Securities in connection with the offering that gave rise to the contribution obligation.

## **ARTICLE V**

### **TERMINATION**

5.1 **Term.** This Agreement shall automatically terminate upon the earlier of (a) January 1, 2032, or (b) the date that no Class B Partner (and his Specified Permitted Transferees) owns any Class B Units that are entitled to be Exchanged for Class A Shares.

5.2 **Survival.** If this Agreement is terminated pursuant to Section 5.1, this Agreement shall become void and of no further force and effect, except for the provisions set forth in Section 4.4 and Article VI.

## **ARTICLE VI**

### **MISCELLANEOUS**

6.1 **Notices.** All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by facsimile (provided a copy is thereafter promptly delivered as provided in this Section 6.1) or nationally recognized overnight courier, addressed to such party at the address or facsimile number set forth below or such other address or facsimile number as may hereafter be designated in writing by such party to the other parties:

(a) if to the Company, to:

Silvercrest Asset Management Group Inc.  
1330 Avenue of the Americas  
38<sup>th</sup> Floor  
New York, NY 10019  
(T) (212) 649-0600  
(F) (212) 649-0606  
Attention: General Counsel

with a copy to:

Bingham McCutchen LLP  
399 Park Avenue  
New York, New York 10022  
(T) (212) 705-7000  
(F) (212) 752-5378  
Attention: Floyd I. Wittlin, Esq.

---

(b) if to any of the Class B Partners, to:

the address and facsimile number set forth in the records of the Company

(c) All such notices, requests, demands, waivers and other communications shall be deemed to have been given and received (i) if by personal delivery or telecopy, on the day of such delivery, (ii) if by first-class, registered or certified mail, on the fifth Business Day after the mailing thereof or (iii) if by reputable overnight delivery service, on the day delivered.

6.2 **Interpretation.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “included”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

6.3 **Severability.** If the final determination of a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision hereof is invalid or unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

6.4 **Representatives, Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their respective legatees, legal representatives, successors and assigns.

6.5 **Counterparts.** This Agreement may be executed in any number of counterparts, including electronic counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument, it being understood that both parties need not sign the same counterpart.

6.6 **Entire Agreement; No Third Party Beneficiaries.** This Agreement (a) constitutes the entire agreement and supersedes all other prior agreements, both written and oral, among the parties with respect to the subject matter hereof and (b) is not intended to confer upon any Person, other than the parties hereto, except as provided in Section 4.4(a) and Section 4.4(b), any rights or remedies hereunder.

6.7 **Further Assurances.** Each party shall execute, deliver, acknowledge and file such other documents and take such further actions as may be reasonably requested from time to time by the other party hereto to give effect to and carry out the transactions contemplated herein.

6.8 **Governing Law; Equitable Remedies.** **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE (WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF).** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties hereto shall be

---

entitled to an injunction or injunctions and other equitable remedies to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the United States District Court for the Southern District of New York, this being in addition to any other remedy to which they are entitled at law or in equity. Any requirements for the securing or posting of any bond with respect to such remedy are hereby waived by each of the parties hereto. Each party further agrees that, in the event of any action for an injunction or other equitable remedy in respect of such breach or enforcement of specific performance, it will not assert the defense that a remedy at law would be adequate.

**6.9 Submission to Jurisdiction; Waiver of Immunity.** Each Class B Partner, for itself and its successors and assigns, hereby irrevocably waives (a) any objection, and agrees not to assert, as a defense in any legal or equitable action, suit or proceeding against such Class B Partner arising out of or relating to this Agreement or any transaction contemplated hereby or the subject matter of any of the foregoing, that (i) it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable before such arbitral body or in said courts, (ii) the venue thereof may not be appropriate and (iii) the internal laws of the State of Delaware do not govern the validity, interpretation or effect of this Agreement, (b) any immunity from jurisdiction to which it might otherwise be entitled in any such arbitration, action, suit or proceeding which may be instituted for specific performance before any state or federal court in the State of Delaware of the State of New York and (c) any immunity from the maintaining of an action against it to enforce any judgment for money obtained in any such arbitration, action, suit or proceeding and, to the extent permitted by applicable law, any immunity from execution.

**6.10 Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE, IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

**6.11 Amendments; Waivers.**

(a) This Agreement may be amended or modified, and any provision in this Agreement may be waived, with the consent of the Company, the Partnership and the Class B Partners that hold, in aggregate, sixty percent (60%) of the outstanding Class B Units, and who are then bound by the terms of this Agreement (other than an amendment that, in the good faith judgment of the Executive Committee, is intended to cure any ambiguity or correct or supplement any provisions of this Agreement that may be incomplete or inconsistent with any other provision contained herein, which amendment may be made by the Company); provided, that, without the consent of any Person, a Person who becomes a Class B Partner after the date hereof shall execute and deliver an Additional Party Signature Page to this Agreement in the form attached hereto as Annex A to become a party to this Agreement.

---

(b) The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the rights at a later time to enforce the same. No waiver by any party of the breach of any term contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach or the breach of any other term of this Agreement.

6.12 **Assignment.** Neither this Agreement nor any of the rights or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties.

6.13 **Entire Agreement.** This Agreement, including Annex A hereto, contains the entire understanding of the parties with respect to the subject matter hereof, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

6.14 **Construction.** This Agreement shall be decided by a court of law and shall not be construed in favor of the drafters of this Agreement.

---

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered, all as of the date first set forth above.

SILVERCREST ASSET MANAGEMENT GROUP  
INC.

By: \_\_\_\_\_

Name:

Title:

CLASS B PARTNERS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

---

**ANNEX A**

**FORM OF ADDITIONAL PARTY SIGNATURE PAGE**

THE UNDERSIGNED has caused this Additional Party Signature Page to be duly executed as of the date written below intending to become a party to, and be bound by, the Resale and Registration Rights Agreement, dated as of \_\_\_\_\_, 2012, as amended to date, by and among Silvercrest Asset Management Group Inc. and the Class B Partners parties thereto.

Date:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

**SILVERCREST ASSET MANAGEMENT GROUP INC.**

**2012 EQUITY INCENTIVE PLAN**

---

**TABLE OF CONTENTS**

1. Purpose	1
2. Definitions	1
3. Term of the Plan	5
4. Stock and Class B Units Subject to the Plan	5
5. Administration	6
6. Authorization of Grants	6
7. Specific Terms of Awards	8
8. Adjustment Provisions	14
9. Change of Control	17
10. Settlement of Awards	18
11. Reservation of Stock and Class B Units	21
12. Limitation of Rights in Stock and Class B Units; No Special Service Rights	21
13. Unfunded Status of Plan	21
14. Nonexclusivity of the Plan	21
15. No Guarantee of Tax Consequences; Section 409A of the Code	22
16. Termination and Amendment of the Plan	22
17. Notices and Other Communications	23
18. Administrative Provisions	23
19. Governing Law	23

---

**SILVERCREST ASSET MANAGEMENT GROUP INC.**

**2012 EQUITY INCENTIVE PLAN**

**1. Purpose**

This Plan is intended to encourage ownership of equity in Silvercrest Asset Management Group Inc., a corporation organized under the laws of the State of Delaware (the "Company") and in its subsidiary, Silvercrest L.P., a limited partnership organized under the laws of the State of Delaware (the "Partnership"), by employees, consultants and directors of the Company and the Partnership and their Affiliates, to align the long-term financial interests of those individuals with those of the Company's stockholders, to attract and retain those individuals by providing compensation opportunities that are consistent with the Company's compensation philosophy and to provide incentives to those individuals who contribute significantly to the long-term performance and growth of the Company and its Affiliates through the grant of Awards of or pertaining to shares of the Company's Stock or Class B Units in the Partnership. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all Awards are required to be Incentive Options.

**2. Definitions**

As used in the Plan, the following terms shall have the respective meanings set out below, unless the context clearly requires otherwise:

2.1. Accelerate, Accelerated, and Acceleration, means: (a) when used with respect to a Stock Right, that as of the time of reference the Stock Right will become exercisable with respect to some or all of the shares of Stock or Class B Units for which it was not then otherwise exercisable by its terms; (b) when used with respect to Restricted Stock or Restricted Stock Units, that the Risk of Forfeiture otherwise applicable to the Stock or Class B Units or Restricted Stock Units shall expire with respect to some or all of the Restricted Stock or Restricted Stock Units then still otherwise subject to the Risk of Forfeiture; and (c) when used with respect to Qualified Performance-Based Awards, that the applicable Performance Goals or other business objectives shall be deemed to have been met as to some or all of the Qualified Performance-Based Awards.

2.2. Affiliate means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

2.3. Award means any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Stock Grants, or LTIP Awards.

2.4. Award Agreement means an agreement between the Company and the recipient of an Award, or other notice of grant of an Award, setting forth the terms and conditions of the Award.

2.5. Board means the Company's Board of Directors.

2.6. Change of Control means the occurrence of any of the following after the date of the approval of the Plan by the Board:

(a) a Transaction, unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to that transaction, or

---

(b) any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities unless pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board recommends such stockholders accept, other than (i) the Company or an Affiliate, (ii) an employee benefit plan of the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(c) over a period of twelve (12) consecutive months or less there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals who either (i) have been Board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in the preceding clause (i) who were still in office at the time that election or nomination was approved by the Board; or

(d) a liquidation or dissolution of the Company; or

(e) any sale, transfer or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions; or

(f) the Company ceases to be the general partner of the Partnership.

Notwithstanding the foregoing, no Transaction or other event described in (a), (b), (c) or (d) above shall constitute a "Change of Control" for purposes of any Award which is subject to Section 409A of the Code and under which a "Change of Control" is a payment event, unless either such Transaction or event is also a "change in control event," within the meaning of Treas. Reg. § 1.409A-3(i)(5), or the Committee determines such a change in control event is not required to assure the Award's continued compliance with Section 409A of the Code.

2.7. Class B Unit means (1) a "Class B Unit" in the Partnership, as defined in the Partnership Agreement, together with (2) the accompanying share of Class B common stock of the Company, and such other units or securities as may be substituted for such Class B Units and shares of Class B common stock pursuant to Section 8.

2.8. Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.9. Committee means the Compensation Committee of the Board, which in general is responsible for the administration of the Plan, as provided in Section 5 of this Plan. For any period during which no such committee is in existence, "Committee" shall mean the Board, and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

---

2.10. Company means Silvercrest Asset Management Group Inc., a corporation organized under the laws of the State of Delaware.

2.11. Dividend Equivalent means a dividend equivalent right where the Participant may receive an amount, payable in cash or Stock or a combination of both, equal to the dividend actually paid with respect to a share of Stock.

2.12. Effective Date means the earlier of the date the Plan is approved by the Board or the date the Plan is approved by the stockholders of the Company.

2.13. Grant Date means the date as of which an Option is granted, as determined under Section 7.1(a).

2.14. Incentive Option means an Option to purchase Stock which by its terms is to be treated as an “incentive stock option” within the meaning of Section 422 of the Code. No Option with respect to a Class B Unit shall be an Incentive Option.

2.15. LTIP Award means an Award that may, upon the occurrence of certain events or the Participant’s achievement of certain performance goals, convert into Class B Units of the Partnership, and which may, to the extent provided in the Award Agreement, entitle the Participant to receive, currently or on a deferred or contingent basis, distributions or distribution equivalent payments with respect to the number of Class B Units of the Partnership corresponding to the number of units issued under the LTIP Award.

2.16. Market Value with respect to a share of Stock means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of a share of Stock as of any date is the closing price for the Stock as reported on the NASDAQ Global Market (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported. For purposes of Awards effective as of the effective date of the Company’s initial public offering, Market Value of Stock shall be the price at which the Company’s Stock is offered to the public in its initial public offering. Market Value with respect to a Class B Unit means the fair market value of a Class B Unit on a particular date as determined by the Committee.

2.17. Nonstatutory Option means any Option that is not an Incentive Option.

2.18. Option means an option to purchase shares of Stock or Class B Units.

2.19. Optionee means an eligible individual to whom an Option shall have been granted under the Plan.

2.20. Participant means any holder of an outstanding Award under the Plan.

- 
- 2.21. Partnership Agreement means the Second Amended and Restated Limited Partnership Agreement of the Partnership dated as of , 2012, as amended from time to time.
- 2.22. Performance Criteria and Performance Goals have the meanings given such terms in Section 7.6(f).
- 2.23. Performance Period means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals or other business objectives will be measured for purposes of determining a Participant's right to, and the payment of, a Qualified Performance-Based Award.
- 2.24. Plan means this 2012 Equity Incentive Plan of the Company, as amended from time to time, and including any attachments or addenda hereto.
- 2.25. Qualified Performance-Based Awards means Awards to persons who are or become covered employees within the meaning of Section 162(m) of the Code and which are intended to or at grant would qualify as "performance-based compensation" under Section 162(m) of the Code.
- 2.26. Restricted Stock means a grant or sale of shares of Stock or Class B Units to a Participant subject to a Risk of Forfeiture.
- 2.27. Restricted Stock Units means rights to receive shares of Stock or Class B Units at the close of a Restriction Period, subject to a Risk of Forfeiture.
- 2.28. Restriction Period means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock or Restricted Stock Units are subject to a Risk of Forfeiture described in the applicable Award Agreement.
- 2.29. Risk of Forfeiture means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right of the Company to reacquire shares of Restricted Stock at less than its then Market Value, arising because of the occurrence or non-occurrence of specified events or conditions.
- 2.30. Stock means the Class A common stock, par value \$0.01 per share, of the Company, and such other securities as may be substituted for Stock pursuant to Section 8.
- 2.31. Stock Appreciation Right means a right to receive any excess in the Market Value of shares of Stock or Class B Units (except as otherwise provided in Section 7.2(c)) over a specified exercise price.
- 2.32. Stock Grant means the grant of shares of Stock or Class B Units not subject to restrictions or other forfeiture conditions.
- 2.33. Stock Right means an Award in the form of an Option or a Stock Appreciation Right.
- 2.34. Stockholders' Agreement means any agreement by and among the holders of at least a majority of the outstanding voting securities of the Company and setting forth, among other provisions, restrictions upon the transfer of shares of Stock or on the exercise of rights appurtenant thereto (including but not limited to voting rights).

---

2.35. **Ten Percent Owner** means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code). Whether a person is a Ten Percent Owner shall be determined with respect to an Option based on the facts existing immediately prior to the Grant Date of the Option.

2.36. **Transaction** means (1) any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions or (4) any liquidation or dissolution of the Company.

### **3. Term of the Plan**

Unless the Plan shall have been earlier terminated by the Board, Awards may be granted under this Plan at any time in the period commencing on the date of approval of the Plan by the Board and ending on the issuance of all of the shares of Stock subject to the Plan. Awards granted pursuant to the Plan within that period shall not expire solely by reason of the termination of the Plan. Awards of Incentive Options may only be granted through and prior to the tenth anniversary of the Effective Date. Any Awards granted prior to stockholder approval of the Plan are hereby expressly conditioned upon such approval.

### **4. Stock and Class B Units Subject to the Plan**

At no time shall the number of shares of Stock and Class B Units issued pursuant to or subject to outstanding Awards granted under the Plan, nor the number of shares of Stock issued pursuant to or subject to outstanding Incentive Options, exceed 1,687,500 shares of Stock or Class B Units *subject, however,* to the provisions of Section 8 of the Plan. For the avoidance of doubt, any Award with respect to either a share of Stock or with respect to a Class B Unit will reduce the overall limit with respect to the number of shares of Stock and Class B Units that may be granted under Awards on a one-for-one basis.

For purposes of applying the foregoing limitation, settlement of any Award shall not count against the foregoing limitations except to the extent settled in the form of Stock or Class B Units and, without limiting the generality of the foregoing:

(a) if any Option or Stock-settled Stock Appreciation Right expires, terminates, or is cancelled for any reason without having been exercised in full, or if any other Award is forfeited by the recipient or repurchased at less than its Market Value as a means of effecting a forfeiture, the shares of Stock or Class B Units not purchased by the Optionee or which are forfeited by the recipient or repurchased shall again be available for Awards to be granted under the Plan;

---

(b) if any Option is exercised by delivering previously owned shares of Stock or Class B Units in payment of the exercise price therefor, only the net number of shares or units, that is, the number of shares of Stock or Class B Units issued minus the number received by the Company in payment of the exercise price, shall be considered to have been issued pursuant to an Award granted under the Plan; and

(c) any shares of Stock or Class B Units either tendered or withheld in satisfaction of tax withholding obligations of the Company or an Affiliate shall again be available for issuance under the Plan.

None of the foregoing provisions of this Section 4, including the adjustment provisions of Section 8, shall apply in determining the maximum number of shares of Stock issued pursuant to or subject to outstanding Incentive Options unless consistent with the provisions of Section 422 of the Code, however. Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

## **5. Administration**

The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder; and *provided further, however*, that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees who are not officers, and to consultants, in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee, consultant or director to receive the Award and the form of Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, consultants, and directors, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules, regulations, procedures and guidelines relating to it and to Awards, to determine the terms and provisions of the respective Award Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto. The Committee may cancel, with the consent of the affected Participants, any or all of the outstanding Options or Stock Appreciation Rights with respect to shares of Stock in exchange for (i) new Options or Stock Appreciation Rights covering the same or a different number of shares of Stock, but with an exercise price or base amount per share of Stock not less than the Market Value per share of Stock on the new Grant Date; or (ii) cash or share of Stock, whether vested or unvested, equal in value to the value of the cancelled Options or Stock Appreciation Rights.

## **6. Authorization of Grants**

6.1. Eligibility. The Committee may grant from time to time and at any time prior to the termination of the Plan one or more Awards, either alone or in combination with any other Awards, to any employee of or consultant to one or more of the Company, the Partnership and their Affiliates or to any non-employee member of the Board or of any board of directors (or similar governing authority) of any Affiliate. However, only employees of the Company, and of any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code, shall be eligible for the grant of an Incentive Option.

---

6.2. General Terms of Awards. Each grant of an Award shall be subject to all applicable terms and conditions of the Plan (including but not limited to any specific terms and conditions applicable to that type of Award set out in the following Section), and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant shall have complied with the applicable terms and conditions of such Award (including if applicable delivering a fully executed copy of any agreement evidencing an Award to the Company).

6.3. Effect of Termination of Employment, Etc. Unless the Committee shall provide otherwise with respect to any Award, if the Participant's employment or other association with the Company and its Affiliates ends for any reason, including because of an Affiliate ceasing to be an Affiliate, (a) any outstanding Stock Right of the Participant shall cease to be exercisable in any respect not later than 90 days following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (b) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Award Agreement. Cessation of the performance of services in one capacity, for example, as an employee, shall not result in termination of an Award while the Participant continues to perform services in another capacity, for example as a director. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, *provided* that it does not exceed the longer of ninety (90) days or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract. To the extent consistent with applicable law, the Committee may provide that Awards continue to vest for some or all of the period of any such leave, or that their vesting shall be tolled during any such leave and only recommence upon the Participant's return from leave, if ever.

6.4. Non-Transferability of Awards. Except as otherwise provided in this Section 6.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's rights in any Award may be exercised during the life of the Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; *provided, however*, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" means any child, stepchild, grandchild, parent, grandparent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons have more than fifty (50) percent of the beneficial interests, a foundation in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests.

6.5. Aggregate Annual Awards. The aggregate number of shares of Stock and/or Class B Units that are subject to Awards granted to any single individual during a calendar year may not exceed .

---

6.6. Code Limits on Grants of Qualified Performance-Based Awards. In no event shall the number of shares of Stock or Class B Units covered or referenced by either Options or Stock Appreciation Rights, or other Awards which are granted as Qualified Performance-Based Awards, to any one person in any one calendar year exceed \_\_\_\_\_ shares of Stock or Class B Units. These limitations shall not apply prior to the date required to apply under the regulations of the U.S. Department of Treasury promulgated under Section 162(m) of the Code, however. Solely for purposes of applying the limitations of this Section 6.5, if in effect, any shares of Stock or Class B Units subject to Options or Stock Appreciation Rights which are canceled (or deemed canceled, as a result of repricing described in applicable regulations of the U.S. Department of Treasury promulgated under Section 162(m) of the Code) shall nevertheless continue to be counted even after such cancellation (or deemed cancellation).

## 7. **Specific Terms of Awards**

### 7.1. Options.

(a) Date of Grant. The granting of an Option shall take place at the time specified in the Award Agreement. Only if expressly so provided in the applicable Award Agreement shall the Grant Date be the date on which the Award Agreement shall have been duly executed and delivered by the Company and the Optionee.

(b) Exercise Price. The price at which shares of Stock may be acquired under each Incentive Option shall be not less than 100% of the Market Value of Stock on the Grant Date, or not less than 110% of the Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner. The price at which shares of Stock or Class B Units may be acquired under each Nonstatutory Option shall be equal to at least 100% of the Market Value on the Grant Date.

(c) Option Period. No Incentive Option may be exercised on or after the tenth anniversary of the Grant Date, or on or after the fifth anniversary of the Grant Date if the Optionee is a Ten Percent Owner. The Option period under each Nonstatutory Option shall not exceed ten years from the Grant Date.

(d) Exercisability. An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may Accelerate such Option in whole or in part at any time; *provided, however*, that in the case of an Incentive Option, any such Acceleration of the Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code or the Optionee consents to the Acceleration.

(e) Method of Exercise. An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 17, specifying the number of shares of Stock or Class B Units with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the exercise price of the shares of Stock or Class B Units to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company,

---

(i) by delivery to the Company of shares of Stock or Class B Units having a Market Value equal to the exercise price of the shares to be purchased, or

(ii) by surrender of the Option as to all or part of the shares of Stock or Class B Units for which the Option is then exercisable in exchange for shares of Stock or Class B Units having an aggregate Market Value equal to the difference between (1) the aggregate Market Value of the surrendered portion of the Option, and (2) the aggregate exercise price under the Option for the surrendered portion of the Option, or

(iii) unless prohibited by applicable law, by delivery to the Company of the Optionee's executed promissory note in the principal amount equal to the exercise price of the shares of Stock or Class B Units to be purchased and otherwise in such form as the Committee shall have approved, or

(iv) by delivery of any other lawful means of consideration which the Committee may approve.

If the Stock is traded on an established market, payment of any exercise price may also be made through and under the terms and conditions of any formal cashless exercise program authorized by the Company entailing the sale of the Stock subject to an Option in a brokered transaction (other than to the Company). Receipt by the Company of such notice and payment in any authorized or combination of authorized means shall constitute the exercise of the Option. Within thirty (30) days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates for the number of shares then being purchased. Such shares of Stock shall be fully paid and nonassessable.

(f) Limit on Incentive Option Characterization. An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes exercisable in a calendar year do not have an aggregate Market Value (as of the date of the grant of the Option) in excess of the "current limit". The current limit for any Optionee for any calendar year shall be \$100,000 *minus* the aggregate Market Value at the date of grant of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates. Any shares of Stock which would cause the foregoing limit to be violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.

(g) Notification of Disposition. Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of the shares of Stock issued upon such exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and, if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

---

## 7.2. Stock Appreciation Rights.

(a) Tandem or Stand-Alone. Stock Appreciation Rights may be granted in tandem with an Option (at or, in the case of a Nonstatutory Option, after, the award of the Option), or alone and unrelated to an Option. Stock Appreciation Rights in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem Stock Appreciation Rights are exercised.

(b) Exercise Price. Stock Appreciation Rights shall have an exercise price of not less than one hundred percent (100%) of the Market Value of the Stock or Class B Units on the date of award, or in the case of Stock Appreciation Rights in tandem with Options, the exercise price of the related Option.

(c) Other Terms. Except as the Committee may deem inappropriate or inapplicable in the circumstances, Stock Appreciation Rights shall be subject to terms and conditions substantially similar to those applicable to a Nonstatutory Option. In addition, a Stock Appreciation Right related to an Option which can only be exercised during limited periods following a Change of Control may entitle the Participant to receive an amount based upon the highest price paid or offered for Stock in any transaction relating to the Change of Control or paid during the thirty (30) day period immediately preceding the occurrence of the Change of Control in any transaction reported in the stock market in which the Stock is normally traded.

## 7.3. Restricted Stock.

(a) Purchase Price. Shares of Restricted Stock shall be issued under the Plan for such consideration, in cash, other property or services, or any combination thereof, as is determined by the Committee.

(b) Issuance of Certificates. Each Participant receiving a Restricted Stock Award with respect to Stock, subject to subsection (c) below, shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and, if applicable, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award substantially in the following form:

The shares evidenced by this certificate are subject to the terms and conditions of Silvercrest Asset Management Group Inc. 2012 Equity Incentive Plan, and an Award Agreement entered into by the registered owner and Silvercrest Asset Management Group Inc., copies of which will be furnished by the Company to the holder of the shares evidenced by this certificate upon written request and without charge.

(c) Escrow of Shares. The Committee may require that the stock certificates evidencing shares of Restricted Stock with respect to Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

(d) Restrictions and Restriction Period. During the Restriction Period applicable to shares of Restricted Stock, such shares shall be subject to limitations on transferability and a Risk of Forfeiture arising on the basis of such conditions related to the

---

performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(e) Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award.

(i) Stock. Except as otherwise provided in the Plan or the applicable Award Agreement, at all times prior to lapse of any Risk of Forfeiture applicable to, or forfeiture of, an Award of Restricted Stock with respect to Stock, the Participant shall have all of the rights of a stockholder of the Company, including the right to vote, and the right to receive any dividends with respect to, the shares of Restricted Stock (but any dividends or other distributions payable in shares of Stock or other securities of the Company shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the shares of Restricted Stock in respect of which such shares of Stock or other securities are paid). The Committee, as determined at the time of Award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent shares of Stock are available under Section 4.

(ii) Class B Units. Except as otherwise provided in the Plan or the applicable Award Agreement, at all times prior to lapse of any Risk of Forfeiture applicable to, or forfeiture of, an Award of Restricted Stock with respect to Class B Units, the Participant shall have all of the rights of a holder of Class B Units in the Partnership and a holder of the accompanying Class B shares in the Company, including the right to vote, and the right to receive any dividends and other distributions with respect to, the Restricted Stock (but any dividends or other distributions payable in shares of Stock or other securities of the Company or in Class B Units shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the Restricted Stock in respect of which such Class B Units or other securities are paid). The Committee, as determined at the time of Award, may permit or require the payment of cash dividends and other distributions to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent available under Section 4.

(f) Lapse of Restrictions. If and when the Restriction Period with respect to Stock expires without a prior forfeiture of the Restricted Stock, the certificates for such shares shall be delivered to the Participant promptly if not theretofore so delivered.

7.4. Restricted Stock Units.

(a) Character. Each Restricted Stock Unit shall entitle the recipient to one or more shares of Stock or Class B Units at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(b) Form and Timing of Payment. Payment of earned Restricted Stock Units shall be made in a single lump sum following the close of the applicable Restriction Period. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to

---

any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such Dividend Equivalents shall be paid, if at all, without interest or other earnings.

7.5. Stock Grants. Stock Grants shall be awarded solely in recognition of significant prior or expected contributions to the success of the Company or its Affiliates, as an inducement to employment, in lieu of compensation otherwise already due and in such other limited circumstances as the Committee deems appropriate. Stock Grants shall be made without forfeiture conditions of any kind.

7.6. Qualified Performance-Based Awards.

(a) Purpose. The purpose of this Section 7.6 is to provide the Committee the ability to qualify Awards as “performance-based compensation” under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 7.6 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 7.6 and the requirements of Section 162(m) of the Code applicable to “performance-based compensation.”

(b) Authority. All grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by the Committee. If not all of the members thereof qualify as “outside directors” within the meaning of Section 162(m) of the Code, however, all grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any reference in this Section 7.6 to the Committee shall mean any such subcommittee if required under the preceding sentence, and any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.

(c) Discretion of Committee with Respect to Qualified Performance-Based Awards. Any form of Award permitted under the Plan, other than a Stock Grant, may be granted as a Qualified Performance-Based Award. Stock Rights may be granted as Qualified Performance-Based Awards in accordance with Section 7.1 or Section 7.2, as appropriate, except that the exercise price of any Option or Stock Appreciation Right intended to qualify as a Qualified Performance-Based Award shall in no event be less than the Market Value of the Stock on the date of grant, and may become exercisable based on continued service, on satisfaction of Performance Goals, or on a combination thereof. Each other Award intended to qualify as a Qualified Performance-Based Award, such as Restricted Stock, Restricted Stock Units, or Performance Units, shall be subject to satisfaction of one or more Performance Goals except as otherwise provided in this Section 7.6. The Committee will have full discretion to select the length of any applicable Restriction Period or Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, a subsidiary of the Company or any division or business unit or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable

---

Performance Period (or at such other date as may be required or permitted for “performance-based compensation” under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined for purposes of Section 162(m) of the Code) at the time established.

(d) Payment of Qualified Performance-Based Awards. A Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee, *provided*, that a Qualified Performance-Based Award may be deemed earned as a result of death, becoming disabled, or in connection with a Change of Control if otherwise provided in the Plan or the applicable Award Agreement even if the Award would not constitute “performance-based compensation” under Section 162(m) of the Code following the occurrence of such an event. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion it deems such reduction or elimination is appropriate.

(e) Limitation on Adjustments for Certain Events. No adjustment of any Qualified Performance-Based Award pursuant to Section 8 shall be made except on such basis, if any, as will not cause such Award to provide other than “performance-based compensation” within the meaning of Section 162(m) of the Code.

(f) Definitions. For purposes of the Plan

(i) Performance Criteria means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses and (xxv) customer service.

(ii) Performance Goals means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon one or more of the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or

---

to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant, including whether or to what extent there shall not be taken into account any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Standard Codification Section 225-20, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

7.7. Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements to, or amendments, restatements, or alternative versions of the Plan for the purpose of granting and administering any such modified Award. No such modification, supplement, amendment, restatement or alternative version may increase the share limit of Section 4.

7.8. LTIP Awards. LTIP Awards may be granted as freestanding awards or in tandem with other Awards under the Plan. LTIP Awards shall be subject to such conditions and restrictions as the Committee, in its sole and absolute discretion, may determine, including, but not limited to, continued employment or service by the Participant, computation of financial metrics and/or the achievement of pre-established performance goals and objectives. LTIP Awards shall convert into Class B Units pursuant to such conversion ratio as the Committee may determine.

## **8. Adjustment Provisions**

8.1. Adjustment for Corporate Actions. All of the share numbers set forth in the Plan reflect the capital structure of the Company and the Partnership as of the Effective Date. If subsequent to the Effective Date the outstanding shares of Stock or Class B Units (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to

---

shares of Stock or Class B Units, as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock or Class B Units, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares provided in Section 4, (ii) the numbers and kinds of shares, units or other securities subject to the then outstanding Awards, (iii) the exercise price for each share or other unit of any other securities subject to then outstanding Stock Rights (without change in the aggregate exercise price as to which such Rights remain exercisable), and (iv) the repurchase price of each share of Restricted Stock then subject to a Risk of Forfeiture in the form of a Company repurchase right.

8.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of any corporate action not specifically covered by the preceding Section, including but not limited to an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee shall make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee shall make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

8.3. Related Matters. Any adjustment in Awards made pursuant to Section 8.1 or 8.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms, including of Stock Right exercise prices, rates of vesting or exercisability, Risks of Forfeiture, applicable repurchase prices for Restricted Stock, and Performance Goals and other business objectives which the Committee may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 8. The Committee, in its discretion, may determine that no fraction of a share of Stock or Class B Unit shall be purchasable or deliverable upon exercise, and in that event if any adjustment hereunder of the number of shares of Stock covered by an Award would cause such number to include a fraction of a share of Stock or Class B Unit, such number of shares of Stock shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price per share pursuant to Sections 8.1 or 8.2 shall result in an exercise price which is less than the par value of the Stock.

8.4. Transactions.

(a) Treatment of Stock Rights. In a Transaction, the Committee may take any one or more of the following actions as to all or any (or any portion of) outstanding Stock Rights.

(1) Provide that such Stock Rights shall be assumed, or substantially equivalent rights shall be provided in substitution therefore, by the acquiring or succeeding entity (or an affiliate thereof).

(2) Upon written notice to the holders, provide that the holders' unexercised Stock Rights will terminate immediately prior to the

---

consummation of such Transaction unless, in the case of Stock Rights then exercisable, such Rights are exercised within a specified period following the date of such notice.

(3) Provide that outstanding Stock Rights shall become exercisable in whole or in part prior to or upon the Transaction.

(4) Provide for cash payments, net of applicable tax withholdings, to be made to holders equal to the excess, if any, of (A) the acquisition price times the number of shares of Stock or Class B Units subject to the Stock Right (to the extent the exercise price does not exceed the acquisition price) over (B) the aggregate exercise price for all such shares of Stock or Class B Units subject to the Stock Right, in exchange for the termination of such Stock Right; provided, that if the acquisition price does not exceed the exercise price of any such Stock Right, the Committee may cancel that Stock Right without the payment of any consideration therefor prior to or upon the Transaction. For this purpose, "acquisition price" means the amount of cash, and market value of any other consideration, received in payment for a share of Stock or Class B Unit surrendered in a Transaction.

(5) Provide that, in connection with a liquidation or dissolution of the Company, Stock Rights shall convert into the right to receive liquidation proceeds net of the exercise price thereof and any applicable tax withholdings.

(6) Any combination of the foregoing.

For purposes of paragraph (1) above, a Stock Right shall be considered assumed, or a substantially equivalent right shall be considered to have been provided in substitution therefore, if following consummation of the Transaction the Stock Right confers the right to purchase or receive the value (after the applicable exercise price) of the consideration received as a result of the Transaction by holders of Stock or Class B Units for each share of Stock or Class B Unit held immediately prior to the consummation of the Transaction for each share of Stock or Class B Unit subject to the Right immediately prior to the consummation of the Transaction; *provided, however*, that if holders were offered a choice of consideration, the relevant consideration shall be the type of consideration chosen by the holders of a majority of the outstanding shares of Stock or Class B Units, as applicable; *and provided, further, however*, that if the consideration received as a result of the Transaction is not solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof), the Committee may provide for the consideration to be received upon the exercise of the Stock Right to consist of or be based on solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof) equivalent in value to the per share consideration received by holders of outstanding shares of Stock or Class B Units as a result of the Transaction. In all cases, including in determining any acquisition price under paragraph (4) above, the consideration received in any Transaction need not take into account any contingent consideration except on such basis as the Committee may determine.

(b) Treatment of Other Awards. As to outstanding Awards other than Stock Rights, upon the occurrence of a Transaction other than a liquidation or dissolution of the Company which is not part of another form of Transaction, the repurchase and other rights of the Company under each such Award shall inure to the benefit of the Company's successor and shall,

---

unless the Committee determines otherwise, apply to the cash, securities or other property which the Stock or Class B Unit was converted into or exchanged for pursuant to such Transaction in the same manner and to the same extent as they applied to the Award.

(c) Related Matters. In taking any of the actions permitted under this Section 8.4, the Committee shall not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically. Any determinations required to carry out the foregoing provisions of this Section 8.4, including but not limited to the market value of other consideration received by holders of Stock or Class B Units in a Transaction and whether substantially equivalent Rights have been substituted, shall be made by the Committee acting in its sole discretion. In connection with any action or actions taken by the Committee in respect of Awards and in connection with a Transaction, the Committee may require such acknowledgements of satisfaction and releases from Participants as it may determine.

## **9. Change of Control**

Except as otherwise provided below, upon the occurrence of a Change of Control, the Committee may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards:

(a) provide that any and all Options and Stock Appreciation Rights not already exercisable in full shall Accelerate with respect to all or a portion of the shares for which such Options or Stock Appreciation Rights are not then exercisable;

(b) provide that any Risk of Forfeiture applicable to Restricted Stock, Restricted Stock Units and other Awards which is not based on achievement of Performance Goals shall lapse with respect to all or a portion of the Restricted Stock and Restricted Stock Units or other Awards still subject to such Risk of Forfeiture immediately prior to the Change of Control; and

(c) provide that all or a portion of the outstanding Awards of Restricted Stock and Restricted Stock Units or other Awards conditioned on the achievement of Performance Goals or other business objectives and the target payout opportunities attainable under outstanding Qualified Performance-Based Awards shall be deemed to have been satisfied as of the effective date of the Change of Control as to a pro rata number of shares of Stock or Class B Units based on the assumed achievement of all relevant Performance Goals or objectives and the length of time within the Performance Period which has elapsed prior to the Change of Control. All such Awards shall be paid to the extent earned to Participants in accordance with their terms within thirty (30) days following the effective date of the Change of Control.

None of the foregoing shall apply, however, (i) in the case of any Award pursuant to an Award Agreement requiring other or additional terms upon a Change of Control (or similar event), or (ii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges. Nor shall the foregoing apply in the case of a Qualified Performance-Based Award except to the extent the foregoing would not interfere with the qualification of the Award under 162(m) of the Code at any time prior to a Change of Control (so that, for example, if a Change of Control occurs but does not constitute a change of control within the meaning of Section 162(m) of the Code, there shall be no Acceleration of any Qualified Performance-Based Award pursuant to this Section 9, but if the Change of Control does constitute a change of control within the meaning of Section 162(m) of the Code, then the Award shall Accelerate to the extent provided above regardless of whether it thereafter ceases to qualify as a Qualified Performance-Based Award).

---

## 10. Settlement of Awards

10.1. In General. Awards of Restricted Stock shall be settled in accordance with their terms. All other Awards may be settled in cash or Stock or Class B Units, or a combination thereof, as determined by the Committee at or after grant and subject to any contrary Award Agreement. The Committee may not require settlement of any Award in Stock or Class B Units pursuant to the immediately preceding sentence to the extent issuance of such Stock or Class B Units would be prohibited or unreasonably delayed by reason of any other provision of the Plan.

10.2. Violation of Law. Notwithstanding any other provision of the Plan or the relevant Award Agreement, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Stock or Class B Units covered by an Award may constitute a violation of law, then the Company may delay such issuance and the delivery of a certificate for such shares or the delivery of such Class B Units until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares of Stock or Class B Units are at the time of the issue of such shares effectively registered under the Securities Act of 1933, as amended; or

(b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws.

The Company shall make all reasonable efforts to bring about the occurrence of said events.

### 10.3. Restrictions on Rights in Stock and Class B Units.

(a) Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the charter, certificate or articles, and by-laws, of the Company. Whenever Stock is to be issued pursuant to an Award, if the Committee so directs at or after grant, the Company shall be under no obligation to issue such shares until such time, if ever, as the recipient of the Award (and any person who exercises any Option, in whole or in part), shall have become a party to and bound by the Stockholders' Agreement, if any. In the event of any conflict between the provisions of this Plan and the provisions of the Stockholders' Agreement, the provisions of the Stockholders' Agreement shall control except as required to fulfill the intention that any Incentive Option qualify as such, but insofar as possible the provisions of the Plan and the Stockholders' Agreement shall be construed so as to give full force and effect to all such provisions.

(b) Any Class B Units to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter

---

imposed by the charter or by-laws of the Company and the Partnership Agreement of the Partnership. Whenever Class B Units are to be issued pursuant to an Award, if the Committee so directs at or after grant, the Partnership shall be under no obligation to issue Class B Units in the Partnership, and Company shall be under no obligation to issue accompanying Class B shares, until such time, if ever, as the recipient of the Award (and any person who exercises any Option, in whole or in part), shall have become a party to and bound by the Partnership Agreement. In the event of any conflict between the provisions of this Plan and the provisions of the Partnership Agreement, the provisions of the Partnership Agreement shall control, but insofar as possible the provisions of the Plan and the Partnership Agreement shall be construed so as to give full force and effect to all such provisions.

10.4. Investment Representations. The Company shall be under no obligation to issue any shares of Stock or Class B Units covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act of 1933, as amended, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for purposes of confirming that the issuance of such shares or Class B Units will be exempt from the registration requirements of that Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations, including but not limited to that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

10.5. Registration. If the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or other applicable statutes any shares of Stock or Class B Units issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such shares of Stock or Class B Units for exemption from the Securities Act of 1933, as amended or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of shares of Stock or Class B Units acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of shares of Stock or Class B Units, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock or Class B Units during the 180 day period commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 10.5, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company's directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock or Class B Units acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company's directors and officers are required to adhere; and (b) at the request of the

---

Company or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company's directors and officers.

10.6. Placement of Legends; Stop Orders; etc. Each share of Stock or Class B Unit to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representations made in accordance with Section 10.4 in addition to any other applicable restrictions under the Plan, the terms of the Award and, if applicable, under the Stockholders' Agreement and the Partnership Agreement, and to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to such shares of Stock or Class B Units. All certificates for shares of Stock or Class B Units or other securities delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock or Class B Units is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

10.7. Tax Withholding. Whenever shares of Stock or Class B Units are issued or to be issued pursuant to Awards granted under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the recipient of an Award. However, in such cases Participants may elect, subject to the approval of the Committee, acting in its sole discretion, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold shares of Stock or Class B Units to satisfy their tax obligations. Participants may only elect to have shares of Stock or Class B Units withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate.

10.8. Company Charter and By-Laws; Other Company Policies. This Plan and all Awards granted hereunder are subject to the certificate of incorporation and by-laws of the Company, as they may be amended from time to time, and all other Company policies duly adopted by the Board, the Committee or any other committee of the Board as in effect from time to time regarding the acquisition, ownership or sale of Stock by employees and other service providers, including, without limitation, policies intended to limit the potential for insider trading and to avoid or recover compensation payable or paid on the basis of inaccurate financial results or statements, employee conduct, and other similar events.

10.9. Partnership Agreement and Other Partnership Policies. This Plan and all Awards with respect to Class B Units granted hereunder are subject to the Partnership Agreement of the Partnership, and all other Partnership policies duly adopted by the Partnership as in effect from time to time regarding the acquisition, ownership or sale of interests in the Partnership by employees and other service providers, including, without limitation, policies intended to limit the potential for insider trading and to avoid or recover compensation payable or paid on the basis of inaccurate financial results or statements, employee conduct, and other similar events.

---

## 11. Reservation of Stock and Class B Units

The Company and the Partnership shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of shares of Stock and Class B Units, respectively, as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company or the Partnership in connection therewith.

## 12. Limitation of Rights in Stock and Class B Units; No Special Service Rights

12.1. Limitation of Rights. A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock subject to an Award, unless and until a certificate shall have been issued therefor and delivered to the Participant or his agent. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the certificate of incorporation and the by-laws of the Company. Any Class B Units to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Partnership Agreement.

12.2. No Special Service Rights. Nothing contained in the Plan or in any Award Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate certificate of incorporation or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

## 13. Unfunded Status of Plan

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Stock Rights and other Awards hereunder, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

## 14. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor any action taken in connection with the adoption or operation of the Plan shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

---

## 15. No Guarantee of Tax Consequences; Section 409A of the Code

Neither the Company nor any Affiliate, nor any director, officer, agent, representative or employee of either, guarantees to the Participant or any other person any particular tax consequences as a result of the grant of, exercise of rights under, or payment in respect of an Award, including but not limited to that an Option granted as an Incentive Option has or will qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

Without limiting the generality of the foregoing, it is intended that all Awards shall be granted and maintained on a basis which ensures they are exempt from, or otherwise compliant with, the requirements of Section 409A of the Code and the Plan shall be governed, interpreted and enforced consistent with such intent. Neither the Committee nor the Company, nor any of its Affiliates or its or their officers, employees, agents, or representatives, shall have any liability or responsibility for any adverse federal, state or local tax consequences and penalty taxes which may result the grant or settlement of any Award on a basis contrary to the provisions of Section 409A of the Code or comparable provisions of any applicable state or local income tax laws.

## 16. Termination and Amendment of the Plan

16.1. Termination or Amendment of the Plan. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval if applicable, the Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment.

16.2. Termination or Amendment of Outstanding Awards; Assumptions. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval if applicable, the Committee may at any time:

(a) amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan;

(b) accept the cancellation of outstanding Awards or of outstanding stock options or other equity-based compensation awards granted by another issuer in return for the grant of new Awards for the same or a different number of shares of Stock or Class B Units and on the same or different terms and conditions (including but not limited to the exercise price of any Option); and

(c) (i) offer to buy out for a payment in cash or cash equivalents, or in exchange for another Award, any Award previously granted, or (ii) authorize the recipient of an Award to elect to cash out an Award previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

### 16.3. Limitations on Amendments, Etc.

Without the approval of the Company’s stockholders, no amendment or modification of the Plan by the Board may (i) increase the number of shares of Stock which may be issued under the Plan, (ii) change the description of the persons eligible for Awards, or (iii) effect any other change for which stockholder approval is required by law or the rules of any relevant stock exchange. Furthermore, except in connection with a corporate transaction involving the

---

Company, the terms of outstanding Stock Rights with respect to Stock may not be amended to reduce their exercise price, nor may such outstanding Stock Rights be cancelled in exchange for cash, Stock Rights with exercise prices that are less than the exercise prices of the original Stock Rights, or other Awards, without stockholder approval.

No amendment or modification of the Plan by the Board, or of an outstanding Award by the Committee, shall impair the rights of the recipient of any Award outstanding on the date of such amendment or modification or such Award, as the case may be, without the Participant's consent; *provided, however*, that no such consent shall be required if (i) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, including without limitation the provisions of Section 409A of the Code, or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard, or (ii) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration is not reasonably likely to significantly diminish the benefits provided under the Award, or that any such diminution has been adequately compensated.

#### **17. Notices and Other Communications**

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to the recipient of an Award, at his or her residence address last filed with the Company and (ii) if to the Company, at its principal place of business, addressed to the attention of its Treasurer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

#### **18. Administrative Provisions**

Nothing contained in the Plan shall require the issuance or delivery of certificates for any period during which the Company has elected to maintain or caused to be maintained the evidence of ownership of its shares of Stock, either generally or in the case of Stock acquired pursuant to Awards, by book entry, and all references herein to such actions or to certificates shall be interpreted accordingly in light of the systems maintained for that purpose. Furthermore, any reference herein to actions to be taken or notices (including of grants of Awards) to be provided in writing or pursuant to specific procedures may be satisfied by means of and pursuant to any electronic or automated voice response systems the Company may elect to establish for such purposes, either by itself or through the services of a third party, for the period such systems are in effect.

#### **19. Governing Law**

The Plan and all Award Agreements and actions taken thereunder otherwise shall be governed, interpreted and enforced in accordance with the laws of State of Delaware, without regard to the conflict of laws principles thereof.

---

**SILVERCREST ASSET MANAGEMENT GROUP INC.**

**CLASS B STOCKHOLDERS' AGREEMENT**

Dated as of [            ], 2012

---

---

## TABLE OF CONTENTS

	Page
ARTICLE 1 VOTING OF CLASS B SHARES	1
1.1 Preliminary Vote of Executive Committee	1
1.2 Voting by Class B Stockholders	1
ARTICLE 2 TRANSFER OF CLASS B SHARES	2
2.1 Transfers Generally	2
2.2 Compliance with Law and Regulations	2
2.3 Legend on Certificates: Entry of Stop Transfer Orders	3
2.4 Certificates to be Held by Company	3
2.5 Transfers in Violation of Agreement Void	3
ARTICLE 3 REPRESENTATIONS AND WARRANTIES	4
3.1 Representations and Warranties of the Class B Stockholders	4
3.2 Representations and Warranties of the Company	4
ARTICLE 4 DEFINITIONS	5
ARTICLE 5 MISCELLANEOUS	6
5.1 Notices	6
5.2 Term of the Agreement	7
5.3 Amendments; Waivers	7
5.4 Adjustment Upon Changes in Capitalization	7
5.5 Disinterested Committee Members to Make Determinations	8
5.6 Severability	8
5.7 Representatives, Successors and Assigns	8
5.8 Governing Law	8
5.9 Specific Performance	8
5.10 Submission to Jurisdiction; Waiver of Immunity	9
5.11 Waiver of Jury Trial	9
5.12 Further Assurances	9
5.13 Execution in Counterparts	9
5.14 Entire Agreement	9
5.15 Construction	9
5.16 Interpretation	10

Annex A — Additional Party Signature Page

---

**CLASS B STOCKHOLDERS' AGREEMENT**

This CLASS B STOCKHOLDERS' AGREEMENT (this "Agreement") is dated as of [            ], 2012, by and among Silvercrest Asset Management Group Inc., a Delaware corporation (the "Company"), and Class B Stockholders signatory hereto or to the Additional Party Signature Page in the form attached hereto as Annex A. Capitalized terms used herein have their respective meanings set forth in Article IV of this Agreement.

**WITNESSETH**

WHEREAS, the Class B Stockholders Own all the outstanding shares of Class B common stock, par value \$0.01 per share, of the Company (the "Class B Shares");

WHEREAS, the Company is the general partner of Silvercrest L.P., a Delaware limited partnership, and Owns all the outstanding Class A Units of Silvercrest L.P.;

WHEREAS, the Class B Stockholders own, in the aggregate, all the outstanding Class B Units of Silvercrest L.P.;

WHEREAS, the Company and the Class B Stockholders are parties to the Second Amended and Restated Limited Partnership Agreement of Silvercrest L.P., dated [            ], 2012 (the "Silvercrest LPA"); and

WHEREAS, the Company and the Class B Stockholders desire to make provisions with respect to the voting and Transfer of the Class B Shares and various other affairs of the Company.

NOW THEREFORE, in consideration of the premises and of the mutual agreements, covenants and provisions herein contained and for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

**ARTICLE 1**

**VOTING OF CLASS B SHARES**

1.1 **Preliminary Vote of Executive Committee.** Before any vote of the stockholders of the Company at a meeting called with respect to any corporate action, a vote (the "Preliminary Vote") shall be taken of the Executive Committee, upon all such matters upon which such stockholder vote or other action is proposed to be taken. The Preliminary Vote of each member of the Executive Committee shall be weighted based on the number of Class B Units owned by the Executive Committee member relative to the number of Class B Units owned by all members of the Executive Committee.

1.2 **Voting by Class B Stockholders.**

(a) At any meeting of the stockholders of the Company called to vote with respect to any corporate action, each Class B Stockholder agrees to vote with respect to all the

---

Class B Shares and, if applicable, Class A Shares then Owned by such Class B Stockholder on all such matters in which action is proposed to be taken in accordance with the Preliminary Vote of the Executive Committee.

(b) For purposes of effecting any vote pursuant to this Section 1.2, during the term of this Agreement, each Class B Stockholder does hereby irrevocably make, constitute and appoint the members of the Executive Committee, as specified in the Silvercrest LPA, with full power of substitution, as his, her or its true attorney-in-fact and agent, for and in his, her or its name, place and stead, to act as his, her or its proxy to the maximum extent and for the maximum term permitted by law to (i) vote the Class B Shares and, if applicable, Class A Shares then Owned by such Class B Stockholder at any meeting of stockholders of the Company in accordance with Section 1.2(a) and (ii) vote the Class B Shares and, if applicable, Class A Shares then Owned by such Class B Stockholder in such proxy holder's discretion upon any other business which is not presented in the notice of such meetings but properly comes before such meetings (for example, adjournment of such meetings), giving and granting to said attorney full power and authority to do and perform each and every act and thing whether necessary or desirable to be done in and about the premises, as fully as he, she or it might or could do if personally present, with full power of substitution, appointment and revocation. The foregoing power of attorney and proxy are coupled with an interest and shall not be revocable or revoked by such Class B Stockholder and shall be binding upon such Class B Stockholder and his, her or its successors and assigns.

## ARTICLE 2

### TRANSFER OF CLASS B SHARES

2.1 **Transfers Generally.** Each Class B Stockholder agrees that, in addition to any restrictions imposed by the Charter, the Silvercrest LPA and applicable law:

(a) such Class B Stockholder shall not Transfer any Class B Shares to any Person unless such Class B Stockholder concurrently Transfers an equal number of Class B Units to such Person; and

(b) in the event that such Class B Stockholder Transfers any Class B Units to any Person, such Class B Stockholder shall concurrently Transfer an equal number of Class B Shares to such Person.

2.2 **Compliance with Law and Regulations.** Each Class B Stockholder agrees that any Transfer of Class B Shares by such Class B Stockholder shall be in compliance with federal and state securities laws, and any applicable law, rule or regulation of the Commission or any other governmental agency having jurisdiction.

---

### 2.3 **Legend on Certificates: Entry of Stop Transfer Orders.**

(a) Each Class B Stockholder agrees that each outstanding certificate representing any Class B Shares and, if applicable, Class A Shares that are subject to this Agreement shall bear an endorsement noted conspicuously on each such certificate reading substantially as follows:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO (1) THE RESTRICTIONS ON TRANSFER SET FORTH IN THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF SILVERCREST ASSET MANAGEMENT GROUP INC., DATED [        ], 2012, AS MAY BE AMENDED FROM TIME TO TIME, (2) THE TERMS OF THE CLASS B STOCKHOLDERS' AGREEMENT, DATED [        ], 2012, OF SILVERCREST ASSET MANAGEMENT GROUP INC. AND (3) THE EXCHANGE AGREEMENT, DATED [        ], 2012.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR THE APPLICABLE SECURITIES ACT OF ANY STATE BUT HAVE BEEN ISSUED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION CONTAINED IN SAID ACTS. NO SALE, OFFER TO SELL OR OTHER TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE UNLESS A REGISTRATION STATEMENT UNDER SAID ACTS IS IN EFFECT WITH RESPECT TO THE SECURITIES, OR AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF SUCH ACTS IS THEN IN FACT APPLICABLE.

(b) Each Class B Stockholder agrees to the entry of stop transfer orders against any attempted transfer of legended certificates representing its Class B Shares and Class A Shares that is not in compliance with this Agreement.

2.4 **Certificates to be Held by Company.** Each Class B Stockholder agrees that the certificates representing such Class B Stockholder's Class B Shares and, if applicable, Class A Shares shall be issued in the name of a nominee holder to be designated by the Company and shall be held in custody by the Company at its principal office. Subject to Section 2.1, the Company shall, upon the request of any such Class B Stockholder or the estate of any such Class B Stockholder, as the case may be, in writing addressed to the Secretary of the Company or any officer designated by the Secretary (which request shall include a representation by such Class B Stockholder or estate thereof that such Class B Stockholder is then permitted to Transfer a specified number of Class B Shares under the provisions of this Agreement), promptly release from custody the certificates representing such specified number of Class B Stockholder's Class B Shares, which are then intended and permitted to be Transferred under the provisions of this Agreement.

2.5 **Transfers in Violation of Agreement Void.** Any attempted Transfer of Class B Shares not made in accordance with the provisions of this Agreement shall be void, and the Company shall not register, or cause or permit the registry, of Class B Shares Transferred in violation of this Agreement.

---

## ARTICLE 3

### **REPRESENTATIONS AND WARRANTIES**

3.1 **Representations and Warranties of the Class B Stockholders.** Each Class B Stockholder severally represents and warrants to the Company and to each other Class B Stockholder that (a) in the case of a Class B Stockholder who is a natural person, such Class B Stockholder is of sound mind and has full legal capacity to enter into, execute, deliver and perform this Agreement; (b) in the case of a Class B Stockholder who is not a natural person, such Class B Stockholder is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed or organized and is duly authorized to enter into, execute, deliver and perform this Agreement; (c) this Agreement has been duly executed by such Class B Stockholder or his, her or its attorney-in-fact on behalf of such Class B Stockholder and is a valid and binding agreement of such Class B Stockholder, enforceable against such Class B Stockholder in accordance with its terms; (d) the execution, delivery and performance by such Class B Stockholder of this Agreement does not violate or conflict with or result in a breach of or constitute (or with notice or lapse of time or both constitute) a default under any agreement to which such Class B Stockholder is a party and in the case of a Class B Stockholder that is not a natural person, its charter, bylaws or other organizational documents; and (e) such Class B Stockholder has good and marketable title to the Class B Shares and, if applicable, Class A Shares Owned by such Class B Stockholder and Owns such Class B Shares and Class A Shares free and clear of any pledge, lien, security interest, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement.

3.2 **Representations and Warranties of the Company.** The Company represents and warrants to the Class B Stockholders that (a) the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware; (b) the Company is duly authorized to enter into, execute, deliver and perform this Agreement; (c) this Agreement has been duly executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms; and (d) the execution, delivery and performance by the Company of this Agreement does not violate or conflict with or result in a breach by the Company of or constitute (or with notice or lapse of time or both constitute) a default by the Company under its Charter or By-Laws, any existing applicable law, rule, regulation, judgment, order, or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company or its property including the requirements of Nasdaq, or any agreement or instrument to which the Company is a party or by which the Company or its property may be bound.

---

## ARTICLE 4

### DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

“Agreement” has the meaning set forth in the preamble to this Agreement.

“Business Day” means a day on which the principal national securities exchange on which the Class A Shares are listed or admitted to trading is open for the transaction of business or, if the Class A Shares are not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the Borough of Manhattan, City and State of New York are not authorized or obligated by law or executive order to close.

“By-Laws” means the Amended and Restated Bylaws of Silvercrest Asset Management Group Inc., as amended from time to time after the date hereof.

“Charter” means the Amended and Restated Certificate of Incorporation of the Company, in effect on the date hereof and as may be amended from time to time in the future.

“Class A Shares” means share of Class A common stock, par value \$0.01 per share, of the Company.

“Class A Units” has the meaning set forth in the Silvercrest LPA.

“Class B Shares” has the meaning set forth in the recitals of this Agreement.

“Class B Stockholder” means a holder of outstanding Class B Shares, as set forth on the books and records of the Company from time to time.

“Class B Units” has the meaning set forth in the Silvercrest LPA.

“Commission” means the Securities and Exchange Commission of the United States.

“Company” has the meaning set forth in the preamble to this Agreement and any successors thereof, whether by operation of law or otherwise.

“Company Group” means the Company and its Subsidiaries.

“Executive Committee” means the Executive Committee defined in the Silvercrest LPA.

“Nasdaq” means The NASDAQ Stock Market.

“Own” means to own of record or beneficially, whether directly, through a nominee designated by the Company pursuant to Section 2.4 or through any other Person.

“Person” means any natural person or any firm, partnership, limited liability partnership, association, corporation, limited liability company, trust, business trust, governmental authority or other entity.

“Preliminary Vote” has the meaning set forth in Section 1.1.

“Silvercrest LPA” has the meaning set forth in the recitals of this Agreement.

---

“**Subsidiary**” means a corporation, limited liability company, limited partnership or other entity of which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, equity interests, contract or otherwise, (i) to elect at least a majority of the members of such entity’s board of directors or other governing body or (ii) in the absence of a governing body, to control the business affairs of such entity.

“**Transfer**” means, with respect to any Class B Shares, directly or indirectly, (i) to sell, assign, transfer, pledge (including in margin transactions), convey, distribute, mortgage, encumber, hypothecate or otherwise dispose, whether by gift, for consideration or for no consideration and (ii) to grant any right to vote, whether by proxy, voting agreement, voting trust or otherwise.

## ARTICLE 5

### MISCELLANEOUS

5.1 **Notices.** All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by facsimile (provided a copy is thereafter promptly delivered as provided in this Section 3.3) or nationally recognized overnight courier, addressed to such party at the address or facsimile number set forth below or such other address or facsimile number as may hereafter be designated in writing by such party to the other parties:

(a) if to the Company, to:

Silvercrest Asset Management Group Inc.  
1330 Avenue of the Americas  
38<sup>th</sup> Floor  
New York, NY 10019  
(T) (212) 649-0600  
(F) (212) 649-0606  
Attention: General Counsel

with a copy to:

Bingham McCutchen LLP  
399 Park Avenue  
New York, New York 10022  
(T) (212) 705-7000  
(F) (212) 752-5378  
Attention: Floyd I. Wittlin, Esq.

(b) if to any of the Class B Stockholders, to the address and facsimile number set forth in the records of the Company.

---

(c) All such notices, requests, demands, waivers and other communications shall be deemed to have been given and received (i) if by personal delivery or telecopy, on the day of such delivery, (ii) if by first-class, registered or certified mail, on the fifth Business Day after the mailing thereof or (iii) if by reputable overnight delivery service, on the day delivered.

**5.2 Term of the Agreement.**

(a) This Agreement shall become effective on the date hereof and shall terminate on the earlier of (i) the first date on which there is no Class B Stockholder remaining or (ii) the date on which the Executive Committee and at least 75% of the Class B Stockholders agree to terminate this Agreement. Unless this Agreement is theretofore terminated pursuant to this Section 5.2(a), all Class B Stockholders shall be bound by its terms.

(b) A Class B Stockholder shall cease to be a party to this Agreement upon (i) the Transfer of all the Class B Shares Owned (both vested and unvested, and Class A Shares (both vested and unvested) owned by such Class B Stockholder to another Person in accordance with the terms of this Agreement or (ii) upon the termination of employment of the Class B Stockholder with the Company Group.

**5.3 Amendments; Waivers.**

(a) This Agreement may be amended or modified, and any provision in this Agreement may be waived, with the consent of the Company and the Class B Stockholders that Own, in aggregate, a majority of the Class B Shares Owned by Class B Stockholders who are then bound by the terms of this Agreement (other than an amendment that, in the good faith judgment of the Executive Committee, is intended to cure any ambiguity or correct or supplement any provisions of this Agreement that may be incomplete or inconsistent with any other provision contained herein, which amendment may be made by the Company); provided, that, without the consent of any Person, a Person who becomes a Class B Stockholder after the date hereof shall execute and deliver an Additional Party Signature Page to this Agreement in the form attached hereto as Annex A to become a party to this Agreement.

(b) The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the rights at a later time to enforce the same. No waiver by any party of the breach of any term contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach or the breach of any other term of this Agreement.

**5.4 Adjustment Upon Changes in Capitalization.** In the event of any change in the outstanding Class B Shares of the Company by reason of stock dividends, split-ups, recapitalizations, combinations, exchanges of shares and the like, the term "Class B Shares" shall refer to and include the securities received or resulting therefrom and the terms and provisions of this Agreement shall be appropriately adjusted so that each Class B Stockholder will thereafter continue to have and be subject to, to the greatest extent practicable, the same rights and obligations he, she or it had been subject to prior to such change.

---

**5.5 Disinterested Committee Members to Make Determinations.** In the event that any Class B Stockholder breaches its obligations under this Agreement, then the Executive Committee shall have the exclusive right to make any and all determinations that may be necessary or appropriate under this Agreement, including without limitation, determinations relating to the exercise and enforcement of remedies hereunder. If a Class B Stockholder who is also a member of the Executive Committee breaches his or her obligations under this Agreement, such Class B Stockholder must refrain from exercising his or her vote at meetings of the Executive Committee to give effect to this Section 5.5.

**5.6 Severability.** If the final determination of a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision hereof is invalid or unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

**5.7 Representatives, Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their respective legatees, legal representatives, successors and assigns; provided that Class B Stockholders may not assign, delegate or otherwise transfer any of their rights or obligations under this Agreement except with the written consent of the Executive Committee.

**5.8 Governing Law.** **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE (WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES THEREOF).** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions and other equitable remedies to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the United States District Court for the Southern District of New York and the courts of the State of New York sitting in the County of New York (and any court to which an appeal therefrom may be taken), this being in addition to any other remedy to which they are entitled at law or in equity. Any requirements for the securing or posting of any bond with respect to such remedy are hereby waived by each of the parties hereto. Each party further agrees that, in the event of any action for an injunction or other equitable remedy in respect of such breach or enforcement of specific performance, it will not assert the defense that a remedy at law would be adequate.

**5.9 Specific Performance.** Each of the parties hereto acknowledges that it will be impossible to measure in money the damage to the Company or the Class B Stockholders if any party hereto fails to comply with the provisions of Article 1 or 2 and each party hereto agrees that in the event of any such failure, neither the Company nor any Class B Stockholder will have an adequate remedy at law. Therefore, the Company and each Class B Stockholder, in addition to all of the other remedies which may be available, shall have the right to equitable relief, including, without limitation, the right to enforce specifically the provisions of Articles 1 and 2 by obtaining injunctive relief against any violation thereof, or otherwise. All claims for specific performance of one or more provisions of this Agreement shall be resolved exclusively by litigation before a court of competent jurisdiction located in the State of New York.

---

5.10 **Submission to Jurisdiction; Waiver of Immunity.** Each Class B Stockholder, for itself and its successors and assigns, hereby irrevocably waives (a) any objection, and agrees not to assert, as a defense in any legal or equitable action, suit or proceeding against such Class B Stockholder arising out of or relating to this Agreement or any transaction contemplated hereby or the subject matter of any of the foregoing, that (i) it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable before such arbitral body or in said courts, (ii) the venue thereof may not be appropriate and (iii) the internal laws of the State of Delaware do not govern the validity, interpretation or effect of this Agreement, (b) any immunity from jurisdiction to which it might otherwise be entitled in any such arbitration, action, suit or proceeding which may be instituted before any state or federal court in the State of Delaware or the State of New York in accordance with Section 5.9 and (c) any immunity from the maintaining of an action against it to enforce any judgment for money obtained in any such arbitration, action, suit or proceeding and, to the extent permitted by applicable law, any immunity from execution.

5.11 **Waiver of Jury Trial.** EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE, IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

5.12 **Further Assurances.** Each Class B Stockholder shall execute, deliver, acknowledge and file such other documents and take such further actions as may be reasonably requested from time to time by the Company to give effect to and carry out the transactions contemplated herein.

5.13 **Execution in Counterparts.** This Agreement may be executed in any number of counterparts, including electronic counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument, it being understood that both parties need not sign the same counterpart.

5.14 **Entire Agreement.** This Agreement, including Annex A hereto, contains the entire understanding of the parties with respect to the subject matter hereof, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

5.15 **Construction.** This Agreement shall be decided by a court of law and shall not be construed in favor of the drafters of this Agreement.

---

5.16 **Interpretation.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “included”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

*[Signature page to follow]*

---

IN WITNESS WHEREOF, the parties hereto have caused this Class B Stockholders' Agreement to be duly executed as of the date first above written.

SILVERCREST ASSET MANAGEMENT GROUP  
INC.

By: \_\_\_\_\_  
Name:  
Title:

**[Add signature blocks for Class B Stockholders]**

---

**ANNEX A**

**FORM OF ADDITIONAL PARTY SIGNATURE PAGE**

THE UNDERSIGNED has caused this Additional Party Signature Page to be duly executed as of the date written below intending to become a party to, and be bound by, the Class B Stockholders' Agreement, dated as of [            ], 2012, as amended to date, among Silvercrest Asset Management Group Inc. and the Class B Stockholders parties thereto.

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

**SECOND AMENDED AND RESTATED  
LIMITED PARTNERSHIP AGREEMENT**

**of**

**SILVERCREST L.P.**

**Effective as of \_\_\_\_\_, 2012**

---

Table of Contents

	Page
SECTION 1. DEFINITIONS	1
SECTION 2. FORMATION OF THE PARTNERSHIP	11
2.1. Formation	11
2.2. Name of the Partnership	12
2.3. Mission Statement	12
2.4. Purpose	12
2.5. Term	13
2.6. Principal Office	13
2.7. Partners	13
2.8. Classes of Partners	13
2.9. Classes of Units	13
2.10. Scope of Authority	13
2.11. Partnership Property; Payment of Individual Obligations	14
2.12. Transactions with Affiliates	14
SECTION 3. PARTNERS; INTERESTS; CAPITAL; CAPITAL ACCOUNTS	14
3.1. Initial Capital Contributions and Interests	14
3.2. Issuance of Additional Interests	14
3.3. Additional Capital Contributions	15
3.4. Capital Accounts	15
3.5. Loans	15
3.6. Limitations on Return of Capital	16
SECTION 4. PROFIT, LOSS AND DISTRIBUTIONS	16
4.1. Distributions; Tax Withholding	16
4.2. In-Kind Distributions	18
4.3. Allocation of Net Income and Net Loss	19
4.4. Special Allocations	20
4.5. Tax Allocations	22
4.6. General	22
4.7. Operating Costs and Expenses	22

---

Table of Contents  
(continued)

	Page
SECTION 5. MANAGEMENT: RIGHTS, POWERS, AND DUTIES	23
5.1. General Partner	23
5.2. Meetings and Voting	23
5.3. Annual Budget	24
5.4. Duties of Parties	24
5.5. Restrictive Covenants	25
5.6. Injunctive Relief	27
5.7. Relationship with the General Partner	27
5.8. Executive Committee	30
SECTION 6. LIABILITY AND INDEMNIFICATION; FIDUCIARY DUTIES	30
6.1. Liability of Covered Persons	30
6.2. Indemnification of Covered Persons	30
6.3. Indemnification Procedure	31
6.4. Reliance	32
6.5. Fiduciary Duty	32
SECTION 7. TRANSFER OF INTERESTS	33
7.1. Transfers of Units	33
SECTION 8. ADDITIONAL PARTNERS, VESTING AND FORFEITURE OF UNITS	34
8.1. Grants of Additional Units	34
8.2. Acceptance of Additional Partners	35
8.3. Representations and Warranties of the Additional Partners	36
8.4. Certain Rights and Obligations of Additional Partners	36
8.5. Redemption Upon Termination For Cause	37
8.6. Automatic Exchange Upon Termination and Certain Transfers	37
8.7. Forfeiture of Class B Units	38
8.8. Power of Attorney	38
SECTION 9. DISSOLUTION, LIQUIDATION AND TERMINATION OF THE PARTNERSHIP	39
9.1. Events of Dissolution	39
9.2. Wind-up of Affairs	39
9.3. Filing of Certificate of Cancellation	39

---

Table of Contents  
(continued)

	Page
9.4. Distributions in Liquidation	39
9.5. Claims of the Partners	40
9.6. Termination of Restrictions	40
SECTION 10. BOOKS, RECORDS, ACCOUNTING AND CERTAIN OTHER TAX MATTERS	40
10.1. Bank Accounts	40
10.2. Books and Records	40
10.3. Fiscal Year	41
10.4. Reports	41
10.5. Selection of CPAs	42
10.6. Tax Matters	42
SECTION 11. MISCELLANEOUS TERMS AND CONDITIONS	43
11.1. Dispute Resolution	43
11.2. Appraisal	43
11.3. Public Announcements	44
11.4. Governing Law	44
11.5. Entire Agreement	44
11.6. Notices	44
11.7. Confidentiality	44
11.8. Successors and Assigns	45
11.9. Further Assurances	45
11.10. No Third Party Beneficiaries	45
11.11. Amendments	45
11.12. Certificates	46
11.13. Construction	46
11.14. No Waiver	46
11.15. Counterparts	47
11.16. Severability	47
11.17. Waiver of Conflict of Interest	47

---

Table of Contents

Page

EXHIBITS

Exhibit A - Exchange Agreement

Exhibit B - Registration Rights Agreement

SCHEDULES

Schedule 3.1 - List of Partners

---

## SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

This SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT is executed as of \_\_\_\_\_, 2012, by and among (i) Silvercrest L.P., a Delaware limited partnership (the "Partnership"), (ii) Silvercrest Asset Management Group Inc., a Delaware corporation, for all periods from and after the Effective Time and Silvercrest GP LLC, a Delaware limited liability company, for all periods prior to the Effective Time (the "General Partner") and (iii) the Partners executing or adopting this Agreement as Partners.

### BACKGROUND

A. The Partnership was formed as a limited partnership under the Act pursuant to a Certificate of Formation dated as of December 10, 2008 (the "Certificate");

B. From January 1, 2009 until April 15, 2009, the Partnership was governed by a Limited Partnership Agreement dated as of January 1, 2009 (the "Original Partnership Agreement");

C. From April 15, 2009 to \_\_\_\_\_, 2012, the Partnership was governed by an Amended and Restated Limited Partnership Agreement dated as of April 15, 2009 (the "First Restated Partnership Agreement").

D. Immediately prior to the Effective Time, Silvercrest GP LLC transferred its rights as general partner of the Partnership to Silvercrest Asset Management Group Inc.

E. The Partnership, the General Partner and the Partners desire to amend and restate the Partnership's First Restated Partnership Agreement, with such provisions to have effect as of the time that is immediately prior to the closing of the consummation of the initial public offering of the Class A Shares (the "Effective Time"); and

F. To effectuate their intentions, the parties now desire to set forth their agreements with respect to the Partnership pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree to amend and restate the First Restated Partnership Agreement in its entirety as follows:

### **SECTION 1. DEFINITIONS.** For purposes of this Agreement:

"Act" means the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, except that it shall not include any provision thereof adopted after the Effective Time that, by its terms, would apply to the Partnership only if this Agreement did not contain a provision to the contrary, unless the application of such statutory provision is approved by the General Partner.

---

“Additional Capital Contributions” means, with respect to any Partner, any Capital Contributions to the Partnership made by such Partner pursuant to Section 3.3.1.

“Additional Partner” means any Person admitted as a Partner (including a Person admitted as a partner pursuant to Section 8 hereof after the Effective Time) other than the General Partner.

“Adjusted Capital Account” of a Partner means the Partner’s Capital Account adjusted to take into account such Partner’s share of Partnership Minimum Gain and Minimum Gain Attributable to Partner Nonrecourse Debt.

“Adjusted Capital Account Deficit” means, with respect to any Partner, the deficit balance, if any, in such Partner’s Capital Account as of the end of any relevant fiscal year or other period, determined after giving effect to the following adjustments:

(a) credit to such Capital Account any amounts which such Partner is obligated or treated as obligated to restore with respect to any deficit balance in such Capital Account pursuant to Section 1.704-1(b)(2)(ii)(c) of the Regulations or is deemed to be obligated to restore with respect to any deficit balance pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations; and

(b) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

“Adjusted Net Income” means, for each fiscal year of the Partnership, an amount equal to the Partnership’s Net Income for such fiscal year, computed without regard to the subsections (c), (d) and (e) of the definition of “Net Income” or the penultimate sentence of such definition, provided if the Adjusted Net Income for such fiscal year is a negative number (i.e., the Partnership has a Net Loss), then the Adjusted Net Income for that fiscal year shall be treated as if it was zero.

“Adjusted Net Loss” means, for each fiscal year of the Partnership, an amount equal to the Partnership’s Net Loss for such fiscal year, computed for this purpose taking into account only those items mentioned in subsection (c), (d) and (e) of the definition of “Net Income” and the penultimate sentence of such definition.

“Affiliate” means, (i) as to any Person who is an individual, the Immediate Family of such Person and trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family and any entity (other than the Partnership or its Affiliates) that, directly or indirectly, through one or more intermediaries is controlled by or is under common control with such Person, the Immediate Family of such Person, or trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family, and (ii) as to any Person which is not an individual, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with

---

such Person. For the avoidance of doubt, the Partnership's Affiliates shall include its Control Affiliates. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Second Amended and Restated Limited Partnership Agreement, as it may be further amended, modified, supplemented or restated from time to time.

"Assignee" means a Person to whom one or more Units have been Transferred in a manner permitted under this Agreement, but who has not become a Partner.

"Bonus" means, with respect to any Class B Partner, the amount determined by the General Partner to be distributed as bonus compensation to such Partner with respect to a calendar year.

"Capital Account" means, with respect to any Partner, the capital account of such Partner established and maintained pursuant to Section 3.4.

"Capital Contribution" means, with respect to any Partner, the aggregate amount of money, and the initial Gross Asset Value of any property or asset contributed to the Partnership by such Partner, net of liabilities assumed by the Partnership in connection with such contribution or as to which such property or asset is subject when contributed. In the case of a Partner that acquires an Interest in the Partnership by virtue of an assignment or Transfer in accordance with the terms of this Agreement, "Capital Contribution" includes the pro rata Capital Contribution of such Partner's predecessor to an extent proportionate to the acquired Interest.

"Cause" means (i) a material breach by any Person of his/her obligations to the Partnership or its Affiliates under this Agreement, such Person's employment agreement or any other written agreement such Person may have with the Partnership or its Affiliates, if any; (ii) such Person's willful and continued failure or refusal to perform satisfactorily any duties reasonably required in the course of his/her employment by the Partnership's Affiliates (other than a failure resulting from such Person's Disability); (iii) such Person's material violation of any policy of the Partnership or its Affiliates; (iv) the commission by such Person of a felony or serious criminal offence; (v) any material violation not readily remedied by such Person of federal or state securities laws or regulations; (vi) the perpetration by such Person of a dishonest act or common law fraud against the Partnership or its Affiliates or any customer or any Client of the Partnership or its Affiliates; or (vii) such Person's willfully engaging in conduct which is materially injurious to the Partnership or its Affiliates or to any customer or Client of the Partnership or its Affiliates as determined in good faith by the General Partner.

"Class A Closing Share Price" means with respect to the Class A Shares, on any given date: (i) if the Class A Shares are listed on the Nasdaq Stock Market, the closing sale price per share of the Class A Shares on the Nasdaq Stock Market on that date (or, if no closing price is reported, the last reported sale price), (ii) if the Class A Shares are not listed for trading on the Nasdaq Stock Market, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national

---

securities exchange registered pursuant to Section 6(g) of the Exchange Act, on which the Class A Shares are listed, (iii) if the Class A Shares are not so listed on a national securities exchange, the last quoted bid price for the Class A Shares on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Class A Shares are not so quoted by Pink Sheets LLC or a similar organization such value as the Board, in its sole discretion, shall determine in good faith.

“Class A Shares” means the shares of Class A common stock, par value \$.01 per share, of the General Partner.

“Class A Units” means those Units in the Partnership held by the General Partner.

“Class B Percentage Interest” means as to each Class B Partner at any time, its Interest in the Class B Units as determined by dividing the Class B Units owned by such Class B Partner at such time by the aggregate number of Class B Units then outstanding.

“Class B Partners” means any Partner who is a holder of record of Class B Units.

“Class B Shares” means the shares of Class B common stock, par value \$.01 per share, of the General Partner.

“Class B Stockholders Agreement” means the Class B Stockholders Agreement, dated as of the date hereof, by and among the General Partner and the holders of Class B Shares, as amended or modified from time to time.

“Class B Units” means those Units in the Partnership held by the Partners (other than the General Partner).

“Code” or “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, or any successor statute. All references to specific sections of the Internal Revenue Code shall be deemed to include any provisions of the Internal Revenue Code which replace or supersede the sections in effect at the time of execution of this Agreement and are applicable to the transaction or event in question.

“Control Affiliate” means any Person for which the Partnership serves as general partner, investment manager or in a similar capacity.

“Covered Person” means a Partner, any Affiliate of a Partner, or any officers, directors, members of the Executive Committee, stockholders, partners or members of a Partner or its respective Affiliates.

“Delaware Secretary of State” means the Secretary of State of the State of Delaware.

“Depreciation” means, with respect to any asset of the Partnership for any fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction, as the case may be, allowed or allowable for federal income tax purposes in respect of such asset for such fiscal year or other period; *provided, however*, that if there is a difference

---

between the Gross Asset Value and the adjusted tax basis of such asset at any time, Depreciation shall thereafter mean “book” depreciation, cost recovery or amortization as determined under Section 1.704-1(b)(2)(iv)(g)(3) of the Regulations.

“Disability” shall mean the inability of any Partner who is also an employee of one of the Partnership’s Affiliates to perform the usual and customary services which he or she is required to perform for the Partnership or such Affiliate for a period of four (4) consecutive months or eight (8) months in any twelve (12) month period, other than for any reason included in the definition of Cause.

“Distributable Cash Flow” means, for any period, EBITDA, minus amounts paid for interest and taxes, as reduced by any increase in and increased by any decrease in cash reserves as determined by the General Partner; provided, however, that Distributable Cash Flow shall be limited to the amount permitted to be distributed under applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets or property is subject.

“Dollars” or “\$” means the lawful currency of the United States of America.

“Draw” means, with respect to any Partner, the amount determined by the General Partner to be distributed as base compensation to such Partner with respect to a calendar year. Draws shall be treated as guaranteed payments to Partners within the meaning of Section 707(c) of the Code.

“EBITDA” means, for any period, the Net Income, if any, of the Partnership determined without deductions and/or provision for interest, income taxes, depreciation and amortization, and without regard to clause (e) of the definition of Net Income or the penultimate sentence of such definition, all as determined by the General Partner or upon demand by an interested party by an independent accountant.

“Effective Tax Rate” for any fiscal period means the sum of the highest marginal income tax rates for such period for federal and New York State tax purposes with respect to an individual, taking into account the type of income (i.e., ordinary income or capital gains) in question.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute.

“Exchange Agreement” means the Exchange Agreement, dated as of the date hereof, by and between the General Partner and the Persons who, on or following such date, may become parties to such agreement in the form attached hereto as Exhibit A.

“GAAP” means United States generally accepted accounting principles in effect from time to time, consistently applied so as to properly reflect the financial condition, and the results of operations and cash flows, of the Partnership.

“Gross Asset Value” means, with respect to any asset of the Partnership, such asset’s adjusted basis for federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any asset (other than cash) contributed by a Partner to the Partnership shall be the gross fair market value of such asset at the time of its contribution as reasonably determined by the General Partner;

---

(b) the Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as reasonably determined by the General Partner, as of the following times:

(i) immediately prior to a Capital Contribution (other than a *de minimis* Capital Contribution) to the Partnership by a new or existing Partner as consideration for an Interest;

(ii) immediately prior to the distribution by the Partnership to a Partner of more than a *de minimis* amount of Partnership property as consideration for the redemption of an Interest;

(iii) immediately prior to the liquidation of the Partnership within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations; and

(iv) immediately prior to the admission of an Additional Partner and in connection with the grant of an Interest in the Partnership (other than a *de minimis* Interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity in anticipation of being a Partner.

(c) the Gross Asset Values of Partnership assets distributed to any Partner shall be the gross fair market values of such assets as reasonably determined by the General Partner as of the date of distribution; and

(d) the Gross Asset Value of any Partnership asset shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such asset pursuant to Sections 732(d), 734(b) or 743(b) of the Code, but only to the extent that such adjustment is taken into account in determining Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations and subsection (e) of the definition of Net Income; *provided, however*, that the Gross Asset Value shall not be adjusted pursuant to this paragraph (d) to the extent that the General Partner reasonably determines that an adjustment pursuant to paragraph (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this paragraph (d).

At all times, the Gross Asset Value of an asset shall be adjusted by any Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Loss. Any adjustment to the Gross Asset Values of Partnership property shall require a corresponding adjustment to the Partner's Capital Accounts.

“Immediate Family” means, with respect to any individual, such individual's ancestors, descendants (including ancestors and descendants by lawful adoption) and spouse and, in the case of accounts of G. Moffett Cochran, shall include in-laws.

---

“Initial Capital Account” means, as to each of the Partners admitted prior to the Effective Time, the amount recorded on the Partnership’s books as the value of such Person’s Capital Account as of such date; and as to each Partner admitted to the Partnership after the Effective Time, the amount recorded on the Partnership’s books as such Person’s Initial Capital Account at the time such Person is admitted to the Partnership.

“Interest” means a Partner’s share, if any, of the capital, Net Income and Net Loss of, and the right to receive distributions from, the Partnership.

“Involuntary Transfer” means any Transfer pursuant to judicial proceedings, attachment, levy, lien upon, assignment for the benefit of creditors or Transfer by operation of law and any assumption of possession whether in fact or in law by any receiver, trustee, conservator or other fiduciary appointed by any court or government agency, if such attachment, levy, lien or assumption of possession shall not be absolutely removed or dissolved within one hundred and twenty (120) days after the same occurred.

“Limited Partner” means all Partners other than the General Partner.

“Minimum Cash Requirements” means, as of a particular time, the amount determined from time to time by the General Partner to meet the needs of the Partnership’s business.

“Minimum Gain Attributable to Partner Nonrecourse Debt” means “partner nonrecourse debt minimum gain” as determined in accordance with Section 1.704-2(i)(2) of the Regulations.

“Net Income” or “Net Loss” means, for each fiscal year or other applicable period, an amount equal to the Partnership’s income or loss for such year or period as determined for federal income tax purposes, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments: (a) by including as an item of income any tax-exempt income received by the Partnership; (b) by treating as a deductible expense any expenditure of the Partnership described in Section 705(a)(2)(B) of the Code (including amounts paid or incurred to organize the Partnership (unless an election is made pursuant to Section 709(b) of the Code) or to promote the sale of Partnership Interests and by treating deductions for any losses incurred in connection with the sale or exchange of Partnership property disallowed pursuant to Section 267(a)(1) or Section 707(b) of the Code as expenditures described in Section 705(a)(2)(B) of the Code); (c) in lieu of depreciation, depletion, amortization, and other cost recovery deductions taken into account in computing total income or loss, there shall be taken into account Depreciation; (d) gain or loss resulting from any disposition of Partnership property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of such property rather than its adjusted tax basis; and (e) in the event of an adjustment of the Gross Asset Value of any Partnership asset which requires that the Capital Accounts of the Partnership be adjusted pursuant to Regulation Section 1.704-1(b)(2)(iv)(e), (f) and (m), the amount of such adjustment is to be taken into account as additional Net Income or Net Loss. For the avoidance of doubt, Partners’ Draws shall be treated as an item of expense in

---

the determination of Net Income or Net Loss. If an item of income, gain, loss or deduction has been allocated pursuant to the special allocation rules in Sections 4.3.3 or 4.4, Net Income or Net Loss shall be computed without regard to such item. Rules analogous to the foregoing shall be utilized in determining items of income, gain, loss or deduction that are subject to special allocation rules.

“Nonrecourse Deductions” shall have the meaning set forth in Sections 1.704-2(b)(1) and (c) of the Regulations.

“Partner” means one or more of the General Partner, MC or the Partners, but does not include any Person who has ceased to be a Partner of the Partnership.

“Partnership” means Silvercrest L.P., a Delaware limited partnership.

“Partnership Lift-Out” means the acquisition by the Partnership or any of its Subsidiaries of assets under management associated with hiring a team or an employee.

“Partnership Minimum Gain” shall mean “partnership minimum gain” as defined in Section 1.704-2(b)(2) of the Regulations.

“Partner Nonrecourse Deductions” means “partner nonrecourse deductions” as defined in Section 1.704-2(i)(2) of the Regulations.

“Partnership Interest” means the Interest of a Partner in the Partnership representing a fractional part of the Interests of all Partners and includes any and all benefits to which the Partner may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest shall be expressed as a number of Class A Units or Class B Units.

“Percentage Interest” means, as to each Partner at any time, its Interest in the Units as determined by dividing the number of Units owned by such Partner at such time by the aggregate number of Units then outstanding.

“Permitted Charitable Institution” means an organization formed for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them and exempted from certain taxation pursuant to Section 501(c)(3) of the Code.

“Person” means and includes an individual and any legal entity including a corporation, partnership, association, limited liability company, joint stock company, trust or estate.

“Registration Rights Agreement” means the Resale and Registration Rights Agreement, dated as of the date hereof, by and between the General Partner and the Persons who, on or following such date, may become parties to such agreement attached hereto as Exhibit B.

---

“Regulations” or “Treasury Regulations” means the income tax regulations, including temporary regulations, promulgated under the Code, as such regulations may be amended from time to time. All references to specific sections of the Regulations shall be deemed to include any provisions of the Regulations which replace or supersede the sections in effect at the Effective Time and are applicable to the transaction or event in question.

“Restricted Period” means, with respect to a Partner (or its Affiliates or Permitted Transferees), the period beginning on the date of termination of employment of such Partner with the Partnership or any Affiliate of the Partnership and ending on the 18-month anniversary thereof.

“Retirement” shall mean the termination of employment of an employee of the Partnership or an Affiliate of the Partnership after either (i) such employee has reached the age of 65 or (ii) such employee has achieved 20 continuous years of service with the Partnership or its Subsidiaries (but not including any years of service with a predecessor entity, other than the Partnership or another Subsidiary of the Partnership that was a Subsidiary of the Partnership prior to such termination of employment but only for such period of time when such entity was a Subsidiary of the Partnership).

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, or any successor statute.

“Specified Permitted Transferee” means, with respect to a particular Partner, (i) such Partner’s spouse, children (including legally adopted children and stepchildren), spouses of children or grandchildren or spouses of grandchildren; (ii) a trust for the benefit of such Partner and/or any of the Persons described in clause (i); or (iii) a limited partnership or limited liability company whose sole partners or members, as the case may be, are such Partner and/or any of the Persons described in clause (i) or clause (ii); provided, that in any of clauses (i), (ii) or (iii), such Partner retains exclusive power to exercise all rights under this Agreement.

“Subsidiary” means, when used with reference to an entity, any corporation or other entity, a majority of the outstanding voting securities of which are owned directly or indirectly by such entity, and when used without reference to an entity, shall mean a Subsidiary with reference to the Partnership.

“Tax” and “Taxes” means any federal, state, local, foreign (including possessions or territories of the United States) or other tax (whether income, gross receipts, franchise, excise, customs, sales, use, value added, ad valorem, real or personal property, license, transfer, employment, social security or any other kind of tax or payment in lieu of tax no matter how denominated including any amount payable by the Partnership pursuant to an agreement relating to the sharing or payment of tax), or any assessment, levy, impost, withholding, fee or other governmental charge in the nature of a tax, any liability for taxes of any predecessor or affiliated Person and shall include all additions to tax, interest, penalties and fines with respect thereto.

“Transfer” means a sale, gift, pledge, assignment, mortgage, alienation, hypothecation or other encumbrance or disposition in any manner of a like or unlike nature and

shall include an Involuntary Transfer. The terms “Transferee” and “Transferor” when used in this Agreement shall mean the Person to whom or by whom, respectively, a Transfer is made or purported to be made.

“Unit(s)” shall mean the Class A Units and the Class B Units (whether or not vested).

“2012 Plan” means the Silvercrest Asset Management Group Inc. 2012 Equity Incentive Plan, as hereafter amended, modified or supplemented, and any other successor incentive plan.

In addition to the foregoing, the following terms are defined in the Section of this Agreement noted below:

<u>Term</u>	<u>Section</u>
Adjusted Taxable Income	4.1.2.2
Affected Gain	4.5.2
Annual Budget	5.3
Annual Meeting	5.2.1
Base Partner	7.1.3
Cause Terminated Employee	8.5.1
Certificate	Recitals
Claim	6.3.1
Client	5.5.6
Damages	6.2
Dispute	12.1
Effective Time	Recitals
Equity Proceeds	5.7.5.1
Executive Committee	5.8
First Restated Partnership Agreement	Recitals
General Partner	Preamble
Indemnified Party	6.3.1
Issuance Items	4.4.8
Liquidator	8.7.1
Non-Qualifying Transferee	7.1.3
Notice	6.3.1
Original Partnership Agreement	Recitals
Partnership	Preamble
Past Client	5.5.6
Potential Client	5.5.6
Present Client	5.5.6
Qualified Transferee	7.4.10.1
Redemption Date	8.5.2
Regulatory Allocations	4.4.8
Related Party	2.10
Section 704(c) Tax Items	4.5.3

<u>Term</u>	<u>Section</u>
Special Meeting	5.2.2
Tax Distribution Amount	4.1.2.2
Tax Items	4.5.1
Tax Loan	4.1.2.3
Tax Matters Partner	10.6.1
Terminated Employee	8.6.1
Terminated Employee Related Party	8.5.1

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Section have the meanings assigned to them in this Section and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other genders; (ii) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP; (iii) references in this Agreement to “Articles,” “Sections,” “subsections,” “paragraphs” and other subdivisions without reference to a document are to designated Articles, Sections, subsections, paragraphs and other subdivisions of this Agreement; (iv) a reference to a subsection without further reference to a Section is a reference to such subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions; (v) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision; (vi) the word “including” means “including, but not limited to;” (vii) the words “not including” mean “excluding only;” and (viii) the headings in this Agreement are for convenience only and are not intended to describe, interpret, define, or limit the scope, extent, or intent of any of the provisions of this Agreement.

## **SECTION 2. FORMATION OF THE PARTNERSHIP.**

### **2.1. Formation.**

2.1.1. The Partnership was formed as a limited partnership under and pursuant to the Act and all other pertinent laws of the State of Delaware by filing the Certificate in the office of the Delaware Secretary of State. The parties hereto agree that the rights, duties and liabilities of the Partners shall be as provided in the Act, except as otherwise provided herein.

2.1.2. The General Partner is hereby designated as an authorized person, within the meaning of the Act, on behalf of the Partners to execute, deliver and file, or to cause the execution, delivery and filing of, any amendments or restatements of the Certificate, any other certificates, notices, statements or other instruments (and any amendments or restatements thereof) necessary or advisable for the continuation of the Partnership or the operation of the Partnership in all jurisdictions where the Partnership may elect to do business, but no such amendment or restatement may be executed, delivered or filed unless adopted in a manner authorized by this Agreement.

2.1.3. The Partnership shall exist under and be governed by, and this Agreement shall be construed in accordance with, the applicable laws of the State of Delaware

---

without regard to principles of conflicts of law or other rules that might render such law inapplicable or unavailable. The General Partner shall execute and file in the appropriate records any assumed or fictitious name certificates and other documents and instruments as may be necessary or appropriate with respect to the formation of, and conduct of business by, the Partnership.

2.1.4. The Partners agree to the terms and conditions of this Agreement, as it may from time to time be amended, supplemented or restated according to its terms. The Partners intend that this Agreement shall be the sole source of the agreement among the parties and, except to the extent a provision of this Agreement expressly incorporates federal income tax rules by reference to sections of the Code or Regulations or is expressly prohibited or ineffective under the Act, this Agreement shall govern, even when inconsistent with, or different than, the provisions of the Act or any other law. To the extent any provision of this Agreement is prohibited or ineffective under the Act, this Agreement shall be considered amended to the smallest degree possible in order to make such provision effective under the Act. If the Act is subsequently amended or interpreted in such a way as to validate a provision of this Agreement that was formerly invalid, such provision shall be considered to be valid from the effective date of such interpretation or amendment. Each Partner shall be entitled to rely on the provisions of this Agreement, and no Partner shall be liable to the Partnership or to any other Partner for any action or refusal to act taken in good faith reliance on this Agreement, except for gross negligence or willful misconduct. The Partners and the Partnership agree that the duties and obligations imposed on the Partners as such shall be those set forth in this Agreement, which is intended to govern the relationship among the Partnership and the Partners, notwithstanding any provision of the Act or common law to the contrary.

2.2. Name of the Partnership. The name of the Partnership is Silvercrest L.P. The Partnership shall do business under that name and under any other name or names upon which the General Partner shall determine, but in any case, only to the extent permitted by applicable law.

2.3. Mission Statement. The Partnership, directly or through its Control Affiliates, is an investment advisory firm focused on the business of managing capital for high net worth individuals and families and their trusts and for endowments, foundations and institutional investors (including advising or sub-advising private and registered funds). The Partnership's mission is to deliver, directly or through its Control Affiliates, a combination of highly competitive investment results with highly pro-active and responsive Client service (the "Mission Statement"). In order to execute its mission, the Partnership, directly or through its Control Affiliates, will recruit and hire experienced and talented senior professionals with a proven record of success and demonstrable commitment to the achievement of the Partnership's goals. Subject to the terms of this Agreement and any additional terms approved by the General Partner, some or all of these senior professionals may be given the opportunity to acquire Class B Units.

2.4. Purpose. The Partnership may engage in and carry on any lawful business, purpose or activity for which limited partnerships may be formed under the Act and shall possess and exercise all the powers and privileges granted to it by the Act, by any other law or by this Agreement, together with any powers necessary to, convenient or incidental to the

---

conduct, promotion and attainment of the business, purpose or activities of the Partnership, so far as such powers are necessary or convenient; provided, however, that, unless the General Partner determines otherwise, the Partnership shall not, directly or through an Affiliate, engage in any activity other than (i) the management of capital for high net worth individuals and families and their trusts and for endowments, foundations and institutional investors, (ii) the provision of in-house and outsourced investment services, (iii) advising and sub-advising private and registered funds, (iv) the provision of in-house and outsourced “family office” services, (v) the ownership, holding, management and sale of ownership interests in Affiliates or Subsidiaries engaged in the foregoing activities, and (vi) any and all activities reasonably related thereto.

2.5. Term. The term of the Partnership began on the date of acceptance of the Certificate by the office of the Delaware Secretary of State and shall continue in perpetuity unless its existence is terminated pursuant to Section 9 of this Agreement. The existence of the Partnership as a separate legal entity shall continue until dissolution of the Partnership in the manner required by the Act.

2.6. Principal Office. The principal office of the Partnership is and shall be located at 1330 Avenue of the Americas, New York, NY 10019, or at such other place within or without the State of New York, as may be determined by the General Partner. The Partnership may also have such other offices as the General Partner may determine.

2.7. Partners. The name, present mailing address and taxpayer identification number of each Partner is set forth on Schedule 3.1. The General Partner shall cause a list to be maintained setting forth for each Partner such Partners’ Initial Capital Account, number of Units owned and Percentage Interest.

2.8. Classes of Partners. The Partnership shall have two classes of Partners: (a) the General Partner and (b) the Class B Partners.

2.9. Classes of Units. The Partnership shall have two classes of Units: (a) Class A Units, which shall be held by the General Partner and only by the General Partner; and (b) Class B Units, which shall be held by the Class B Partners and only by the Class B Partners. The Class B Units may be vested or unvested and, except as expressly provided herein, any reference to Class B Units shall be a reference to vested and unvested Class B Units. Except as provided in this Agreement, (i) vested and unvested Class B Units shall share equally in right to allocation and distributions by the Partnership; (ii) vested Class B Units may be exchanged pursuant to the terms of the Exchange Agreement attached hereto as Exhibit B and unvested Class B Units may not be so exchanged; (iii) unvested Class B Units shall vest pursuant to the provisions of the respective award agreements for such Class B Units; and (iv) vested and unvested Class B Units may be forfeited by a Class B Partner under the circumstances and in the number set forth in this Agreement.

2.10. Scope of Authority. No Limited Partner, acting in its capacity as a Limited Partner, shall have any authority to bind or act for, or assume any obligations or responsibility on behalf of, any other Partner or the Partnership, and neither the Partnership nor any Limited Partner shall be responsible or liable for any indebtedness or obligation of any other Partner or otherwise relating to the Partnership incurred or arising either before or after the execution of this Agreement, except as expressly agreed in writing.

---

2.11. Partnership Property; Payment of Individual Obligations. All property of the Partnership, whether real, personal or mixed, tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually, shall have any direct ownership interest in such property. The Partnership's credit and assets shall be used solely for the benefit of the Partnership, and no asset of the Partnership shall be Transferred or encumbered for, or in payment of, any individual obligation of any Partner.

2.12. Transactions with Affiliates. Except as otherwise provided in this Agreement, the Partnership is hereby authorized to purchase property from, sell property to, or otherwise deal with any Person, including any Related Party; provided that with respect to any transaction with or for the benefit of a Related Party, the General Partner shall have been apprised of the material terms of the transaction and the interest (direct or indirect) of any Related Party in such transaction. The term "Related Party" means any Partner or any Affiliate of any of the foregoing.

### **SECTION 3. PARTNERS; INTERESTS; CAPITAL; CAPITAL ACCOUNTS.**

3.1. Initial Capital Contributions and Interests. The General Partner and each of the Class B Partners identified on Schedule 3.1 hereto owns the number of Units of such designation as set forth opposite such Partner's name and each has been duly admitted to the Partnership. The Partnership shall also set forth in its books and records Capital Contributions made by each Partner. On or prior to the date a Person is admitted to the Partnership as a new Additional Partner, such new Additional Partner shall make contribution(s) to the capital of the Partnership which shall be reflected in the Partnership's books and records. The list of Partners required to be maintained by the Partnership pursuant to Section 2.7 shall reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Units, or similar events having an effect on a Partner's ownership of Units.

3.2. Issuance of Additional Interests. The General Partner is hereby authorized to cause the Partnership to issue Units in furtherance of its Mission Statement from time to time, and to admit such Persons as Partners for such consideration and on such terms and conditions as shall be established by the General Partner in accordance with Section 8 hereof. At the time of admission, each new Partner shall agree in writing to be bound by the terms of this Agreement and shall make such representations and warranties as the General Partner may require.

3.2.1. The issuance of any additional Units shall dilute the Percentage Interests of all Partners, pro rata, subject to Section 3.5.

3.2.2. In the event of a redemption of Units pursuant to Section 8, the Percentage Interests of the Partners (including the Partner with respect to which such redemption or forfeiture occurs, unless such redemption would otherwise have reduced such Partner's Percentage Interest to zero) shall be adjusted pro rata, to reflect such redemption or forfeiture. Such adjustment shall be effected without the issuance of any Units.

---

### 3.3. Additional Capital Contributions.

3.3.1. Subject to Section 3.5, from and after the Effective Time, upon request of the General Partner, each Partner may, but shall not be obligated to, elect to contribute to the Partnership, its pro rata share of all amounts that, in the judgment of the General Partner, are necessary to enable the Partnership to cause the business of the Partnership to be properly operated and maintained and to discharge the costs, expenses, obligations and liabilities of the Partnership; provided, however, that no Partner shall be required to make any Additional Capital Contributions.

3.3.2. Each Additional Capital Contribution made by a Partner shall cause an increase in such Partner's Capital Account and such other adjustments as the General Partner shall reasonably determine, and shall be accomplished by issuing additional Units in respect of such Additional Capital Contribution. The Units to be so issued shall be issued at a price per Unit equal to the Class A Closing Share Price.

3.4. Capital Accounts. The Partnership will maintain a capital account for each Partner. Each Partner's Initial Capital Account shall be (i) increased by (A) any Capital Contributions made by such Partner pursuant to Section 3, (B) the share of Net Income allocated to such Partner and any item in the nature of income allocated pursuant to Sections 4.3.3 and 4.4 and (C) the amount of liabilities of the Partnership assumed by such Partner or that are secured by any Partnership assets distributed to such Partner and (ii) decreased by (A) the amount of cash and the Gross Asset Value of any Partnership assets distributed to such Partner, (B) the share of Net Loss allocated to such Partner and any item in the nature of losses or deductions allocated pursuant to Sections 4.3.3 and 4.4 and (C) the amount of liabilities of the Partner subsequently assumed by the Partnership. For the avoidance of doubt, Partners' Draws shall not be treated as amounts distributed to Partners for purposes of determining Capital Accounts. In the event that all or a portion of an Interest is Transferred in accordance with this Agreement, the Capital Account of the Transferor (at the time of such Transfer) shall carry over to the Transferee; provided, however, that if any Partner Transfers less than its entire Interest in the Partnership, the Transferor's Capital Account shall be allocated pro rata to the Interest retained by the Transferor and the Interest Transferred. In furtherance of the foregoing, the Capital Accounts shall be maintained in compliance with Section 1.704-1(b) of the Regulations, and the provisions hereof shall be interpreted and applied in a manner consistent therewith. The Capital Accounts of the Partners shall be adjusted to reflect any adjustments to the Gross Asset Values of the Assets of the Partnership.

3.5. Loans. The General Partner may, from time to time, cause the Partnership to borrow funds from institutional lenders, Partners or other Persons on commercially reasonable terms, and to grant a security interest or other lien on the Partnership's property as security for the loan; provided, however, that the Partnership shall not incur any indebtedness if (i) a breach, violation or default of such indebtedness would be deemed to occur by virtue of the Transfer of any Units, or (ii) any Limited Partner would be personally liable for the repayment of such indebtedness (unless such Limited Partner otherwise agrees). For so long as no Partner or Affiliate other than the lending Partner bears the economic risk of loss for such loans, the lending Partner's share of the Partnership's liability with respect to such loans (within the meaning of Section 1.752 of the Regulations) shall be 100%.

---

### 3.6. Limitations on Return of Capital.

3.6.1. Except as otherwise provided in this Agreement, a Partner shall not be entitled to require that the Partnership redeem its Units by means of a withdrawal or a return of any part of its Capital Contributions (or otherwise), to receive interest on its Capital Contributions or to receive property or assets other than cash in return thereof.

3.6.2. Except as otherwise provided in this Agreement, no Partner shall be entitled to priority over any other Partner with respect to a redemption of its Units or any other return of its Capital Contributions, to the property and assets of the Partnership or to allocations of income, gains, losses, deductions, expenses, obligations, liabilities, credits or distributions.

3.6.3. No Partner with a deficit balance in its Capital Account shall have any obligation to the Partnership, to any other Partner or to any third party to restore the deficit balance, except as expressly provided herein and except to the extent required by the Act.

## **SECTION 4. PROFIT, LOSS AND DISTRIBUTIONS**

### 4.1. Distributions; Tax Withholding.

4.1.1. General. The Partnership shall make distributions in the manner set forth in this Section 4. Except as otherwise provided in Sections 4.1.2 and 9.4, to the extent of any Distributable Cash Flow remaining after all distributions required to be made with respect to the current and all prior fiscal years pursuant to Section 4.1.2 have been made, the Partnership shall make annual distributions of all remaining Distributable Cash Flow within ninety (90) days after the end of each fiscal year. Such distributions shall be allocated among those Persons who were Partners owning Units during the fiscal period used to determine such Distributable Cash Flow in proportion to their respective Percentage Interests during such fiscal period. If Units are issued, Transferred, redeemed and/or modified during such fiscal period, the Distributable Cash Flow attributable to such fiscal period shall be allocated to those Persons who held such Units during such fiscal period in proportion to the number of days during such fiscal period for which such Partner held such Units.

If the Partnership restates its financial statements for any prior fiscal year for any reason including because of a change in GAAP or the financial accounting principles of the Partnership, (i) no Partner shall be obligated to refund to the Partnership any amounts properly distributed to it in respect of such fiscal year in excess of distributions which would have been made pursuant to this Section 4.1.1 using the restated financial statements (but any such excess distributions shall be taken into account in determining the amount of subsequent distributions hereunder), and (ii) the Partnership shall not be obligated to distribute any additional amounts in respect of such fiscal year which would have been distributed pursuant to this Section 4.1.1 using the restated financial statements (but any such shortfall in distributions shall be taken into account in determining the amount of subsequent distributions hereunder).

---

#### 4.1.2. Bonuses and Tax Distributions.

4.1.2.1 Subject to the terms and provisions of Sections 4.1.2.2 and 5.2 hereof, the General Partner may declare Bonuses to Partners in amounts determined by the General Partner, and such Bonuses shall be distributed to Partners at such time as determined by the General Partner.

4.1.2.2 If there has been an allocation of Net Income pursuant to Section 4.3.1(i)(B) or 4.3.1(ii) hereof for a fiscal year, the Partnership shall, to the extent of Distributable Cash Flow, make the tax distributions provided for in this Section 4.1.2.2 in the manner set forth herein for such fiscal year and for any prior fiscal year for which tax distributions were required pursuant to this Section 4.1.2.2 and have not yet been made. Such tax distributions shall be made prior to any other distribution pursuant to this Section 4.1. Tax distributions shall be determined as follows:

(i) The amount of a tax distribution (such distribution to a Partner being referred to as such Partner's "Tax Distribution Amount") shall generally be equal to (x) the Effective Tax Rate multiplied by (y) the Partner's share of the net positive taxable income of the Partnership for such fiscal year (in excess of net taxable loss allocated pursuant to Section 4.3.2 hereof in respect of such fiscal year, if any) allocated pursuant to Section 4.3.1(i)(B) and 4.3.1(ii) (such Partner's "Adjusted Taxable Income") (and for this purpose all items of income, gain, loss or deduction of the Partnership required to be separately stated pursuant to Section 703 of the Code (other than the amount, if any, by which capital losses exceed capital gains) shall be included in this calculation of taxable income). For purposes of determining Adjusted Taxable Income, the percentage of taxable income allocated to any Partner pursuant to Section 4.3.1(i)(B) and 4.3.1(ii) shall be deemed to equal the same percentage of the Net Income of the Partnership allocated to such Partner under such section for the same period.

(ii) Tax distributions shall be made with respect to each period for which Partners are required to make federal estimated Tax payments (i.e., currently the periods ending April 15, June 15, September 15, and January 15 of the following year, in the case of individuals), and the Partnership shall make tax distributions to the Partners on or prior to the date on which an individual Partner would be required to make estimated Tax payments with respect to such period, based on an estimate of the Partner's Adjusted Taxable Income for such period.

(iii) If there is a subsequent increase in any Partner's Adjusted Taxable Income for any fiscal period (as a result, for example, of an audit by a governmental entity), the Partnership shall distribute to the Partners an additional Tax Distribution Amount equal to the Tax Distribution Amount for the period calculated in a manner set forth above for the increased Adjusted Taxable Income less the Tax Distribution Amount previously made with respect to such period.

(iv) Any Tax Distribution Amounts paid to Partners shall be treated as an advance on, and reduce dollar for dollar, amounts subsequently distributable pursuant to Section 4.1.1.

---

4.1.2.3 The Partnership shall withhold and deposit, as required under applicable law, with respect to each Partner all estimated or withholding Taxes imposed with respect to the allocation of income or gain or Draws, Bonuses or distributions to such Partner. Such amounts shall be treated as a payment of Draws or a distribution of Bonuses or other Distributable Cash Flow to such Partner, as determined by the General Partner, for all purposes of this Agreement. To the extent that any such amounts are required to be withheld, and the amount so treated as a distribution exceeds the amount which would otherwise be distributed to such Partner at such time, such excess shall be treated as a loan from the Partnership to the Partner (a "Tax Loan") which shall be payable upon demand and shall bear interest, from the date that the Partnership makes the payment to the relevant taxing authority, at the lesser of (x) a variable rate per annum at all times equal to the annual rate quoted from time to time in The Wall Street Journal as its prime rate plus one percent (1%), adjusted quarterly, or (y) the maximum legal interest rate under applicable law. So long as any Tax Loan or the interest thereon remains unpaid, the Partnership shall make future distributions of Bonuses or other Distributable Cash Flow due to such Partner under this Agreement by applying the amount of any such distribution first to the payment of any unpaid interest on all Tax Loans of such Partner and then to the repayment of the principal of all Tax Loans of such Partner. The General Partner shall have the authority to take all actions necessary to enable the Partnership to comply with the provisions of any withholding tax act applicable to the Partnership and to carry out the provisions of this Section 4.1.2.3; provided, however, that nothing in this Section 4.1.2.3 shall create any obligation on any Partner to advance funds to the Partnership or to borrow funds from third parties in order to enable the Partnership to make any payments on account of any liability of the Partnership under any withholding tax act.

4.1.2.4 In the event there is insufficient Distributable Cash Flow in any fiscal year to make all of the distributions called for in Section 4.1.2, or in the event the General Partner determines, in its sole and absolute discretion, in any fiscal year not to make all or any part of distributions called for in Section 4.1.2, the shortfall may be carried forward and paid in the following years with the same priority as the corresponding required distribution for the year or years in which the shortfall occurred.

4.1.3. The payment of Draws shall be treated as a guaranteed payment within the meaning of Section 707(c) of the Code.

4.2. In-Kind Distributions. Except as otherwise provided in this Agreement, assets of the Partnership (other than cash) may be distributed in kind to the extent and in the manner determined by the General Partner, in its sole and absolute discretion. If any assets of the Partnership are distributed to any Partner or Partners in kind, such assets shall be valued on the basis of the Gross Asset Values thereof on the date of distribution, and the Capital Accounts of the Partners shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in such property (that has not previously been reflected in the Capital Accounts of the Partners) would be allocated among the Partners if there were a taxable disposition of such property for its fair market value (taking into account Section 7701(g) of the Code) on the date of distribution.

---

#### 4.3. Allocation of Net Income and Net Loss.

4.3.1. Net Income. After giving effect to the special allocations required by Section 4.3.3 and Section 4.4, Adjusted Net Income and Net Income for any fiscal year or other applicable period shall be allocated as follows:

(i) First, in any fiscal year in which the Partnership has Adjusted Net Income, the Adjusted Net Income of the Partnership will be allocated (A) to each Partner, to the extent of and in proportion to an amount equal to the excess of the cumulative Bonuses, if any, paid to such Partner, over the cumulative amount of Adjusted Net Income previously allocated to such Partner under this Section 4.3.1(i)(A), and (B) any remaining Adjusted Net Income shall be allocated to the Partners pro-rata in proportion to their respective Percentage Interests; and

(ii) then, the remaining Net Income of the Partnership (exclusive of items of Adjusted Net Income allocated pursuant to Section 4.3.1(i) above) shall be allocated to the Partners pro rata in proportion to their respective Percentage Interests.

4.3.2. Net Loss. After giving effect to the special allocations required by Sections 4.3.3 and 4.4, Adjusted Net Loss and Net Loss for any fiscal year or other applicable period shall be allocated as follows:

(i) First, in any fiscal year in which the Partnership has an Adjusted Net Loss, the Adjusted Net Loss of the Partnership (if any) in respect of such fiscal year shall be allocated to the Partners pro-rata in proportion to their respective Percentage Interests; and

(ii) Thereafter, any remaining Net Loss (exclusive of items of Adjusted Net Loss allocated pursuant to Section 4.3.2(i) above and exclusive of any items of Adjusted Net Income allocated pursuant to Section 4.3.1(i) above) shall be allocated to the Partners pro rata in proportion to their Percentage Interests; provided, however, that notwithstanding Section 4.3.2(i) and this Section 4.3.2(ii), to the extent that any allocation of Net Loss to a Partner under such provisions would cause such Partner to have an Adjusted Capital Account Deficit as of the end of the fiscal year to which such Net Loss relates, such Net Loss shall not be allocated to such Partner and instead shall first be allocated to the other Partners, if any, having positive balances in their Capital Accounts, to the extent of and in proportion to such positive Capital Account balances, and thereafter such Net Loss shall be allocated to the Partners in proportion to their respective Percentage Interests.

4.3.3. Disposition of Partnership Assets. In the event of a sale, exchange or other disposition of all or substantially all of the assets of the Partnership, or upon the liquidation of the Partnership within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations, beginning in the year in which the contract or agreement for such sale, exchange, disposition or liquidation is entered into or, if such contract or agreement is entered into on or prior to the date on which the Partnership's federal income tax return with respect to the prior year is required to be filed (including any extensions), beginning in such prior year, items of gross income, gain, loss and deduction shall be allocated among the Partners so as to cause their respective Adjusted Capital Account balances to equal the amounts that would be distributable to each of them if distributions of all Partnership assets were made first to the extent of declared and undistributed Bonuses and the balance in accordance with their respective Percentage Interests.

---

4.4. Special Allocations. The following special allocations shall be made prior to any allocations under Section 4.3 in the following order:

4.4.1. Minimum Gain Chargeback. If there is a net decrease in Partnership Minimum Gain for any Partnership fiscal year (except as otherwise provided in Section 1.704-2(f) of the Regulations), each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to that Partner's share of the net decrease in Partnership Minimum Gain. The items to be so allocated shall be determined in accordance with Section 1.704-2(f) of the Regulations. This Section 4.4.1 is intended to comply with the minimum gain chargeback requirement in said Section of the Regulations and shall be interpreted consistently therewith. Allocations pursuant to this Section 4.4.1 shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant hereto.

4.4.2. Minimum Gain Attributable to Partner Nonrecourse Debt. If there is a net decrease in Minimum Gain Attributable to Partner Nonrecourse Debt during any fiscal year (other than as otherwise provided in Section 1.704-2(i)(4) of the Regulations), each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to the Partner's share of the net decrease in the Minimum Gain Attributable to Partner Nonrecourse Debt. The items to be so allocated shall be determined in accordance with Section 1.704-2(i)(4) and (j)(2) of the Regulations. This Section 4.4.2 is intended to comply with the minimum gain chargeback requirement with respect to Partner Nonrecourse Debt contained in Section 1.702-2(i)(4) of the Regulations and shall be interpreted consistently therewith. Allocations pursuant to this Section 4.4.2 shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant hereto.

4.4.3. Qualified Income Offset. In the event a Partner unexpectedly receives any adjustments, allocations or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6) of the Regulations, and such Partner has an Adjusted Capital Account Deficit, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit as quickly as possible; provided, however, that allocations pursuant to this Section 4.4.3 shall be made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 4 had been tentatively made as if this Section 4.4.3 were not a part of this Agreement. This Section 4.4.3 is intended to constitute a "qualified income offset" under Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

4.4.4. Gross Income Allocation. In the event any Partner has an Adjusted Capital Account Deficit at the end of any fiscal year, then there shall be allocated to each such Partner items of Partnership income and gain in the amount of such excess as quickly as possible; provided, however, that an allocation pursuant to this Section 4.4.4 shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 4 have been tentatively made as if Section 4.4.3 and this Section 4.4.4 were not in this Agreement.

---

4.4.5. Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year or other applicable period shall be allocated to the Partners in accordance with their respective Percentage Interests.

4.4.6. Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any fiscal year or other applicable period shall be specially allocated to the Partner(s) that bear(s) the economic risk of loss for the debt in respect of which such Partner Nonrecourse Deductions are attributable (as determined under Section 1.704-2(b)(4) and (i)(1) of the Regulations).

4.4.7. Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of his Interest in the Partnership, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in accordance with their Interests in the Partnership in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Partner to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

4.4.8. Allocations Relating to Taxable Issuance of Partnership Interests. Any income, gain, loss or deduction realized as a direct or indirect result of the issuance of an interest in the Partnership to a Partner (the "Issuance Items") shall be allocated among the Partners so that, to the extent possible, the net amount of such Issuance Items, together with all other allocations under this Agreement to each Partner, shall be equal to the net amount that would have been allocated to each such Partner if the Issuance Items had not been realized.

4.4.9. Curative Allocations. The Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss, and deduction among the Partners so that, to the extent possible, the cumulative net amount of allocations of Partnership items under Sections 4.3 and 4.4 shall be equal to the net amount that would have been allocated to each Partner if the Regulatory Allocations had not occurred. This Section 4.4.9 is intended to minimize to the extent possible and to the extent necessary any economic distortions which may result from application of the Regulatory Allocations and shall be interpreted in a manner consistent therewith. For purposes hereof, "Regulatory Allocations" shall mean the allocations made pursuant to the proviso in Section 4.3.2(ii) and this Section 4.4 (other than this Section 4.4.9 and Section 4.4.10).

4.4.10. Ordering. Sections 4.4.1 through 4.4.6 hereof shall be applied in the order provided in Section 1.704-2(j) of the Regulations.

---

#### 4.5. Tax Allocations.

4.5.1. Generally. Subject to Section 4.5.2 and 4.5.3 hereof, items of income, gain, loss, deduction and credit to be allocated for income tax purposes (collectively, "Tax Items") shall be allocated among the Partners on the same basis as their respective book items are allocated pursuant to Sections 4.3 and 4.4.

4.5.2. Sections 1245/1250 Recapture. If any portion of gain from the sale of property is treated as gain which is ordinary income by virtue of the application of Code Sections 1245 or 1250 ("Affected Gain"), then (A) such Affected Gain shall be allocated among the Partners in the same proportion that the depreciation, amortization or other cost recovery deductions giving rise to the Affected Gain were allocated and (B) other Tax Items of gain of the same character that would have been recognized, but for the application of Sections 1245 and/or 1250 of the Code, shall be allocated away from those Partners who are allocated Affected Gain pursuant to Clause (A) so that, to the extent possible, the other Partners are allocated the same amount, and type, of capital gain that would have been allocated to them had Sections 1245 and/or 1250 of the Code not applied. For purposes of the prior sentence, each Partner shall be treated as having been allocated depreciation and amortization in the same proportion as such Partner (before, on or after the Effective Time), has been allocated any deductions, directly or indirectly, giving rise to the Affected Gain.

4.5.3. Allocations Respecting Section 704(c) and Revaluations. Tax Items with respect to all Partnership property that is subject to Section 704(c) of the Code (collectively "Section 704(c) Tax Items") shall be allocated in accordance with the remedial allocation method described in Regulation Section 1.704-3. If the Gross Asset Value of any Partnership asset was adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f), subsequent allocations of items of taxable income, gain, loss, deduction and expense with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value using the remedial method under Code Section 704(c).

4.6. General. If an Interest in the Partnership is issued, Transferred and/or modified during a fiscal year in accordance with the provisions of this Agreement, the Net Income or Net Loss (or items thereof) attributable to such Interest for such fiscal year shall be allocated to each Partner who held such Interest in the Partnership during the fiscal year in proportion to the number of days during such fiscal year for which such Partner held such Interest. The Partnership shall have in effect an election under Section 754 of the Code to adjust the basis of the Partnership's property for the year in which the Effective Time occurs. Such election shall not be revoked without the consent of Class B Partners representing a Class B Percentage Interest of at least 75%. In addition, the Partnership shall not revoke any election under Section 754 of the Code made by any Control Affiliate without the consent of Class B Partners representing a Class B Percentage Interest of at least 75%.

4.7. Operating Costs and Expenses. The Partnership shall (i) pay, or cause to be paid, all costs, fees, operating expenses and other expenses of the Partnership (including the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of all personnel providing services to the Partnership) incurred in pursuing and conducting, or

---

otherwise related to, the activities of the Partnership, and (ii) in the sole discretion of the General Partner, reimburse the General Partner or any member of the Executive Committee or any employee of the Partnership for any out-of-pocket costs, fees and expenses incurred by them in connection therewith. Since the General Partner is the general partner of the Partnership and provides a means through which Class B Partners may exchange their Class B Units for securities of the General Partner, the General Partner may cause the Partnership to pay or bear all expenses of the General Partner, including, without limitation, costs of securities offerings not borne directly by Class B Partners, Board of Director compensation and meeting costs, costs of periodic reports to its stockholders, litigation costs and damages arising from litigation, accounting and legal costs and franchise taxes, provided that, without limiting the rights of the General Partner to receive distributions pursuant to Sections 4.1 and 4.2, the Partnership shall not pay or bear any income tax obligations of the General Partner pursuant to this Section 4.7.

## **SECTION 5. MANAGEMENT: RIGHTS, POWERS, AND DUTIES.**

### **5.1. General Partner.**

5.1.1. Among other things, the General Partner will establish the philosophy and policies of the business of the Partnership in a manner consistent with its Mission Statement; entertain and make initial determinations with respect to capital transactions including, but not limited to, acquisitions, sales, mergers, public offerings, borrowings and other matters pertaining to corporate finance; the creation and maintenance of employee benefit plans; and such other powers and authority as shall be required to manage the Partnership and its business for and on behalf of the Partners in a fashion similar to the powers and authority customarily given to a board of directors by a corporation.

5.1.2. The General Partner shall have general and active control of the affairs and business of the Partnership and general supervision of its officers, officials, employees and agents. Subject to the rights of the General Partner to delegate power and authority to the Executive Committee as set forth in Section 5.8, the General Partner shall have authority to establish the level and terms of compensation of the employees and management of the Partnership.

5.1.3. Except as otherwise set forth in this Section 5.1 or elsewhere in this Agreement, any act by the General Partner of any nature whatsoever may be effected only in accordance with the operating agreement of the General Partner.

### **5.2. Meetings and Voting.**

5.2.1. An annual meeting of the Partners (the "Annual Meeting") shall be held within or outside of the State of New York on such date, at such time and at such place as shall be specified by the General Partner. The purpose of the Annual Meeting shall be to discuss the contemplated allocation of Net Income and Net Loss, and such other business as may properly come before the meeting. Written notice stating the place, day and hour of the Annual Meeting and the purposes for which the Annual Meeting is called, shall be delivered not fewer than ten (10) days before the date of the meeting, in the manner specified in Section 11.6 or by electronic mail to Partners who are employees of the Partnership or its Affiliates, to each Partner

---

entitled to vote at the Annual Meeting. Notwithstanding the foregoing provisions, each Partner who is entitled to notice waives notice if before the meeting the Partner signs a waiver of the notice which is filed with the records of the Partnership, or the Partner is present at the meeting in person.

5.2.2. Special meetings of the Partners (each a “Special Meeting”), for any purpose or purposes, unless otherwise prescribed by statute, may be called by the General Partner in its sole and absolute discretion. Written notice stating the place, day and hour of the Special Meeting and the purposes for which the Special Meeting is called, shall be delivered not fewer than ten (10) days before the date of the meeting, in the manner specified in Section 11.6, to each Partner entitled to vote at such Special Meeting. When all the Partners of the Partnership are present at any Special Meeting, or if any Partner that is not present signs in writing a waiver of notice of such Special Meeting, or subsequently ratifies all the proceedings thereof, the transactions are as valid as if a meeting were formally called and notice had been given.

5.2.3. The presence in person or by proxy of Partners representing a Class B Percentage Interests of at least seventy-five percent (75%) shall constitute a quorum for the transaction of business at all meetings of the Partners. At all meetings of Partners, a Partner may vote by proxy executed in writing by the Partner or by his, her or its duly authorized attorney-in-fact. Such proxy shall be filed with the Partnership before or at the time of the meeting. The Partners may adopt their own rules of procedure which shall not be inconsistent with the Agreement or the Act. A record shall be maintained of the meetings of the Partners. Partners may participate in a meeting by means of a telephone conference call or similar communications equipment which enables all participants in the meeting to hear each other, and participation in a meeting pursuant to this Section 5.2.3 shall constitute presence in person at such meeting. At any meeting conducted through telephone conference call in which all of the Partners are present by telephone, the notice requirement of Sections 5.2.1 and 5.2.3 above shall be dispensed.

5.2.4. Any action required or permitted to be taken by the Partners, either at a meeting or otherwise, may be taken without a meeting if all of the Partners are provided notice and opportunity to provide their written consent and such percentage of the Partners as would otherwise be required hereunder for such action consents thereto in writing.

5.3. Annual Budget. The General Partner shall prepare (or cause to be prepared), if practical prior to the commencement of each fiscal year, and in any event prior to February 1 of such year, an annual budget (including a cash flow budget) (the “Annual Budget”) for the Partnership for such fiscal year.

#### 5.4. Duties of Parties.

5.4.1. Each Partner by executing this Agreement hereby assumes an obligation of good faith and fair dealing with respect to (a) the implementation of this Agreement and (b) such Partner’s dealings with the other Partners in connection with all matters relating to this Agreement. Without limiting the foregoing, each Partner assumes an obligation in good faith to seek to resolve with the other Partners all matters concerning the Partnership (and its Control Affiliates) with the view toward avoiding disputes that may adversely affect the operations of the Partnership (and its Control Affiliates).

---

5.4.2. No Partner or any Affiliate of such Partner, may engage and hold interests in other business ventures of any kind that creates or appears to create a conflict of interest with such Person's responsibilities with respect to the Partnership, its Control Affiliates and their respective Clients without the prior approval in writing of the General Partner. The restrictions set forth in this Section 5.4.2 shall not prohibit the ownership of a less than 2% interest in any Person if the securities of such Person are publicly traded.

5.5. Restrictive Covenants.

5.5.1. Acknowledgements of Partners. Each Partner acknowledges and agrees that (i) the Partnership's present and future business relationships with its Clients, employees, vendors, suppliers and lenders are and will continue to be of a type which normally continue unless interfered with by others, and (ii) any statements or actions taken by such Partner to induce any Client, employee, vendor, supplier or lender to terminate, reduce or not renew any business arrangement with the Partnership (unless the Partnership determines that the termination, reduction or non-renewal is in the best interest of the Partnership) or to enter into any business arrangement within the Partnership's line of business with any Person other than the Partnership would cause irreparable harm to the Partnership. Each Partner further acknowledges and agrees that the services such Partner is to render to the Partnership are of a special character, with a value to the Partnership the loss of which cannot adequately be compensated by damages or an action at law. Further, such Partner acknowledges and agrees that if it were to become an equity owner of a competing organization, such Partner's new obligations and the products, services and technology of the competing organization would be so similar or related to those contemplated by this Agreement that it would be very difficult for such Partner not to rely on or use the Partnership's confidential information.

5.5.2. Nonsolicitation. Except as otherwise provided in Section 5.5.3 and Section 5.5.5, each Partner will not, individually or through an agent, for such Partner or on behalf of another, as an employee, director, owner, partner, member, sole proprietor, consultant, agent, representative, shareholder, or in any other manner or capacity whatsoever, for the duration of the Restricted Period:

5.5.2.1 contact, directly or indirectly, any Client or otherwise solicit or induce or attempt to solicit or induce any Client with whom such Partner has dealt during the Restricted Period, to terminate, reduce or not renew its relationship with the Partnership;

5.5.2.2 accept any business involving or relating to the business of the Partnership from any Client with whom such Partner has dealt during the Restricted Period, or enter into a business relationship involving or relating to the business of the Partnership with any such Client (unless approved by the Partnership in writing);

5.5.2.3 make any statement or take any action that may interfere with the Partnership's business relationship with any Client, vendor, supplier or lender;

---

5.5.2.4 induce or solicit or attempt to induce or solicit any vendor, supplier or lender of the Partnership to terminate, reduce or not renew its relationship with the Partnership; or

5.5.2.5 solicit or induce any individual then employed by the Partnership to terminate such employment, or hire or attempt to hire any individual who is, or was during the Restricted Period, employed by or associated with the Partnership as an employee, independent contractor or agent.

5.5.3. Exceptions. The restrictions set forth in Section 5.5.1 will not prohibit the ownership of a less than 2% interest in any Person if the securities of such Person are publicly traded.

5.5.4. Definition of Clients. As used in this Agreement, the term “Client” shall include all Past Clients, and Present Clients, subject to the following general rule: with respect to each such Client, the term shall also include any Persons which are known to the Partner to be Affiliates of such Client. Past Clients, Potential Clients and Present Clients shall be defined as follows:

“Past Client” shall mean, at any particular time, any Person who at any point within the five years prior to such time had been a recipient of services from the Partnership (including, without limitation, its predecessors) or its Affiliates but at such time is not a recipient of services from the Partnership or its Affiliates.

“Potential Client” shall mean, as of any time of determination, any Person to whom the Partnership (including without limitation, its predecessors) or its Affiliates has offered to provide investment products or services at any point during the period of two (2) years immediately preceding such time of determination (but who has not become a recipient of investment products or services from the Partnership or its Affiliates).

“Present Client” shall mean, at any particular time, any Person who is at such time a recipient of services from the Partnership or its Affiliates.

Notwithstanding anything contained in this Agreement to the contrary, each of the Partners agrees to remain bound by the terms of this Section 5.5 for the duration of the Restricted Period upon the withdrawal, for any reason, by such Partner as a Partner of the Partnership.

5.5.5. Nothing in this Section 5.5 shall restrict any Partner upon (i) termination of his or her employment with any Affiliate of the Partnership and (ii) the sale of his or her entire Partnership Interest in the Partnership, from (A) transferring his own accounts, the accounts of a Present Client if any such Client falls within the definition of “Immediate Family” set forth in Section 1 hereof, or the accounts of any trust or estate for the benefit of such Person or any Person of which such Person (or Persons) is the majority equity owner and controlling party, and (B) providing services for any of the foregoing.

5.5.6. For purposes of this Section 5.5, the term “Partnership” shall be deemed to include its Affiliates.

---

5.6. Injunctive Relief. Each Partner acknowledges and agrees that it is fair and reasonable that he or it make the covenants and undertakings set forth in Section 5.5 and has done so with the benefit of the advice of counsel. Furthermore, each Partner agrees that any breach or attempted breach by him or it of the provisions of Section 5.5 of this Agreement will cause irreparable harm to the Partnership for which monetary damages will not be an adequate remedy. Accordingly, the Partnership shall be entitled to apply for and obtain injunctive relief (temporary, preliminary and permanent) in order to restrain the breach or threatened breach of, or otherwise to specifically enforce, any of the provisions of Section 5.5, without the requirement to post a bond or provide other security. Nothing herein shall be construed as a limitation or waiver of any other rights or remedies that may be available to the Partnership for such breach or threatened breach. Each Partner further agrees that the subject matter and duration of the restrictions covered in Section 5.5 are reasonable in light of the facts as they exist today.

5.7. Relationship with the General Partner.

5.7.1. It is the intention of each of the General Partner and the Class B Partners that, unless otherwise determined by the General Partner, the number of Class A Shares outstanding shall at all times equal the number of Class A Units outstanding and the number of Class B Shares outstanding shall at all times equal the number of Class B Units outstanding. Each of the Partnership, the General Partner and the Class B Partners agrees to cooperate to give effect to the intent of this Section 5.7.1.

5.7.2. The General Partner shall not, directly or indirectly, enter into or conduct any business, or hold any assets other than (i) the business conducted and assets held by the Partnership and its Subsidiaries, (ii) the ownership, acquisition or disposition of interests in, or assets of, the Partnership, (iii) the management of the business of the Partnership and its Subsidiaries, (iv) the offering, sale, syndication, private placement or public offering of shares, bonds, securities or other interests in compliance with this Section 5.7, (v) any activity or transaction contemplated by this Agreement, the Exchange Agreement or the Registration Rights Agreement, and (vi) such other activities incidental to the foregoing.

5.7.3. The General Partner shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than interests in the Partnership and such cash and cash equivalents, bank accounts or similar instruments or accounts as the Board of Directors of the General Partner deems reasonably necessary for the General Partner to carry out its responsibilities contemplated under this Agreement.

5.7.4. The General Partner shall directly maintain at all times ownership of all outstanding Class A Units, and shall not permit any Person to possess or exercise a right or ability to remove, replace, appoint or elect the General Partner of the Partnership.

5.7.5. If the General Partner issues any equity securities after the Effective Time:

5.7.5.1 at the time the General Partner issues any equity securities other than pursuant to the 2012 Plan or pursuant to an exchange of Class B Units for Class A

---

Shares pursuant to the Exchange Agreement, the General Partner shall immediately contribute all the cash proceeds, assets or other consideration or payments received from or in respect of the issuance of securities and from the exercise of any rights contained in such securities, including from a Class B Partner in respect of such issuance (collectively, the “Equity Proceeds”) (x) to the Partnership and the Partnership shall immediately issue to the General Partner in exchange for the Equity Proceeds contributed to the Partnership and any deemed Capital Contributions pursuant to Section 3.4, (A) in the case of an issuance of a Class A Share, one Class A Unit, and (B) in the case of an issuance of any other equity securities by the General Partner, a new class or series of units or other equity securities with designations, preferences and other rights, terms and provisions that are substantially the same as those of such General Partner’s equity securities equal in number to the number of the General Partner’s equity securities issued or, (y) if otherwise agreed in writing by the General Partner and any other Class B Partner, to such Partner and such Partner shall immediately transfer to the General Partner, in exchange for such Equity Proceeds, applicable Class B Units held by such Class B Partner, which Class B Units shall be automatically converted upon transfer, (A) in the case of an issuance of a Class A Share, into one Class A Unit or (B) in the case of an issuance of any other securities by the General Partner, into a new class or series of units or other equity securities with designations, preferences and other rights, terms and provisions that are substantially the same as those of such General Partner’s equity securities equal in number to the General Partner’s equity securities issued;

5.7.5.2 at the time the General Partner issues a Class A Share pursuant to the 2012 Plan (whether pursuant to the exercise of a stock option or the grant of a stock award or otherwise), (x) the General Partner shall be deemed to have contributed to the Partnership an amount of cash equal to the Class A Closing Share Price (or if earlier, on the date the related option is exercised) and shall concurrently transfer the Equity Proceeds, if any, to the Partnership (such Equity Proceeds shall not constitute a Capital Contribution) and (y) the Partnership shall be deemed to have purchased from the General Partner the Class A Shares for the amount of cash deemed to be contributed by the General Partner to the Partnership pursuant to clause (x) above and shall issue one Class A Unit to the General Partner; and

5.7.5.3 in the event of any issuance of Class A Shares by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration or payments received from or in respect of such issuance (including from a Class B Partner in respect of such issuance), if the cash proceeds or other consideration or payments actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter’s discount or other expenses paid or incurred in connection with such issuance (after giving effect to any consideration or payments paid by the Class B Partners in respect of such issuance), the General Partner shall be deemed to have made a capital contribution to the Partnership in the amount equal to the sum of the cash proceeds or other consideration or payments of such issuance plus the amount of such underwriter’s discount and other expense paid by the General Partner, which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 4.7.

5.7.6. If, at any time, any Class A Shares (or such other class or series of equity securities) of the General Partner are to be redeemed by the General Partner for cash, the Partnership shall, immediately prior to such redemption, redeem an equal number of Class A

---

Units (or such other class or series of equity securities in the General Partner) held by the General Partner, upon the same terms and for the same price per Class A Unit (or such other class or series of equity securities in the Partnership), as such Class A Shares (or such other class or series of equity securities of the General Partner).

5.7.7. The General Partner shall not, and shall not permit the Partnership to, in any manner subdivide (by split, distribution, reclassification, recapitalization or otherwise) or combine (by reverse split, reclassification, recapitalization or otherwise) any class or series of outstanding units or, unless there is a concurrent and identical subdivision or combination of all other classes of units and common stock of the General Partner and the Partnership, common stock with designations, preferences and other rights, terms and provisions that are substantially the same, unless such class or series of units or common stock are subdivided or combined concurrently in an identical manner.

5.7.8. Each Class B Partner shall, concurrently with the execution and delivery of this Agreement or, in the event that any Class B Units are issued by the Partnership to such Class B Partner subsequent to the Effective Date, concurrently with such subsequent issuance, (i) execute and deliver to the General Partner a subscription agreement in form satisfactory to the General Partner, subscribing to a number of Class B Shares equal to the number of Class B Units held by such Class B Partner as of the date hereof or, with respect to a subsequent issuance, the number of Class B Units to be issued to such Class B Partner at such subsequent issuance, (ii) pay to the General Partner consideration for such subscribed Class B Shares at the par value, (iii) if such Class B Partner is not a party to the Class B Stockholders Agreement, execute and deliver to the General Partner a counterpart to the Class B Stockholders Agreement or any additional party signature page thereto, (iv) if such Class B Partner is not a party to the Exchange Agreement and Registration Rights Agreement, execute and deliver to the General Partner counterparts to the Exchange Agreement and Registration Rights Agreement or any additional party signature pages thereto, and (v) execute and deliver to the General Partner such instruments, certificates, agreements and other documents as may be reasonably required by the General Partner to effect the issuance of such subscribed Class B Shares. The General Partner shall issue to such Class B Partner upon receipt of the foregoing, the Class B Shares so subscribed.

5.7.9. If at any time, a Class B Partner exchanges Class B Units for Class A Shares, an equal number of Class B Shares held by such Class B Partner shall be redeemed by the General Partner at par value and the General Partner and such Class B Partner shall cooperate in facilitating such redemption.

5.7.10. The General Partner agrees that at all times it shall maintain in reserve a number of Class A Shares equal to the number of Class B Units outstanding, in addition to any Class A Shares issuable pursuant to any equity plan or other outstanding security convertible into Class A Shares.

5.7.11. Notwithstanding the foregoing provisions of this Section 5.7, the General Partner may incur indebtedness and may take other actions if the General Partner determines in good faith that such indebtedness or other actions are in the best interests of the Partnership.

---

5.8. Executive Committee. The Partnership shall have an executive committee (the "Executive Committee") to which the General Partner may delegate such power and authority as the General Partner determines in its sole discretion and the General Partner may revoke or modify such delegation in its discretion. The Executive Committee shall initially consist of G. Moffett Cochran, David J. Campbell, Scott A. Gerard and Richard R. Hough. The General Partner may designate and/or remove any members of the Executive Committee in its sole discretion. The vote of each member of the Executive Committee shall be weighted based on the number of Class B Units owned by such member as compared to the number of Class B Units owned by all members of the Executive Committee. The Executive Committee may act only by majority weighted vote or majority weighted written consent of its members and may act in accordance with such rules and procedures as it may determine from time to time.

## **SECTION 6. LIABILITY AND INDEMNIFICATION; FIDUCIARY DUTIES.**

6.1. Liability of Covered Persons. Except as otherwise provided by the Act or this Agreement, no Covered Person shall be liable, responsible or otherwise accountable for damages to the Partnership or to any other Covered Person for any action taken or failure to act on behalf of the Partnership, unless such acts or omissions constituted bad faith, gross negligence, willful misconduct or actual fraud by such Covered Person, or a breach of such Covered Person's duties, obligations or responsibilities pursuant to Section 5.4.1.

6.2. Indemnification of Covered Persons. To the fullest extent permitted by law, the Partnership shall indemnify, defend and hold harmless each Covered Person from and against any and all debts, losses, claims, damages, costs, demands, fines, judgments, contracts (implied and expressed, written and unwritten), penalties, obligations, payments, liabilities of every type and nature (whether known or unknown, fixed or contingent), including those arising out of any lawsuit, action or proceeding (whether brought by a party to this Agreement or by any third party), together with any reasonable costs and expenses (including reasonable attorneys' fees, out-of-pocket expenses and other reasonable costs and expenses incurred in investigating, preparing or defending any pending or threatened lawsuit, action or proceeding) incurred in connection with the foregoing (collectively "Damages") suffered or sustained by him/her/it by reason of any act, omission or alleged act or omission by him/her/it arising out of his/her/its activities taken primarily on behalf of the Partnership, or at the request or with the approval of the Partnership, or primarily in furtherance of the interests of the Partnership; provided, however, that the acts, omissions or alleged acts or omissions upon which such actual or threatened actions, proceedings or claims are based were performed or omitted in good faith and were not fraudulent, in bad faith, a result of wanton and willful misconduct or gross negligence, by such Covered Person, a breach of duties, obligations or responsibilities of a Partner pursuant to Section 5.4.1 or a breach of any other provision of this Agreement. Expenses (including reasonable attorneys' fees, out-of-pocket expenses and other reasonable costs and expenses incurred in investigating, preparing or defending any pending or threatened lawsuit, action or proceeding) incurred by a Covered Person in defending any such lawsuit, action or proceeding shall be paid by the Partnership in advance of the final disposition of such lawsuit, action or proceeding upon receipt of an undertaking, by or on behalf of such Covered Person, to repay such amount if it shall ultimately be determined that such Covered Person is not entitled to be indemnified by the Partnership as authorized by this Section 6.2.

---

### 6.3. Indemnification Procedure.

6.3.1. A party seeking indemnification from the Partnership pursuant to Section 6 (an “Indemnified Party”) shall give prompt notice to the Partnership of the assertion of any claim, including any claim brought by a third party, in respect of which indemnity may be sought hereunder (a “Claim”) and shall give the Partnership such information with respect thereto as the Partnership may reasonably request, but no failure to give such notice shall relieve the Partnership of any liability hereunder (except to the extent the Partnership has suffered actual prejudice thereby). The Partnership shall have the right, exercisable by written notice (the “Notice”) to the Indemnified Party (which notice shall state that the Partnership expressly agrees that as between the Partnership and the Indemnified Party, the Partnership shall be solely obligated to satisfy and discharge the Claim) within thirty (30) days of receipt of notice from the Indemnified Party of the commencement of or assertion of any Claim, to assume the defense of such Claim, using counsel selected by the Partnership; provided that the Partnership shall not have the right to assume the defense of a Claim (A) seeking an injunction, restraining order, declaratory relief or other nonmonetary relief against the Indemnified Party (whether or not the Partnership is also named as a party) or (B) if the named parties to any such action (including any impleaded parties) includes both the Indemnified Party and the Partnership and the Indemnified Party shall have been advised by counsel that there are one or more legal or equitable defenses available to the Indemnified Party which are different from those available to the Partnership, in which case such Indemnified Party shall have the right to participate in the defense of a Claim of the type set forth in clause (A) and/or (B) above and all Damages in connection therewith shall be reimbursed by the Partnership. In addition, if the Partnership fails to give the Indemnified Party the Notice complying with the provisions stated above within the stated time period, the Indemnified Party shall have the right to assume control of the defense of the Claim and all Damages in connection therewith shall be reimbursed by the Partnership upon demand of the Indemnified Party. In any event, no party assuming the defense of any Claim shall have the right to compromise or settle any Claim for non-monetary relief against the other party or any Claim for monetary relief against another party without such party’s consent (which consent shall not be unreasonably withheld or denied) unless such monetary relief is paid in full by the settling party (without any expectation of reimbursement therefor from the consenting party).

6.3.2. If at any time after the Partnership assumes the defense of a Claim any of the conditions set forth above is no longer satisfied, the Indemnified Party shall have the same rights as if clause (A) or (B) in Section 6.3.1 above had been satisfied and the Partnership never assumed the defense of such Claim.

6.3.3. The Partnership or the Indemnified Party, as the case may be, shall in any event have the right to participate, at its own expense, in the defense of any Claim which the other is defending.

6.3.4. Whether or not the Indemnified Party chooses to defend or prosecute any Claim involving a third party, all the parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith.

---

6.3.5. The Partnership shall seek to procure insurance coverage to the extent available on reasonable terms to cover its obligations under this Section 6.

6.4. Reliance. A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person (other than such Covered Person) as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or any other facts pertinent to the existence and amount of assets from which distributions to Partners might properly be paid.

6.5. Fiduciary Duty.

6.5.1. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating to the company or to another Partner or any Affiliate of another Partner, a Covered Person acting pursuant to the terms, conditions and limitations of this Agreement shall not be liable to the Company or to another Partner or any Affiliate of another Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Covered Person otherwise existing at law or equity, are agreed by the Members to modify to that extent such other duties and liabilities of the Covered Person.

6.5.2. To the fullest extent permitted by applicable law and unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between the General Partner and the Company or another Partner, or (ii) whenever this Agreement or any other agreement contemplated herein provides that the General Partner shall act in a manner that is fair and reasonable to the Company or any other Partner, the General Partner shall resolve the conflict of interest or take such action, considering in each case the relative interests of the Company, each other Partner and the General Partner, to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. So long as the General Partner acts, based on the foregoing sentence, in good faith and in a manner consistent with the foregoing sentence, the resolution or action so made or taken by the General Partner shall not constitute a breach of this Agreement or any other agreement contemplated herein.

6.5.3. Notwithstanding anything to the contrary in this Agreement or under applicable law, whenever in this Agreement the General Partner is permitted or required to make a decision or take an action or omit to do the foregoing acting solely in its capacity as the General Partner, the General Partner shall, except where an express standard is set forth, be entitled to make such decision in its sole discretion (and the words "in its sole discretion" shall be deemed inserted therefor in each case in association with the words "General Partner," whether or not the words "sole discretion" are actually included in the specific provisions of this Agreement), and in so acting in its sole discretion the General Partner shall be entitled to consider any such interests and factors as it desires, including its own interests, and, except as set forth in the preceding paragraph in the case of a conflict of interest, shall have no duty or

---

obligation to give any consideration to any interest of or factors affecting the Company, any of the Company's Affiliates, any other Partner or any other Person. To the fullest extent permitted by applicable law, if pursuant to this Agreement the General Partner, acting solely in its capacity as the General partner, is permitted or required to make a decision in its "good faith" or under another express standard, the General Partner shall act under such express standard and shall not be subject to any other different standard imposed by this Agreement or otherwise by applicable law.

6.5.4. The General Partner may consult with legal counsel, accountants and other advisers and any act or omission suffered or taken by the General Partner on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon and in accordance with the advice of such counsel or accountants will be full justification for any such act or omission, and the General Partner will be fully protected in so acting or omitting to act so long as such counsel or accountants were selected with reasonable care.

## **SECTION 7. TRANSFER OF INTERESTS.**

### **7.1. Transfers of Units.**

7.1.1. The General Partner shall not Transfer any Class A Units.

7.1.2. No Class B Partner may Transfer all or any portion of such Class B Partner's Units to any Person other than (i) to a Specified Permitted Transferee of such Class B Partner in accordance with and subject to Section 7.1.3, (ii) to a Permitted Charitable Institution but subject to the provisions of Section 8.6.3, (iii) pursuant to Sections 8.5, 8.6 or 8.7 or (iv) in accordance with the provisions of the Exchange Agreement.

7.1.3. Notwithstanding the provisions of Section 7.1.2, if the Affiliate or Specified Permitted Transferee is such because it was an Affiliate or Person described in clauses (ii) or (iii) of the definition of "Specified Permitted Transferee" at the time of such Transfer and, at any time after such Transfer, such Affiliate or Specified Permitted Transferee ceases to be an Affiliate or to qualify under clauses (ii) or (iii) of the definition of "Specified Permitted Transferee," then such Transfer shall be deemed to not be a Transfer permitted pursuant to this Section 7 and any Partnership Interest beneficially owned by such former Affiliate or Specified Permitted Transferee (a "Non-Qualifying Transferee") must be Transferred to the Class B Partner who had initially made such Transfer (the "Base Partner") or another Person who would qualify as a permitted Transferee under Section 7.1.1, as applicable, prior to such Non-Qualifying Transferee's loss of such status in respect of such Base Partner, *provided* that if such Transfer does not occur prior to such loss of such Affiliate or Special Permitted Transferee status, in addition to any remedy available to the Partnership for the breach of this Agreement resulting therefrom, at the election of the Partnership (which election, and all other rights of the Partnership related thereto as set forth herein, may be made and exercised at the sole discretion of the General Partner) either (i) the Transfer to the Non-Qualifying Transferee shall be null and void and of no force and effect, such Non-Qualifying Transferee shall automatically cease to be a Partner, and the Partnership shall be entitled to treat the Base Partner (or such other Person as the General Partner shall reasonably determine to be the rightful owner thereof) as the holder of the Partnership Interest held by such Non-Qualifying Transferee for all purposes hereunder,

---

notwithstanding any prior registration or recognition of the Transfer of such Partnership Interest to such Non-Qualifying Transferee or (ii) the Partnership shall have the right and option to purchase all, but not less than all, of the Partnership Interest owned by such Non-Qualifying Transferee for a price of such Partnership Interests as determined in accordance with and on the terms and conditions set forth in Section 8.6.1.

7.1.4. As a condition to the validity of any Transfer permitted by this Section 7, the Specified Permitted Transferee or Affiliate shall be required to execute and deliver a copy of this Agreement, the Exchange Agreement, the Stockholders Agreement and the Tax Receivable Agreement to the Partnership.

7.1.5. Prior to a Class B Partner making any Transfer pursuant to Section 7.1.2(i), such Class B Partner shall provide written notice to the Partnership of such proposed Transfer, which notice shall specify the amount and type of Partnership Interests subject to such proposed Transfer and the name of the Affiliate or Specified Permitted Transferee, as applicable. In order to complete any Transfer pursuant to this Section 7.1, (i) the transferring Partner shall deliver its Partnership Interest duly endorsed, or accompanied by written instruments of Transfer, in form and substance reasonably satisfactory to the Partnership, free and clear of any encumbrances, and shall furnish such other evidence as may reasonably be necessary to effect the Transfers of such Partnership Interest, and (ii) upon receipt of the materials in clause (i) and the executed copy of this Agreement pursuant to Section 7.1.4, the Partnership shall cause its books and records to reflect the Transfer.

7.2. Transfers Void. In addition to any other remedy available under Section 7.1.3, any Transfer attempted in violation of the provisions contained in this Section 7 or in Section 8 shall be deemed null and void and of no effect, the Partnership being hereby authorized not to acknowledge and, to the extent applicable, not register the Transfer in the relevant books of the Partnership.

## **SECTION 8. ADDITIONAL PARTNERS, VESTING AND FORFEITURE OF UNITS.**

### **8.1. Grants of Additional Units.**

8.1.1. Grants of Additional Units. Subject to Section 5.7, the General Partner is hereby authorized to cause the Partnership to issue additional Units for any Partnership purpose, at any time or from time to time, to any Persons for such consideration and on such terms and conditions as shall be determined by the General Partner. Except as provided in the preceding sentence, the issuance of additional Units shall not require approval of any Partner or other Person.

8.1.2. Without limiting the foregoing, and upon compliance with any other applicable provisions of this Agreement, the General Partner shall be expressly authorized to cause the Partnership to grant additional Units (i) to Persons in furtherance of the Partnership's Mission Statement as provided in Section 3.2 hereof, (ii) to employees of the Partnership pursuant to employee benefit plans approved by the General Partner, (iii) upon the conversion, redemption or exchange of any indebtedness of the Partnership or other securities

---

issued by the Partnership, (iv) for less than fair market value, so long as the General Partner concludes in good faith that such grant is in the best interests of the Partnership and (v) in connection with any merger of any other Person into the Partnership or with a Subsidiary of the Partnership if the applicable merger agreement provides that Persons are to receive Additional Units in exchange for their interests in the Person merging into the Partnership or with the Subsidiary.

8.1.3. Subject to Section 5.7, the General Partner is hereby authorized to create such other class, classes or series of Partnership Interests or other equity interests in the Partnership as it shall deem necessary or desirable, which Partnership Interests or other equity interests in the Partnership may have voting rights, rights to distributions and allocations, or other rights that are different from, and superior or inferior to those of, the Units or any other then-existing Partnership Interests; provided, however that if the Partnership issues any preferred equity securities to existing holders of Units (other than issuances of preferred equity securities to any employees or managers of the Partnership or any of its Subsidiaries in respect of existing or future compensation arrangements), the price of such preferred equity securities must be at least equal to the fair value of such securities (as determined in good faith by the General Partner).

## 8.2. Acceptance of Additional Partners.

8.2.1. A Person who acquires additional Units, and at such time is not a Partner, shall become a Partner hereunder only upon furnishing to the General Partner: (i) evidence of acceptance, in form and substance satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 8.7 hereof, (ii) a counterpart signature page to this Agreement executed by such Person, (iii) evidence in form and substance satisfactory to the General Partner of such Person's filing an election under Section 83(b) of the Code with respect to such Person's acquisition of such additional Units, if required by the General Partner, and (iv) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's status as a Partner.

8.2.2. Notwithstanding anything to the contrary in this Section 8.2, no Person shall be accepted as an Additional Partner after the Effective Time without the consent of the General Partner, which consent may be given or withheld in its sole and absolute discretion. The acceptance of any Person as an Additional Partner shall become effective on the date upon which the name of such Person is recorded as an Additional Partner on the books and records of the Partnership, following the consent of the General Partner to such acceptance.

8.2.3. If any Additional Partner is accepted by the Partnership on any day other than the first day of a fiscal year of the Partnership, the Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Partners for such fiscal year shall be allocated among such Additional Partner and all other Partners by taking into account their varying Interests during the fiscal year in the manner specified in Section 4.6. All distributions of Distributable Cash Flow with respect to which the applicable record date is before the date of such admission shall be made solely to Partners other than the new Additional Partner, and all distributions of Distributable Cash Flow thereafter shall be made to all the Partners, including such new Additional Partner.

---

### 8.3. Representations and Warranties of the Additional Partners.

8.3.1. Each Additional Partner represents and warrants to, and covenants with, the Partnership, that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Additional Partner will not result in a breach or violation of, or a default under, any material agreement by which such Additional Partner or any of such Additional Partner's property is bound, or any statute, regulation, order or other law to which such Additional Partner is subject, and (ii) such Additional Partner is not a "foreign person" within the meaning of Section 1445(f) of the Code.

8.3.2. Each Additional Partner represents, warrants and covenants that it shall acquire and hold its additional Units for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof, and not with a view toward selling or otherwise distributing such additional Units or any part thereof at any particular time or under any predetermined circumstances. Each Additional Partner further represents and warrants that it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment.

8.3.3. Each Additional Partner hereby acknowledges that no representations as to potential profit, cash flows, funds from operations or yield, if any, in respect of the Additional Partner's additional Units or the Partnership have been made by the Partnership, any Partner or any employee or representative or Affiliate of the Partnership or any Partner; that projections and any other information, including financial and descriptive information and documentation, that may have been in any manner submitted to such Additional Partner shall not constitute any representation or warranty of any kind or nature, express or implied; and that such Additional Partner may receive allocations of taxable income or gain with respect to its additional Units that exceed any distributions that such Additional Partner receives from the Partnership.

8.3.4. The acknowledgements, representations and warranties contained in Sections 8.3.1 through 8.3.3 hereof shall survive the execution and delivery of this Agreement by each Additional Partner and the dissolution, liquidation and termination of the Partnership.

### 8.4. Certain Rights and Obligations of Additional Partners.

8.4.1. Each Additional Partner shall receive the share of distributions of Distributable Cash Flow set forth in Section 4 hereof.

8.4.2. Each Additional Partner shall be allocated the share of Net Income and Net Loss of the Partnership set forth in Section 4 hereof.

8.4.3. Each Additional Partner shall be entitled to receive the share of proceeds of a dissolution of the Partnership provided in Section 9 hereof.

---

#### 8.5. Redemption Upon Termination For Cause.

8.5.1. Upon a termination of employment for Cause of an employee of the Partnership or an Affiliate of the Partnership that owns Class B Units (each such employee, a "Cause Terminated Employee"), the Partnership shall have the right to redeem all of the Class B Units owned by such Cause Terminated Employee, his or her Specified Permitted Transferees, estate or heirs (together with the Terminated Employee each as applicable a "Terminated Employee Related Party") and each Terminated Employee Related Party shall have the obligation to sell such Class B Units to the Partnership. The aggregate price to be paid by the Partnership to all Terminated Employee Related Parties subject to a redemption pursuant to this Section 8.5.1 shall equal the lesser of (i) the Capital Account balance of the Terminated Employee Related Parties at the time of termination of employment of such Cause Terminated Employee and (ii) the purchase price paid by the Cause Terminated Employee to first obtain the redeemed Class B Units.

8.5.2. In the event the Partnership shall elect to redeem or be required to redeem Units pursuant to this Section 8.5, a Redemption Notice shall be given by the Partnership to each Terminated Employee Related Party in accordance with the provisions of Section 11.6, not more than one-hundred eighty (180) days after the last day of employment of a Cause Terminated Employee. Such Redemption Notice shall state (i) the date (the "Redemption Date") on which such Class B Units shall be redeemed, which date shall be at least sixty (60) days but not more than ninety (90) days after the date of the Redemption Notice; (ii) the number of Class B Units to be redeemed from such Terminated Employee Related Party; (iii) the place or places where certificates, if any, for such Class B Units are to be surrendered for payment of the redemption price, if other than the Partnership's executive offices in New York, New York, and (iv) the redemption price for each Class B Unit to be redeemed.

8.5.3. A Partner who ceases to own any Units shall cease to be a Partner of the Partnership.

#### 8.6. Automatic Exchange Upon Termination and Certain Transfers.

8.6.1. Upon a termination of employment for any reason other than Cause or Retirement of an employee of the Partnership or an Affiliate of the Partnership that owns Class B Units (each such employee, a "Terminated Employee"), all Class B Units owned by such Terminated Employee, his or her Specified Permitted Transferees, estate or heirs shall be automatically exchanged for an equal number of Class A Shares without any action required by such Terminated Employee pursuant to the terms of the Exchange Agreement.

8.6.2. All Class A Shares issued to any Terminated Employee pursuant to the terms of this Section 8.6 shall be subject to the terms and provisions of the Exchange Agreement, Registration Rights Agreement and Class B Stockholders Agreement.

8.6.3. Upon a Transfer of Class B Units to a Permitted Charitable Institution, all Class B Units so Transferred shall be automatically exchanged for an equal number of Class A Shares without any action required by such Permitted Charitable Institution or the transferee.

---

#### 8.7. Forfeiture of Class B Units.

8.7.1. If an employee of an Affiliate of the Partnership that owns Class B Units breaches any of his or her covenants pursuant to Section 5.5 of this Agreement, then, unless the Board of Directors of the General Partner, in its sole discretion, determines otherwise, such employee and each of his or her Specified Permitted Transferees, estate or heirs shall each forfeit one hundred percent (100%) of unvested Class B Units, and eighty percent (80%) of the number of vested Class B Units held by such employee and each of his or her Specified Permitted Transferees, estate or heirs on the earlier of (i) the date of such breach and (ii) the date of termination of employment of such employee with the Partnership or an Affiliate of the Partnership.

8.7.2. In the event a Class B Partner's Class B Units are forfeited pursuant to Section 8.7.1, (i) the number of Class B Units (if not a whole number) to be forfeited shall be determined by rounding to the nearest whole number of Class B Units, (ii) such Class B Partner shall cease to hold such Class B Units, (iii) forfeited Class B Units shall be held in the treasury of the Partnership and thereafter may be awarded pursuant to the 2012 Plan and (iv) the General Partner shall effect the reduction of the number of Units in the books and records of the Partnership. In addition, such Class B Partner shall cooperate with the General Partner to assist in the redemption of an equal number of Class B Shares held by such Class B Partner.

#### 8.8. Power of Attorney.

8.8.1. Each Additional Partner hereby irrevocably constitutes and appoints the General Partner or any Person elected by the Partners to oversee the winding up and dissolution of the Partnership (such Person, a "Liquidator"), and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to: (i) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices (a) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (b) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including a certificate of cancellation; (c) all conveyances and other instruments or documents that the General Partner deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (d) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner, and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Units; and (ii) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Additional Partners hereunder or is consistent with the terms of this Agreement.

---

8.8.2. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, and it shall survive and not be affected by the subsequent incapacity of any Additional Partner and the Transfer of all or any portion of such Additional Partner's additional Partnership Interest and shall extend to such Additional Partner's heirs, successors, assigns and personal representatives. Each such Additional Partner hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Additional Partner hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Additional Partner shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partners' or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything set forth in this Section 8.7.2, no Additional Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

## **SECTION 9. DISSOLUTION, LIQUIDATION AND TERMINATION OF THE PARTNERSHIP.**

9.1. Events of Dissolution. The business of the Partnership shall be continued by the General Partner pursuant to this Agreement and no Partner shall be released or relieved of any duty or obligation hereunder; provided, however, that the business of the Partnership shall be terminated, its affairs wound up and its property and assets distributed if any of the following occurs:

(i) the entry of a decree of judicial dissolution under Section 802 of the Act;

(ii) the sale or other disposition of all or substantially all of the assets of the Partnership; or

(iii) the determination by the General Partner that the Company should dissolve; provided that Class B Partners with an aggregate Class B Percentage Interest of at least 75% consent to a dissolution of the Partnership.

9.2. Wind-up of Affairs. As expeditiously as possible following the occurrence of an event giving rise to a termination of the business of the Partnership pursuant to Section 9.1, the General Partner shall wind up the affairs of the Partnership, liquidate the assets of the Partnership, and distribute to the Partners all the proceeds of such liquidation in accordance with Section 9.4.

9.3. Filing of Certificate of Cancellation. If the Partnership is dissolved, the General Partner shall promptly file a Certificate of Cancellation with the office of the Delaware Secretary of State.

9.4. Distributions in Liquidation. Distributions in connection with the liquidation of the Partnership shall be made, after establishing a reserve for any contingent

---

liabilities of the Partnership and after payment of the reasonable expenses incurred in dissolution and termination and payment to creditors of the Partnership (excluding secured creditors whose obligations will be assumed or otherwise Transferred on the liquidation of the Partnership's property or assets), to the Partners in proportion to their relative positive Capital Account balances, after taking into account all allocations of Net Income and Net Loss in respect of the Fiscal Year of the liquidation, and for all prior periods.

9.5. Claims of the Partners. The Partners shall look solely to the Partnership's assets for the return of their Capital Contributions, and if the assets of the Partnership remaining after payment of or due provision for all debts, liabilities and obligations of the Partnership are insufficient to return such Capital Contributions, the Partners shall have no recourse against the Partnership or any Partner or any other Person. No Partner with a negative balance in such Partner's Capital Account shall have any obligation to the Partnership or to the other Partners or to any creditor or other Person to restore such negative balance upon dissolution or termination of the Partnership or otherwise.

9.6. Termination of Restrictions. Upon the occurrence of an event of dissolution of the Partnership specified in Section 9.1, the restrictions imposed by Section 5.5 shall terminate.

## **SECTION 10. BOOKS, RECORDS, ACCOUNTING AND CERTAIN OTHER TAX MATTERS.**

10.1. Bank Accounts. All funds of the Partnership shall be deposited in a bank account or accounts opened in the Partnership's name. The General Partner shall determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

10.2. Books and Records. During the term of existence of the Partnership, the General Partner shall keep or cause to be kept complete and accurate books and records of the Partnership and supporting documentation of the transactions with respect to the conduct of the Partnership's business. The books and records shall be maintained in accordance with GAAP (provided, however, that unaudited interim statements may be prepared (i) without footnote disclosure and (ii) without normal recurring year-end adjustments as may be required by the Partnership's independent public accountants to conform to GAAP) and shall be available at the Partnership's principal office for examination by any Partner or the Partner's duly authorized representative for any purpose reasonably related to such Partner's rights as a Partner in the Partnership at any and all reasonable times during normal business hours. The Partnership will maintain the following records, among others, at its principal office:

10.2.1. A current list of the full name and last known business address of each Partner;

10.2.2. A copy of the Certificate and all amendments thereto, together with executed copies of any powers of attorney pursuant to which the Certificate has been executed;

---

10.2.3. Copies of the Partnership's federal, foreign, state and local tax returns and reports, if any, with respect to which the applicable civil statute of limitations remains open;

10.2.4. Copies of this Agreement including all amendments thereto;

10.2.5. Any financial statements of the Partnership for the seven most recent fiscal years of the Partnership;

10.2.6. A writing or other data compilation from which information can be obtained through retrieval devices into reasonable usable form setting forth the following:

(i) the amount of cash and a description and statement of the agreed value of the other property or services contributed by each Partner and which each Partner has agreed to contribute;

(ii) the times at which or events on the happening of which any Additional Capital Contributions agreed to be made by any Partner are to be made; and

(iii) a record of the Capital Account of each Partner.

10.3. Fiscal Year. The fiscal year of the Partnership shall be the twelve months ending December 31. A fiscal quarter shall be a period of three months ending on the last day of the fiscal year and on the last day of March, June and September, respectively. The General Partner may change the fiscal year of the Partnership.

10.4. Reports. The General Partner shall be responsible for the preparation of financial reports of the Partnership and the coordination of financial matters of the Partnership with the Partnership's independent public accountants. The Partnership shall make available to the General Partner within thirty (30) days of the end of each month (other than the last month of the Partnership's fiscal year) the following financial statements:

(i) a balance sheet of the Partnership as of the last day of the month;

(ii) a statement of income or loss of the Partnership for such month and for the entire fiscal year through the end of the month;

(iii) a statement of the Partnership's cash flow for such month and for the entire fiscal year through the end of the month; and

(iv) a schedule of distributions to the Partners and allocations of Net Income or Net Loss during such month and during the entire fiscal year through the end of such month.

The monthly financial statements provided for above need not be reviewed or audited by the Partnership's independent public accountants, and may be prepared without footnote disclosure and without normal recurrence of year-end adjustments, but shall be otherwise prepared in accordance with GAAP, applied on a consistent basis.

---

As soon as practicable after the close of each fiscal year of the Partnership, the Partnership shall cause to be prepared a financial report of the Partnership for such fiscal year, including a balance sheet as of the last day of such fiscal year, a statement of income and loss of the Partnership for the fiscal year and a statement of the Partnership's cash flow for the fiscal year, and a schedule of distributions to the Partners and allocations of Net Income or Net Loss during the fiscal year. Such balance sheet, statement of income and loss and statement of cash flow shall be prepared in accordance with GAAP applied on a consistent basis and shall be audited in accordance with generally accepted auditing standards by the Partnership's firm of independent public accountants and the cost thereof shall be borne by the Partnership. Such annual financial reports of the Partnership shall be promptly transmitted to each Partner and each Investor.

10.5. Selection of CPAs. At all times during the term of this Agreement, the Partnership shall retain as its independent public accountants an accounting firm of national standing and reputation which shall be selected by the General Partner.

10.6. Tax Matters.

10.6.1. The General Partner shall serve as the tax matters partner of the Partnership (the "Tax Matters Partner") within the meaning of Section 6231 of the Code. The Tax Matters Partner shall represent the Partnership on behalf of the Partners in connection with all administrative and judicial proceedings with respect to Partnership affairs involving or resulting from examinations by any and all federal, state or other tax authorities (including examinations by the Internal Revenue Service), and may expend Partnership funds for reasonable professional services and costs in connection therewith as it deems advisable and necessary; provided, however, that, except as otherwise provided in this Agreement or by law, the Tax Matters Partner does not assume any obligations or responsibilities with respect to the foregoing and does not have the authority to bind the other Partners in any such proceedings. Any Partner other than the Tax Matters Partner who wishes to participate in the administrative proceedings at the Partnership level may do so, and any legal, accounting or other expenses incurred by such Partner in connection therewith shall be borne by the Partnership. The Tax Matters Partner shall promptly take such action as may be necessary to cause each Partner to become a "notice partner" within the meaning of Section 6231(a)(8) of the Code. The Tax Matters Partner shall furnish to each Partner a copy of all notices or other written communications received by the Tax Matters Partner from the Internal Revenue Service (except such notices or communications as are sent directly to the Partner by the Internal Revenue Service). The Tax Matters Partner shall give to Partners prompt written notice upon receipt of advice that the Internal Revenue Service or any other taxing authority intends to examine any Partnership tax return or the books and records of the Partnership. The Partnership shall indemnify and hold harmless the Tax Matters Partner from and against any claim, loss, expense, liability, action or damage resulting from its acting or failing to take any action in its capacity as the Tax Matters Partner, provided that any such action or failure to act was not fraudulent, in bad faith, a result of wanton or willful misconduct or gross negligence by such Partner.

10.6.2. Each of the Partners, on the one hand, and the Partnership, on the other hand, agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance as is reasonably necessary for the preparation and filing of any

---

return, claim for refund or other required or optional filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution or defense of any suit or other proceeding relating to Tax matters and for the answer to any governmental or regulatory inquiry relating to Tax matters.

10.6.3. As soon as practicable after the close of each fiscal year of the Partnership, the General Partner shall also cause to be prepared and timely file all necessary tax returns for the Partnership for such fiscal year, including IRS Forms K-1 and any corresponding state, local or foreign tax forms to be provided to the Partners. Each tax return and any other statement to be filed by the Partnership with the Internal Revenue Service or any other taxing authority shall be prepared by the accountants (including outside accountants) for the Partnership, whose expenses shall be borne by the Partnership. Draft copies of each such return and statement shall be distributed to the Partners not later than thirty (30) days before the date on which the same is required to be filed, including any extensions of such filing date. The Partnership shall also provide the Partners with any additional information reasonably requested by the Partners for purposes of reporting their share of the Partnership's income, gain, loss and deductions in the Partners' own tax returns.

#### **SECTION 11. MISCELLANEOUS TERMS AND CONDITIONS.**

11.1. Dispute Resolution. If a dispute arises between the parties in connection with this Agreement or any document or instrument delivered in connection herewith, including an alleged breach of any representation, warranty or covenant herein or therein, or a disagreement regarding the interpretation of any provision hereof or thereof (a "Dispute"), the parties shall use the procedure set forth herein in good faith prior to any party pursuing other available judicial or nonjudicial remedies. A meeting shall be held between the parties within ten (10) business days after any party gives written notice of a Dispute to the other party. The meeting shall be attended by a representative of each party having decision making authority regarding the Dispute to attempt in good faith to negotiate a resolution of the Dispute. If no such resolution is negotiated, the matter shall be resolved by arbitration in New York City before a single arbitrator under JAMS Comprehensive Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration; provided, however, that any disputes relating to the matters referred to in Section 7 shall be subject to the provisions of JAMS Streamlined Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. Notwithstanding the foregoing, the arbitrator shall, to the extent necessary, modify the applicable arbitration rules and procedures to provide for fair and adequate discovery to be permitted by the parties to the Dispute under the circumstances. Such award shall be final and binding upon the parties. If at any time JAMS or the applicable arbitration rules and procedures shall cease to exist, the parties shall negotiate in good faith to provide for appropriate substitutes and make any necessary modifications to this Section 11.1.

11.2. Appraisal. Except as otherwise set forth herein, in the event that a determination of the fair market value of specific assets of the Partnership (which such value is not readily ascertainable) is required for purposes of this Agreement, such value, if not otherwise agreed upon by the Partners, shall be determined by a firm of recognized national standing in appraising that type of assets chosen by the General Partner in its sole discretion. Any valuation made pursuant to this Section 11.2 shall be at the sole expense of the Partnership and shall be submitted to the Partners as promptly as reasonably practicable.

---

11.3. Public Announcements. The Partners shall, to the extent reasonably practicable, consult with each other before issuing, and give each other a reasonable opportunity to review and comment upon, any press release or other public statements with respect to this Agreement and the transactions contemplated hereby. Any press release or other public statement of any Partner of or relating to this Agreement and/or the business of the Partnership shall be made in accordance with the applicable rules and regulations of any governmental authority which regulates the investment advisory services industry.

11.4. Governing Law. This Agreement shall be governed by the laws of the State of Delaware, without regard to principles of conflicts of laws applicable therein or other rules that might render such law inapplicable or unavailable.

11.5. Entire Agreement. This Agreement, together with the Exhibits and Schedules hereto, constitute the entire Agreement among the parties with respect to the subject matter hereof, and they supersede all prior discussions, agreements and understandings among them with respect to such matters.

11.6. Notices. Any notice, demand, election or communication required, permitted or desired to be given hereunder shall be sent by prepaid registered or certified mail, return receipt requested, or by nationally recognized commercial courier service, or by electronic facsimile (but in the latter instance, also by certified or registered US mail, return receipt requested, or by nationally recognized commercial courier service). Notices, demands, elections or communications shall be deemed received on the first to occur of the following: (i) when personally delivered; (ii) when actually delivered by a nationally recognized courier service such as FedEx; or (iii) five (5) business days following the deposit thereof with the US mail, which shall be by certified or registered mail, return receipt requested. Notices, demands, elections or communications sent to any Partners shall be sent to the address given for that Partner on Schedule 3.1, (or to any other address which that Partner may designate to the other Partners and the Partnership by written notice to the Partnership). Notices, demands, elections or communications sent to the Partnership shall be sent to the Partnership's principal office, Attention: General Partner, with a copy to each of the Partners. Notices, demands, elections or communications sent to any Partners who are, at the time Notice is given. Employees of the Partnership or its Affiliates may be sent by electronic mail to that Partner and will be deemed received when received and opened by the Partner.

11.7. Confidentiality. Each Partner agrees that it will keep confidential and will not disclose or divulge any Client data or information, or any other confidential, proprietary or secret information which such Partner may obtain from the Partnership pursuant to financial statements, reports and other materials submitted by the Partnership to the Partner pursuant to this Agreement, or pursuant to visitation or inspection rights granted under this Agreement or otherwise. Notwithstanding the foregoing, (a) any Partner may disclose such confidential, proprietary or secret information to its officers, directors, members, stockholders or partners and (b) any Partner may disclose confidential, proprietary or secret information to its advisors, *provided* that in either case the Persons receiving such information agree to abide by the terms of

---

this provision and the Partner disclosing such information shall be liable for a breach of this provision by any such Person to whom the Partner discloses such information. Notwithstanding the foregoing, the following will not constitute confidential, proprietary or secret information with respect to any Partner for purposes of this Agreement: (i) information that is already in the public domain or later becomes publicly available through no fault of the Partner; (ii) information that is disclosed to the Partner, other than in such Partner's capacity as a Partner, by a third party who, insofar as it is known to such Partner, is lawfully entitled to disclose it; or (iii) information that is, in the Partner's good faith judgment, requested or required to be disclosed pursuant to any order, law, rule or regulation applicable to the Partner (*provided* that the Partner shall provide the Partnership with reasonable prior notice of such potential disclosure so as to allow the Partnership the opportunity to obtain a protective order), or is necessary to defend against or assert a Claim in connection with this Agreement.

11.8. Successors and Assigns. All the terms, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Except as otherwise provided herein with respect to the Transfer of Interests, this Agreement may not be assigned by any of the parties hereto (including by action of law pursuant to merger, consolidation or otherwise) without the prior written consent of the other parties hereto.

11.9. Further Assurances. The Partners will execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purpose of this Agreement.

11.10. No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the parties and their respective successors and permitted assigns, except as provided elsewhere in this Agreement.

11.11. Amendments. The terms and provisions of this Agreement (including, without limitation, any schedule or exhibit hereto) may be modified or amended at any time and from time to time with the written consent of the General Partner and the Partners holding an aggregate Class B Percentage Interest of at least sixty percent (60%), provided that the General Partner may, without the consent of any other Partners, amend or modify this Agreement:

(a) To satisfy any requirements, conditions, guidelines or opinions contained in any opinion, directive, order, ruling or regulation of the Securities and Exchange Commission, the Internal Revenue Service or any other U.S. federal or state or non-U.S. governmental agency or in any U.S. federal or state or non-U.S. statute, compliance with which the General Partner deems to be in the best interests of the Company;

(b) To make any changes necessary, appropriate or desirable to give effect to the express intentions and provisions of Section 5.7, so long as such changes does not have a material adverse effect or result in a material adverse change to the rights or obligations of the Class B Partners as a whole;

(c) To change the name of the Company; or

---

(d) To make any other change that is for the benefit of, or not adverse to the interest of, the Class B Partners.

11.11.2. Notwithstanding anything to the contrary in this Section 11.11, no modification of this Agreement shall be made that will materially and adversely affect the rights of a Class B Partner in a manner that discriminates against such Class B Partner in a manner different from the other Class B Members or increases the Capital Contribution obligations of a Class B Partner without the written consent of such Class B Partner.<sup>1</sup>

11.12. Certificates. Each certificate, if any, representing Units in the Partnership shall bear a legend substantially as follows:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE SECURITIES MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND PURSUANT TO APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

THE SALE, ASSIGNMENT, HYPOTHECATION, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION (EACH A "TRANSFER") AND VOTING OF ANY OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF THE SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT, DATED AS OF \_\_\_\_\_, AMONG THE PARTNERSHIP AND THE PERSONS NAMED THEREIN, A COPY OF WHICH MAY BE INSPECTED AT THE PARTNERSHIP'S PRINCIPAL OFFICE. THE PARTNERSHIP WILL NOT REGISTER THE TRANSFER OF SUCH SECURITIES ON THE BOOKS OF THE PARTNERSHIP UNLESS AND UNTIL THE TRANSFER HAS BEEN MADE IN COMPLIANCE WITH THE TERMS OF SUCH PARTNERSHIP OPERATING AGREEMENT.

11.13. Construction. Every covenant, term and provision of this Agreement shall be construed according to its fair meaning and not strictly for or against any Partner. In particular, the terms hereof shall not be construed in favor of or against any party on account of its participation in such preparation.

11.14. No Waiver. No waiver of a breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver, and no such

<sup>1</sup> Note to client: discuss amendment provisions — this is revised from original L.P. Agreement but more consistent with what is typically seen.

---

waiver shall be deemed a waiver of any subsequent breach of default of the same or similar nature. No failure or delay by any party in exercising any right, power or privilege hereunder (other than a failure or delay beyond a period of time specified herein) shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law, except to the extent such rights and remedies are expressly disclaimed or waived by this Agreement.

11.15. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in any number of counterparts, and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts taken together shall constitute one and the same Agreement.

11.16. Severability. Should any part or provision of this Agreement be held unenforceable or in conflict with the applicable laws or regulations of any jurisdiction, the invalid or unenforceable part or provision shall be replaced with a revision which accomplishes, to the extent possible, the original business purpose of such part or provision in a valid and enforceable manner, and the balance of this Agreement shall remain in full force and effect and be binding upon the parties hereto.

11.17. Waiver of Conflict of Interest. The parties hereto acknowledge that Bingham McCutchen LLP has acted as counsel to the Company and one or more of the Partnership's Control Affiliates, and that Bingham McCutchen LLP may act as counsel to the Partnership or to one or more Control Affiliates in the future. The parties hereto acknowledge that they have been advised to and have had the opportunity to consult with separate counsel in connection with their review of this Agreement and their decision to become Partners of the Partnership. Accordingly, by their signatures on this Agreement, the parties hereto hereby waive any conflict of interest resulting from the foregoing.

**[Signature Pages Follow]**

---

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**GENERAL PARTNER:**

SILVERCREST GP LLC

By: \_\_\_\_\_

Name: G. Moffett Cochran

Title: Chairman and Chief Executive Officer

SILVERCREST ASSET MANAGEMENT GROUP  
INC.

By: \_\_\_\_\_

Name: G. Moffett Cochran

Title: Chairman and Chief Executive Officer

**CLASS B PARTNERS:**

VULCAN WEALTH MANAGEMENT LLC

By: \_\_\_\_\_

Name: Geoff McKay

Title: Vice President

Jeffrey C. Allen

Edward F. Appel

Matthew Arpano

Patrick A. Bittner

---

James J. Bleakley, Jr. Revocable Trust dated  
May 15, 2002

By: \_\_\_\_\_  
Name: James J. Bleakley, Jr.  
Title: Trustee

Jeremiah M. Bogert

The Margot C. Bogert and  
Jeremiah M. Bogert Family Trust

By: \_\_\_\_\_  
Name: Jeremiah M. Bogert  
Title: Trustee

Ben Brewster

Brewster 1996 Trust

By: \_\_\_\_\_  
Name:  
Title:

Russell Brown

David J. Campbell

Kim Campione

G. Moffett Cochran

---

The Moffett Cochran GRAT 2010

By: \_\_\_\_\_  
Name: G. Moffett Cochran  
Title: Trustee

The Peyton Cochran Trust

By: \_\_\_\_\_  
Name: G. Moffett Cochran  
Title: Trustee

The Lee Cochran Trust

By: \_\_\_\_\_  
Name: G. Moffett Cochran  
Title: Trustee

Anthony Fiore

Scott A. Gerard

J. Allen Gray

Hamar Capital Limited

G. David Hamar, Jr.

George David Hamar Trust DDD 2/3/2006 for  
Katherine Anne Phelps Hamar

By: \_\_\_\_\_  
Name: G. David Hamar, Jr.  
Title: Trustee

---

G. David Hamar, Jr.

Burnett Hansen

The Linda M. Hartley Revocable Lifetime Trust

By: \_\_\_\_\_

Name: Linda M. Hartley

Title: Trustee

\_\_\_\_\_  
Robert F. Hill

\_\_\_\_\_  
Richard R. Hough

Investor Records Holdings, LLC

By: \_\_\_\_\_

Name: Benjamin Brewster

Title:

Martin Jaffe

Cathy A. Jameson

Bart A. Johnston

Todd Kanter

Kanter Marathon Holding LLC

By: \_\_\_\_\_

Name: Todd Kanter

Title: Member

---

Lanark Holdings LLC

By: \_\_\_\_\_

Name: Benjamin Brewster

Title: Member

Allen J. Laufer

David B. MacNeil

Sally Megear

Albert S. Messina

Jeremiah Milbank

Stanley H. Reese

Ian W. Smith

Douglas M. Stevenson

John B. Stevenson

David Taylor

Peter Tobeason

Roger W. Vogel

Carter Whisnand

---

**Exhibit A**

**Exchange Agreement**

---

**Exhibit B**

**Registration Rights Agreement**

---

**Schedule 3.1 of Partners as of October 8, 2012**

Jeffrey C. Allen

Edward F. Appel

Matthew Arpano

Patrick A. Bittner

James J. Bleakley, Jr. Revocable Trust dated  
May 15, 2002

Jeremiah M. Bogert

The Margot C. Bogert and Jeremiah M. Bogert Family Trust

Ben Brewster

Brewster 1996 Trust

Russell Brown

David J. Campbell

Kim Campione

---

G. Moffett Cochran

The Moffett Cochran GRAT 2010, the Peyton Cochran Trust, and  
the Lee Cochran Trust

Anthony Fiore

Scott A. Gerard

J. Allen Gray

Hamar Capital Limited

George David Hamar Trust DDD  
2/3/2006 for Katherine Anne Phelps Hamar

G. David Hamar, Jr.

Burnett Hansen

The Linda M. Hartley Revocable Lifetime Trust

Robert F. Hill

Richard R. Hough

Investor Records Holdings, LLC

---

Martin Jaffe

Cathy A. Jameson

Bart A. Johnston

Todd Kanter

Kanter Marathon Holding LLC

Lanark Holdings, LLC

Allen J. Laufer

David B. MacNeil

Paul McCrann

---

Sally Megear  
Albert Messina  
Jeremiah Milbank  
Stanley H. Reese  
Ian W. Smith  
Douglas M. Stevenson  
John B. Stevenson  
David Taylor  
Peter Tobeason  
Roger W. Vogel  
Carter Whisnand

---

**SILVERCREST ASSET MANAGEMENT GROUP INC.**

**TAX RECEIVABLE AGREEMENT**

**Dated as of [\_\_\_\_], 2012**

---

---

## TABLE OF CONTENTS

	Page
ARTICLE 1 <u>DEFINITIONS</u>	1
1.1 <u>Definitions</u>	1
1.2 <u>Other Definitional and Interpretative Provisions</u>	8
ARTICLE 2 <u>DETERMINATION OF CUMULATIVE REALIZED TAX BENEFIT</u>	9
2.1 <u>Basis Adjustment</u>	9
2.2 <u>Exchange Basis Schedule</u>	9
2.3 <u>Tax Benefit Schedule</u>	10
2.4 <u>Procedures, Amendments</u>	10
ARTICLE 3 <u>TAX BENEFIT PAYMENTS</u>	11
3.1 <u>Payments</u>	11
3.2 <u>No Duplicative Payments</u>	12
3.3 <u>Pro Rata Payments</u>	12
3.4 <u>Termination of Payments under Certain Circumstances</u>	12
ARTICLE 4 <u>TERMINATION</u>	13
4.1 <u>Early Termination and Breach of Agreement</u>	13
4.2 <u>Early Termination Notice</u>	14
4.3 <u>Payment upon Early Termination</u>	14
4.4 <u>Scheduled Termination</u>	15
ARTICLE 5 <u>SUBORDINATION AND LATE PAYMENTS</u>	15
5.1 <u>Subordination</u>	15
5.2 <u>Late Payments by the Company</u>	15
ARTICLE 6 <u>NO DISPUTES; CONSISTENCY; COOPERATION</u>	15
6.1 <u>Limited Partner Participation in the Company and Silvercrest LP's Tax Matters</u>	15
6.2 <u>Consistency</u>	16
6.3 <u>Cooperation</u>	16
ARTICLE 7 <u>MISCELLANEOUS</u>	16
7.1 <u>Notices</u>	16
7.2 <u>Counterparts</u>	17
7.3 <u>Entire Agreement; No Third-Party Beneficiaries</u>	17

---

## TABLE OF CONTENTS

(continued)

	<b>Page</b>
7.4 <a href="#">Governing Law</a>	17
7.5 <a href="#">Severability</a>	17
7.6 <a href="#">Successors; Assignment; Amendments; and Waivers</a>	18
7.7 <a href="#">Interpretation</a>	19
7.8 <a href="#">Resolution of Disputes</a>	19
7.9 <a href="#">Reconciliation</a>	20
7.10 <a href="#">Withholding</a>	21
7.11 <a href="#">Admission of the Company into a Consolidated Group; Transfers of Corporate Assets</a>	21
7.12 <a href="#">Confidentiality</a>	22
7.13 <a href="#">No Joint Venture</a>	22
7.14 <a href="#">Partnerships</a>	23
7.15 <a href="#">Construction</a>	23
7.16 <a href="#">Further Assurances</a>	23

---

## TAX RECEIVABLE AGREEMENT

This TAX RECEIVABLE AGREEMENT (as amended from time to time, this “Agreement”), dated as of \_\_\_\_\_, 2012, is hereby entered into by and among Silvercrest Asset Management Group Inc., a Delaware corporation (the “Company”), Silvercrest L.P., a Delaware limited partnership (“Silvercrest LP”), and each of the other undersigned parties hereto identified as “Limited Partners.”

### RECITALS

WHEREAS, the Limited Partners hold Class B Units (“Class B Units”) in Silvercrest LP, which is treated as a partnership for U.S. federal income tax purposes;

WHEREAS, the Company is the general partner of, and holds Class A Units in, Silvercrest LP;

WHEREAS, the Limited Partners shall from time to time transfer or sell their Class B Units to the Company (an “Exchange”, and each such date an Exchange occurs, an “Exchange Date”) in connection with the initial public offering of Class A common stock, par value \$.01 per share, of the Company (“Class A Shares”) or pursuant to the Exchange Agreement (as defined below) in exchange in either case for cash or for Class A Shares;

WHEREAS, Silvercrest LP and its direct and indirect subsidiaries that are treated as partnerships or as disregarded entities for U.S. federal income tax purposes (Silvercrest LP and each such subsidiary, each a “Partnership Subsidiary”) have or will have in effect an election under Section 754 of the Internal Revenue Code of 1986, as amended (the “Code”), for each Taxable Year (as defined below) in which an Exchange occurs, which election is expected to result in an adjustment to the Tax basis of the assets owned by Silvercrest LP and such subsidiaries, solely with respect to the Company; and

WHEREAS, the parties to this Agreement desire to make certain arrangements to treat a portion of any tax benefits realized by the Company as a result of any Exchange as additional consideration for the Exchange;

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

### ARTICLE 1

#### DEFINITIONS

1.1 **Definitions.** As used in this Agreement, the terms set forth in this Article 1 shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

---

“Advisory Firm” means an independent law or accounting firm that is nationally recognized as being expert in Tax matters.

“Affiliate” means, (i) as to any Person who is an individual, the Immediate Family of such Person and trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family and any entity (other than the Company or its Affiliates) that, directly or indirectly, through one or more intermediaries is controlled by or is under common control with such Person, the Immediate Family of such Person, or trusts, limited partnerships or other entities for the exclusive benefit of such Person or such Immediate Family, and (ii) as to any Person which is not an individual, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. For the avoidance of doubt, the Company’s Affiliates shall include its Control Affiliates. As used in this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“Agreed Rate” means LIBOR plus 100 basis points.

“Agreement” is defined in the preamble of this Agreement.

“Amended Schedule” is defined in Section 2.4(b).

“Applicable Limited Partner” means in respect of that portion of any Tax Benefit Payment that arises from an Exchange or a deemed Exchange pursuant to clause (v) of the definition of “Valuation Assumptions”, the Exchanging Limited Partner or Limited Partner deemed to Exchange, as applicable.

“Basis Adjustment” means the adjustment (which can be positive or negative) to the Tax basis of an Exchange Asset as a result of an Exchange and the payments made pursuant to this Agreement, as calculated under Section 2.1, under Section 732(b) of the Code (in a situation where, as a result of one or more Exchanges, Silvercrest LP becomes an entity that is disregarded as separate from its owner for Tax purposes), Section 1012, or Sections 743(b) and 754 of the Code (in situations where, following an Exchange, Silvercrest LP remains in existence as an entity for Tax purposes) or otherwise, as applicable, and, in each case, comparable sections of state, local and foreign Tax laws. Notwithstanding any other provision of this Agreement, the amount of any Basis Adjustment resulting from an Exchange of one or more Class B Units shall be determined without regard to any Pre-Exchange Transfer of such Class B Units and as if any such Pre-Exchange Transfer had not occurred.

“Beneficial Owner” in respect of a security means a Person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares: (i) voting power, which includes the power to vote, or to direct the voting of, such security and/or (ii) investment power, which includes the power to dispose of, or to direct the disposition of, such security. The terms “Beneficially Own” and “Beneficial Ownership” shall have correlative meanings.

“Board” means the board of directors of the Company.

---

“Business Day” means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

“Cause” shall have the meaning assigned to it in the LP Agreement.

“Change of Control” means the occurrence of any of the following events:

(i) any “person” or “group” (as such terms are defined in Sections 13(d) and 14(d) of the Exchange Act, or any successor provisions thereto) other than the Limited Partners, their Affiliates and their Permitted Transferees:

(A) is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of 50% or more of the voting stock of the Company;

(B) in the context of a consolidation, merger or other corporate reorganization in which the Company is not the surviving entity, has 50% or more of the voting stock generally entitled to elect directors of such surviving entity (or in the case of a triangular merger, of the parent entity of such surviving entity), calculated on a fully diluted basis; or

(C) has obtained the power (whether or not exercised) to elect a majority of the directors of the Company or its successors;

(ii) the Company or its successors, together with the Limited Partners and their respective Permitted Transferees, cease to own 50% or more of the equity interests of General Partner; or

(iii) the sale of all or substantially all the assets of the Company or of General Partner.

“Class A Shares” is defined in the recitals of this Agreement.

“Class B Units” is defined in the recitals of this Agreement.

“Code” is defined in the recitals of this Agreement.

“Company” is defined in the preamble of this Agreement.

“Company Return” means the U.S. federal, state, local and/or foreign Tax Return, as applicable, of the Company filed with respect to Taxes for any Taxable Year.

“Cumulative Realized Tax Benefit” for a Taxable Year means the cumulative amount of Realized Tax Benefits for all Taxable Years of the Company, up to and including such Taxable Year, net of the cumulative amount of Realized Tax Detriments for the same period. The Realized Tax Benefit and Realized Tax Detriment for each Taxable Year shall be determined

---

based on the most recent Tax Benefit Schedule or Amended Schedule, if any, in existence at the time of such determination.

“Default Rate” means LIBOR plus 300 basis points.

“Deferrable Portion” is defined in Section 3.1(a).

“Determination” shall have the meaning ascribed to such term in Section 1313(a) of the Code or similar provision of state, local and foreign Tax law, as applicable, or any other event (including the execution of a Form 870-AD) that finally and conclusively establishes the amount of any liability for Tax. A Determination shall include the expiration of all periods of limitations relating to the assessment of Tax for a Taxable Year.

“Dispute” is defined in Section 7.8(a).

“Early Termination Conditions” means, with respect to an Early Termination Payment, following: (i) an Early Termination Schedule becoming final and binding, and (ii) either (A) no Payment Condition is applicable or (B) a Payment Condition has been satisfied.

“Early Termination Date” means the date of an Early Termination Notice for purposes of determining the Early Termination Payment.

“Early Termination Notice” is defined in Section 4.2.

“Early Termination Schedule” is defined in Section 4.2.

“Early Termination Payment” is defined in Section 4.3(b).

“Early Termination Rate” means LIBOR in effect on the applicable date plus 100 basis points.

“Exchange” is defined in the recitals of this Agreement; “Exchanged” and “Exchanging” shall have correlative meanings.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Agreement” means the exchange agreement by and among the Company, Silvercrest LP and the Limited Partners dated as of the date hereof, as the same may be amended from time to time in accordance with the terms thereof.

“Exchange Assets” means each asset that is held by Silvercrest LP or by any Partnership Subsidiary at the time of an Exchange.

“Exchange Basis Schedule” is defined in Section 2.2.

“Exchange Date” is defined in the recitals of this Agreement.

“Exchange Payment” is defined in Section 5.1.

---

“Expert” is defined in Section 7.9.

“Hypothetical Tax Liability” means, with respect to any Taxable Year, the liability for Taxes of the Company (or Silvercrest LP or any of its Partnership Subsidiaries, but only with respect to income realized by Silvercrest LP or such Partnership Subsidiary the Tax liability for which is allocable to the Company for such Taxable Year using the same methods, elections, conventions and similar practices used on the relevant Company Return) but using the Non-Stepped Up Tax Basis instead of the Tax basis of the Exchange Assets and excluding any deduction attributable to Imputed Interest.

“Immediate Family” shall have the meaning assigned to it in the LP Agreement.

“Imputed Interest” shall mean any interest imputed under Section 1272, 1274 or 483 or other provision of the Code and any similar provision of state, local and foreign Tax law with respect to the Company’s payment obligations under this Agreement.

“Initiating Party” is defined in Section 7.8(a).

“Interest Amount” is defined in Section 3.1(b).

“LIBOR” means for each month (or portion thereof) during any period, an interest rate per annum equal to the rate per annum reported, on the date two days prior to the first day of such month, as published by Reuters (or other commercially available source providing quotations of LIBOR) for London interbank offered rates for U.S. dollar deposits for such month (or portion thereof).

“Limited Partner” means any holder of Class B Units of Silvercrest LP and any person who becomes a Limited Partner pursuant to the provisions of the LP Agreement.

“LP Agreement” means, with respect to Silvercrest LP, the Second Amended and Restated Limited Partnership Agreement dated as of [\_\_\_\_], 2012, among the Company and the Limited Partners, as the same may be amended from time to time in accordance with the terms thereof.

“Market Value” means, with respect to the Class A Shares, on any given date: (i) if the Class A Shares are listed for trading on the Nasdaq Stock Market, the closing sale price per share of the Class A Shares on the Nasdaq Stock Market on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Class A Shares are not listed for trading on the Nasdaq Stock Market, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to Section 6(g) of the Exchange Act, on which the Class A Shares are listed, (iii) if the Class A Shares are not so listed on a national securities exchange, the last quoted bid price for the Class A Shares on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Class A Shares are not so quoted by Pink Sheets LLC or a similar organization such value as the Board, in its sole discretion, shall determine in good faith.

“Material Objection Notice” has the meaning set forth in Section 4.2.

---

“Non-Stepped Up Tax Basis” means, with respect to any asset at any time, the Tax basis that such asset would have had at such time if no Basis Adjustment had been made.

“Notice” is defined in Section 7.1.

“Objection Notice” is defined in Section 2.4(a).

“Opt Out Notice” is defined in Section 3.4(a).

“Panel” is defined in Section 7.8(a).

“Partnership Subsidiary” is defined in the Recitals of this Agreement.

“Payment Conditions” is defined in Section 3.1(c).

“Payment Date” means any date on which a payment is required to be made pursuant to this Agreement.

“Permitted Transferee” shall mean any of the Specified Permitted Transferees (as defined in the LP Agreement).

“Person” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

“Pre-Exchange Transfer” means any transfer (including upon the death of a Limited Partner) of one or more Class B Units (i) that occurs prior to an Exchange of such Class B Units and (ii) to which Section 743(b) of the Code applies.

“Realized Tax Benefit” means, for a Taxable Year and for all Taxes collectively, the net excess, if any, of the Hypothetical Tax Liability over the actual liability for Taxes of the Company (or a Partnership Subsidiary, but only with respect to income realized by the Partnership Subsidiary the Tax liability for which is allocable to the Company for such Taxable Year using the same methods, elections, conventions and similar practices used on the relevant Company Return), determined, for the avoidance of doubt, using the “with or without” methodology. If all or a portion of the actual tax liability of the Company (or a Partnership Subsidiary, but only with respect to income realized by the Partnership Subsidiary the Tax liability for which is allocable to the Company for such Taxable Year using the same methods, elections, conventions and similar practices used on the relevant Company Return) for the Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Benefit unless and until there has been a Determination. If there is a Determination with respect to the Taxable Year to which such assertion relates or any subsequent taxable year, for all purposes under this Agreement, the Net Tax Benefit for such years shall be recalculated to properly reflect the difference, if any, between the amount of liability fixed by such Determination and liability taken into account in calculating the Realized Tax Benefit for the year. For the avoidance of doubt, if such recalculation results in an increased Net Tax Benefit for any year, the Interest Amount of any corresponding Tax Benefit Payment shall accrue from date specified in Section 3.01(b) for such Tax Benefit Payment.

---

“Realized Tax Detriment” means, for a Taxable Year and for all Taxes collectively, the net excess, if any, of the actual liability for Taxes of the Company (or a Partnership Subsidiary, but only with respect to income realized by the Partnership Subsidiary the Tax liability for which is allocable to the Company for such Taxable Year using the same methods, elections, conventions and similar practices used on the relevant Company Return) over the Hypothetical Tax Liability for such Taxable Year determined, for the avoidance of doubt, using the “with or without” methodology. If all or a portion of the actual tax liability of the Company (or a Partnership Subsidiary, but only with respect to income realized by the Partnership Subsidiary the Tax liability for which is allocable to the Company for such Taxable Year using the same methods, elections, conventions and similar practices used on the relevant Company Return) for the Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Detriment unless and until there has been a Determination. If there is a Determination with respect to the Taxable Year to which such assertion relates or any subsequent taxable year, for all purposes under this Agreement, the Net Tax Detriment for such years shall be recalculated to properly reflect the difference, if any, between the amount of liability fixed by such Determination and liability taken into account in calculating the Realized Tax Detriment for the year. For the avoidance of doubt, if such recalculation results in an increased Net Tax Benefit for any year, the Interest Amount of any corresponding Tax Benefit Payment shall accrue from date specified in Section 3.1(b) for such Tax Benefit Payment.

“Reconciliation Dispute” has the meaning set forth in Section 7.9.

“Reconciliation Procedures” means those procedures set forth in Section 7.9.

“Responding Party” is defined in Section 7.8(a).

“Retires” shall have the meaning assigned to it in the LP Agreement.

“Schedule” means any Exchange Basis Schedule or Tax Benefit Schedule and the Early Termination Schedule.

“Scheduled Termination Date” is defined in Section 4.4.

“Senior Obligations” is defined in Section 5.1.

“Subsidiaries” means, with respect to any Person, as of any date of determination, any other Person as to which such Person, owns, directly or indirectly, or otherwise controls more than 50% of the voting shares or other similar interests or the sole general partner interest or managing member or similar interest of such Person.

“Tax or Taxes” means any and all U.S. federal, state, local and foreign tax, assessments or similar charges that are based on or measured with respect to net income or profits, whether as an exclusive or on an alternative basis, and any interest or penalties related to such tax.

“Tax Benefit Payment” is defined in Section 3.1(b).

“Tax Benefit Schedule” is defined in Section 2.3.

---

“Tax Return” means any return, declaration, report or similar statement required to be filed with respect to Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

“Tax Ruling” means a binding ruling by a Taxing Authority with respect to Taxes.

“Taxable Year” means a Taxable year of the Company as defined in Section 441(b) of the Code or comparable section of state, local or foreign Tax law, as applicable (and, therefore, for the avoidance of doubt, may include a period of less than 12 months for which a Tax Return is prepared), in which there is a Basis Adjustment or increased depreciation, amortization or interest deductions attributable to an Exchange.

“Taxing Authority” means any domestic, foreign, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising any Taxing authority or any other authority exercising Tax regulatory authority.

“Treasury Regulations” means the final, temporary and proposed regulations under the Code promulgated from time to time (including corresponding provisions and succeeding provisions) as in effect for the relevant Taxable period.

“Valuation Assumptions” means, as of an Early Termination Date, or following a Change of Control, as applicable, the assumptions that (i) in each Taxable Year ending on or after such Early Termination Date, the Company will have sufficient Taxable income to fully offset the deductions and losses in such Taxable Year attributable to any Basis Adjustment, increased depreciation or amortization deductions attributable to an Exchange, and Imputed Interest, (ii) the U.S. federal income Tax rates and state, local and foreign income Tax rates that will be in effect for each such Taxable Year will be those specified for each such Taxable Year by the Code and other law as in effect on the Early Termination Date, (iii) any loss carryovers generated by any Basis Adjustment or Imputed Interest and available as of the date of the Early Termination Schedule will be used by the Company on a pro rata basis from the date of the Early Termination Schedule through the scheduled expiration date of such loss carryovers, (iv) any non-amortizable assets will be disposed of on the fifteenth anniversary of the Early Termination Date, provided, however, that, in the event of a Change of Control, non-amortizable assets shall be deemed disposed of at the earlier of (A) the time of sale of the relevant asset or (B) as generally provided in this Valuation Assumption (iv), and (v) if, at the Early Termination Date, there are Class B Units that have not been Exchanged, then each such Unit shall be deemed to be Exchanged for the Market Value of the Class A Shares and the amount of cash that would be transferred if the Exchange occurred on the Early Termination Date.

**1.2 Other Definitional and Interpretative Provisions.** The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning

as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms thereof. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively.

## **ARTICLE 2**

### **DETERMINATION OF CUMULATIVE REALIZED TAX BENEFIT**

#### **2.1 Basis Adjustment.**

(a) **Exchange Assets.** For purposes of this Agreement, as a result of an Exchange, the Company will be entitled to a Basis Adjustment with respect to each Exchange Asset held by Silvercrest LP (and each direct and indirect Subsidiary of Silvercrest LP that is treated as a partnership for U.S. federal income tax purposes), the amount of which Basis Adjustment will generally be determined as the excess (whether positive or negative) of (i) the sum of (x) the Market Value of the Class A Shares, cash or the amount of any other consideration transferred to the Applicable Limited Partner pursuant to the Exchange as payment for the exchanged Class B Units, to the extent attributable to such Exchange Assets, (y) the amount of the payments to be made pursuant to this Agreement with respect to such Exchange, to the extent attributable to such Exchange Assets, and (z) the amount of debt and other liabilities allocated to the Class B Units acquired pursuant to such Exchange, to the extent attributable to such Exchange Assets; over (ii) the Company’s share of Silvercrest LP’s (or such subsidiary partnership’s) basis in such Exchange Assets immediately after the Exchange, attributable to the Class B Units exchanged, determined as if (x) Silvercrest LP (or such subsidiary partnership) remained in existence as an entity for Tax purposes and (y) Silvercrest LP (or such subsidiary partnership) had not made the election provided by Section 754 of the Code.

(b) **Imputed Interest.** For the avoidance of doubt, payments made under this Agreement shall not be treated as resulting in a Basis Adjustment to the extent such payments are treated as Imputed Interest.

**2.2 Exchange Basis Schedule.** Within 60 calendar days after the filing of the U.S. federal income Tax return of the Company for each Taxable Year, the Company shall deliver to each Limited Partner a schedule (the “Exchange Basis Schedule”) that shows, in reasonable detail, for purposes of federal income Taxes, (a) the actual unadjusted Tax basis of the Exchange Assets as of each applicable Exchange Date, (b) the Basis Adjustment with respect to the Exchange Assets as a result of the Exchanges effected in such Taxable Year, calculated in the aggregate, (c) the period or periods, if any, over which the Exchange Assets are amortizable and/or depreciable, (d) the period or periods, if any, over which each Basis Adjustment is amortizable and/or depreciable, and (e) the amount of the payments to be made pursuant to this

---

Agreement with respect to the Exchanges in such Taxable Year, determined in the Company's reasonable discretion.

2.3 **Tax Benefit Schedule.** Within 60 calendar days after the filing of the U.S. federal income Tax return of the Company for any Taxable Year in which there is a Realized Tax Benefit or Realized Tax Detriment, the Company shall provide to each Limited Partner a schedule showing, in reasonable detail, the calculation of the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year (a "**Tax Benefit Schedule**"). The Tax Benefit Schedule will become final as provided in Section 2.4(a) and may be amended as provided in Section 2.4(b) (subject to the procedures set forth in Section 2.4(b)).

2.4 **Procedures, Amendments.**

(a) **Procedure.** Every time the Company delivers to the Applicable Limited Partner an applicable Schedule under this Agreement, including any Amended Schedule delivered pursuant to Section 2.4(b), but excluding any Early Termination Schedule or amended Early Termination Schedule, the Company shall also (i) deliver to the Applicable Limited Partner schedules and work papers providing reasonable detail regarding the preparation of such Schedule and (ii) allow the Applicable Limited Partner reasonable access, at no cost to the Applicable Limited Partner, to the appropriate representatives at the Company and the Advisory Firm in connection with a review of such Schedule. The applicable Schedule shall become final and binding on all parties unless the Applicable Limited Partner, within 30 calendar days after receiving an Exchange Basis Schedule or amendment thereto or a Tax Benefit Schedule or amendment thereto, provides the Company with notice of a material objection to such Schedule ("**Objection Notice**") made in good faith. If the parties, for any reason, are unable to successfully resolve the issues raised in such notice within 30 calendar days of receipt by the Company of an Objection Notice with respect to such Exchange Basis Schedule or Tax Benefit Schedule, the Company and the Applicable Limited Partner shall employ the reconciliation procedures as described in Section 7.9 (the "**Reconciliation Procedures**").

(b) **Amended Schedule.** The applicable Schedule for any Taxable Year may be amended from time to time by the Company (i) in connection with a Determination affecting such Schedule, (ii) to correct material inaccuracies in the Schedule identified as a result of the receipt of additional factual information relating to a Taxable Year after the date the Schedule was provided to the Applicable Limited Partner, (iii) to comply with the Expert's determination under the Reconciliation Procedures, (iv) to reflect a material change in the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year attributable to a carryback or carry forward of a loss or other Tax item to such Taxable Year, (v) to reflect a material change in the Realized Tax Benefit or Realized Tax Detriment for such Taxable Year attributable to an amended Tax Return filed for such Taxable Year, or (vi) to adjust the Exchange Basis Schedule to take into account payments made pursuant to this Agreement (such Schedule, an "**Amended Schedule**").

---

## ARTICLE 3

### TAX BENEFIT PAYMENTS

#### 3.1 Payments.

(a) Within ten business days of a Tax Benefit Schedule that was delivered to an Applicable Limited Partner becoming final in accordance with Section 2.4(a), the Company shall pay to the Applicable Limited Partner for such Taxable Year the portion, if any, of the Tax Benefit Payment with respect thereto determined pursuant to Section 3.1(b) with respect to which the Payment Conditions have been satisfied. Each such Tax Benefit Payment shall be made by wire transfer of immediately available funds to a bank account of the Applicable Limited Partner previously designated by such Limited Partner to the Company. For the avoidance of doubt, no Tax Benefit Payment shall be made in respect of estimated Tax payments, including U.S. federal income Tax payments. Notwithstanding anything to the contrary herein, the Company shall not be obligated to pay any portion of a Tax Benefit Payment, and the payment of such amount shall not be considered due for any purpose under this Agreement, unless and until the Payment Conditions have been satisfied with respect to such portion (any portion with respect to which the Payment Conditions have not been satisfied, a “Deferrable Portion”).

(b) A “Tax Benefit Payment” means an amount, not less than zero, equal to 85% of the sum of the Net Tax Benefit and the Interest Amount. The “Net Tax Benefit” for each Taxable Year shall be an amount equal to the excess, if any, of the Cumulative Realized Tax Benefit as of the end of such Taxable Year over the total amount of payments previously made under this Section 3.1, excluding payments attributable to the Interest Amount; provided, however, that for the avoidance of doubt, no Limited Partner shall be required to return any portion of any previously received Tax Benefit Payment under any circumstances. The “Interest Amount” for a given Taxable Year shall equal the interest on the Net Tax Benefit for such Taxable Year calculated at the Agreed Rate from the due date (without regard to extensions) for filing the Company Return with respect to Taxes for the most recently ended Taxable Year until the Payment Date of the portion of the Net Tax Benefit to which such Interest Amount relates. For the avoidance of doubt, and without duplication, the Interest Amount with respect to a Deferrable Portion of a Tax Benefit Payment shall accrue from the due date of the relevant Tax Return until such Deferrable Portion is paid to the Applicable Limited Partner. The Net Tax Benefit and the Interest Amount shall be determined separately with respect to each separate Exchange. Notwithstanding the foregoing, for each Taxable Year ending on or after the date of a Change of Control, all Tax Benefit Payments, whether paid with respect to Class B Units that were Exchanged (i) prior to the date of such Change of Control or (ii) on or after the date of such Change of Control, shall be calculated by utilizing the assumptions in clauses (i), (iii) and (iv) of the definition of Valuation Assumptions, substituting in each case the terms “the closing date of a Change of Control” for an “Early Termination Date.”

(c) The “Payment Conditions” shall be satisfied with respect to any portion of a Tax Benefit Payment upon the earliest to occur of:

---

(i) the receipt by the Company of a Tax Ruling that, in the reasonable judgment of the Company, after consultation with the Advisory Firm and the Company's auditors, confirms that the Realized Tax Benefit to which the portion of such Tax Benefit Payment relates is available for the applicable Taxable Year;

(ii) the receipt by the Company of (a) a written opinion issued by the Advisory Firm identifying any Exchange Assets that are amortizable without regard to the anti-churning rules of Section 1.197-2(h) of the Treasury Regulations, together with (if the opinion relates to less than all of the Exchange Assets) (b) a valuation report prepared by a nationally recognized appraiser or valuation expert setting forth the fair market value, as of the date of the relevant Exchange, of the Exchange Assets identified in such opinion, but only if the opinion and report are satisfactory in form and substance to the Company's auditors and/or tax preparers, as applicable, to conclude that the Realized Tax Benefit to which the portion of such Tax Benefit Payment relates is available for the applicable Taxable Year without the filing of a Schedule UTP (with respect to such Realized Tax Benefit) with the Company's Tax Returns and without taking any tax reserve for financial statement purposes (with respect to such Realized Tax Benefit); or

(iii) a final Determination with respect to the Company's liability for Taxes for the relevant Taxable Year that conclusively determines the amount of Realized Tax Benefit.

Notwithstanding anything to the contrary contained herein, Exchange Assets that are not, in the reasonable judgment of the Company, after consultation with the Advisory Firm and the Company's auditors, section 197 intangibles within the meaning of section 197(d)(1) of the Code, shall be treated as satisfying the requirement of Section 3.01(c)(ii)(a). The Company shall make reasonable efforts to determine whether the Payment Conditions are satisfied with respect to an amount of any Tax Benefit Payment before delivering the Tax Benefit Schedule for a Taxable Year, and in any event as soon as reasonably practicable thereafter.

3.2 **No Duplicative Payments.** It is intended that the provisions of this Agreement will not result in duplicative payment of any amount (including interest) required under this Agreement. It is also intended that the provisions of this Agreement will result in 85% of the Company's Cumulative Realized Tax Benefit, and the Interest Amount thereon, being paid to the Limited Partners pursuant to this Agreement upon and subject to the satisfaction of the Payment Conditions.

3.3 **Pro Rata Payments.** For the avoidance of doubt, to the extent that (i) the Company's deductions with respect to any Basis Adjustment are limited in a particular Taxable Year or (ii) the Company lacks sufficient funds to satisfy or is prevented under any credit agreement or other arrangement from satisfying its obligations to make all Tax Benefit Payments due in a particular Taxable Year, the limitation on the deduction, or the Tax Benefit Payments that may be made, as the case may be, shall be taken into account or made for the Applicable Limited Partner in the same proportion as Tax Benefit Payments would have been made absent the limitations in clauses (i) and (ii) of this Section 3.3, as applicable.

3.4 **Termination of Payments under Certain Circumstances.** Notwithstanding anything to the contrary set forth in this Agreement, to the extent that a Limited Partner (i)

---

breaches the restrictive covenants applicable to such Limited Partner as set forth in Section 5.5 of the LP Agreement, (ii) breaches the restrictive covenants applicable to such Limited Partner as set forth in Section 11.7 of the LP Agreement, (iii) is terminated for Cause by the Company, Silvercrest LP or its Affiliates, or (iv) voluntarily resigns or Retires from the Company, Silvercrest LP or its Affiliates and directly or indirectly, owns, manages, operates, controls, is employed by, advised or in any manner participates or engages in any business that is competitive with any business in which Silvercrest LP, the Company or their respective Affiliates are engaged or have been engaged at any time during the twelve (12) months following such Limited Partner's termination of employment, then all Tax Benefit Payments to such Limited Partner shall cease and the Company shall have no obligations under this Agreement, including the obligation to make Tax Benefit Payments, to such Limited Partner.

## **ARTICLE 4**

### **TERMINATION**

#### **4.1 Early Termination and Breach of Agreement.**

(a) The Company may terminate this Agreement with respect to all of the Class B Units held (or previously held and Exchanged) by all Limited Partners at any time by paying to the Limited Partners the Early Termination Payment; provided, however, that this Agreement shall terminate only upon the receipt of the Early Termination Payment by all Limited Partners, and provided, further, that the Company may withdraw any notice to execute its termination rights under this Section 4.1(a) prior to the time at which any Early Termination Payment has been paid. Upon payment of the Early Termination Payments by the Company, neither the Limited Partners nor the Company shall have any further payment obligations under this Agreement, other than for any (i) Tax Benefit Payment agreed by the Company acting in good faith and the Applicable Limited Partner to be due and payable but unpaid as of the Early Termination Notice and (ii) Tax Benefit Payment due for the Taxable Year ending with or including the date of the Early Termination Notice (except to the extent that the amount described in clause (ii) is included in the Early Termination Payment). For the avoidance of doubt, if an Exchange occurs after the Company makes the Early Termination Payments with respect to all Limited Partners, the Company shall have no obligations under this Agreement with respect to such Exchange, and its only obligations under this Agreement in such case shall be its obligations to all Limited Partners under Section 4.3(a).

(b) In the event that the Company breaches any of its material obligations under this Agreement, whether as a result of failure to make any payment when due, failure to honor any other material obligation required hereunder or by operation of law as a result of the rejection of this Agreement in a case commenced under the Bankruptcy Code, Title 11, U.S.C., or otherwise, then all obligations hereunder shall be accelerated and such obligations shall be calculated as if an Early Termination Notice had been delivered on the date of such breach and shall include, but shall not be limited to, (i) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the date of a breach, (ii) any Tax Benefit Payment agreed by the Company acting in good faith and any Applicable Limited Partner to be due and payable but unpaid as of the date of a breach, and (iii) any Tax Benefit Payment due for the Taxable Year ending with or including the date of a breach. Notwithstanding the foregoing, in the event that

---

the Company breaches this Agreement, the Limited Partners shall be entitled to elect to receive the amounts set forth in clauses (i), (ii) and (iii) above or to seek specific performance of the terms hereof. The parties agree that the failure to make any payment due pursuant to this Agreement within three months of the date such payment is due shall be deemed to be a breach of a material obligation under this Agreement for all purposes of this Agreement, and that it shall not be considered to be a breach of a material obligation under this Agreement to make a payment due pursuant to this Agreement within three months of the date such payment is due.

(c) The Company, Silvercrest LP and each of the Limited Partners hereby acknowledge that, as of the date of this Agreement, the aggregate value of the Tax Benefit Payments cannot reasonably be ascertained for U.S. federal income Tax or other applicable Tax purposes.

4.2 **Early Termination Notice.** If the Company chooses to exercise its right of early termination under Section 4.1 above, the Company shall deliver to each present or former Limited Partner a notice of such intention to exercise such right ("Early Termination Notice") and a schedule (the "Early Termination Schedule") specifying the Company's intention to exercise such right and showing in reasonable detail the calculation of the Early Termination Payment including that portion of the Early Termination Payment that has satisfied the Payment Conditions and that portion of the Early Termination Payment that has not, as of the Early Termination Date, satisfied a Payment Condition. The Early Termination Schedule shall become final and binding on all parties unless an Applicable Limited Partner, within 30 calendar days after receiving the Early Termination Schedule, provides the Company with notice of a material objection to such Schedule made in good faith ("Material Objection Notice"). If the parties, for any reason, are unable to successfully resolve the issues raised in such notice within 30 calendar days after receipt by the Company of the Material Objection Notice, the Company and the relevant Limited Partner shall employ the Reconciliation Procedures as described in Section 7.9 of this Agreement.

#### 4.3 **Payment upon Early Termination.**

(a) Within 30 calendar days of the Early Termination Conditions being satisfied with respect to an Early Termination Payment (or a portion thereof), the Company shall pay to each Applicable Limited Partner an amount equal to the Early Termination Payment (or the portion thereof for which the Early Termination Conditions have been satisfied), plus interest calculated at the Agreed Rate from the Early Termination Date until the Payment Date of such Early Termination Payment. Such payment shall be made by wire transfer of immediately available funds to a bank account designated by the Applicable Limited Partner. For the avoidance of doubt, after the initial Early Termination Payment, the Company will be required to make additional payments to the Limited Partner with respect to the Deferrable Portion of the Early Termination Payment if and when a Payment Conditions has been satisfied with respect to such Deferrable Portion. In addition, the Company shall pay the Limited Partner an amount equal to the Realized Tax Benefit resulting from the sale of a non-amortizable asset. Such payment shall be due 30 calendar days after such sale has closed.

(b) The "Early Termination Payment" as of the date of the delivery of an Early Termination Schedule shall equal with respect to the Applicable Limited Partner the present value, discounted at the Early Termination Rate as of such date, of all Tax Benefit Payments that

---

would be required to be paid by the Company to the Applicable Limited Partner beginning from the Early Termination Date and assuming that the Valuation Assumptions are applied.

4.4 **Scheduled Termination.** No Tax Benefit Payment shall accrue, or shall become due or payable with respect to any Exchange after the sixtieth anniversary (the "Scheduled Termination Date") of the effective date of such Exchange. For avoidance of doubt, this Agreement shall continue to be in effect in periods after the Scheduled Termination Date with respect to Tax Benefit Payments that arise on or before such date, or any adjustment thereto, and shall terminate upon such time as when all Tax Benefit Payment due and payable hereunder have been paid and the Determinations have been made with respect to all such payments.

## **ARTICLE 5**

### **SUBORDINATION AND LATE PAYMENTS**

5.1 **Subordination.** Notwithstanding any other provision of this Agreement to the contrary, any Tax Benefit Payment or Early Termination Payment required to be made by the Company to the Limited Partners under this Agreement (an "Exchange Payment") shall rank subordinate and junior in right of payment to any principal, interest or other amounts due and payable in respect of any obligations in respect of indebtedness for borrowed money of the Company and its Subsidiaries ("Senior Obligations") and shall rank pari passu with all current or future unsecured obligations of the Company that are not Senior Obligations.

5.2 **Late Payments by the Company.** The amount of all or any portion of any Exchange Payment not made to any Limited Partner when due (without regard to Section 5.1) under the terms of this Agreement shall be payable together with any interest thereon, computed at the Default Rate and commencing from the date on which such Exchange Payment was due and payable.

## **ARTICLE 6**

### **NO DISPUTES; CONSISTENCY; COOPERATION**

6.1 **Limited Partner Participation in the Company and Silvercrest LP's Tax Matters.** Except as otherwise provided herein, the Company shall have full responsibility for, and sole discretion over, all Tax matters concerning the Company and Silvercrest LP, including the preparation, filing or amending of any Tax Return and defending, contesting or settling any issue pertaining to Taxes. Notwithstanding the foregoing, the Company shall notify each relevant Limited Partner of, and keep such Limited Partner reasonably informed with respect to the portion of any audit of the Company and Silvercrest LP by a Taxing Authority the outcome of which is reasonably expected to affect such Limited Partner's rights and obligations under this Agreement, and shall provide to such Limited Partner reasonable opportunity to provide information and other input to the Company, Silvercrest LP and their respective advisors concerning the conduct of any such portion of such audit; provided, however, that the Company and Silvercrest LP shall not be required to take any action that is inconsistent with any provision of the LP Agreement.

---

6.2 **Consistency.** The Company and the Applicable Limited Partner agree to report and cause to be reported for all purposes, including U.S. federal, state, local and foreign Tax purposes and financial reporting purposes, all Tax-related items (including the Basis Adjustment and each Tax Benefit Payment) in a manner consistent with that specified by the Company in any Schedule required to be provided by or on behalf of the Company under this Agreement. In this regard, the Company and the Applicable Limited Partner agree to report any gain of the Limited Partner resulting from an Exchange as capital gain unless the Company is advised otherwise by an Advisory Firm. Any Dispute concerning such advice shall be subject to the terms of Section 7.9. In the event that an Advisory Firm is replaced, such replacement Advisory Firm shall be required to perform its services under this Agreement using procedures and methodologies consistent with the previous Advisory Firm, unless (a) otherwise required by law or (b) the Company and the Applicable Limited Partner agree to the use of other procedures and methodologies.

6.3 **Cooperation.** The Applicable Limited Partner shall (a) furnish to the Company in a timely manner such information, documents and other materials, or make such representations, as the Company may reasonably request for purposes of making any determination or computation necessary or appropriate under this Agreement, preparing any Tax Return or contesting or defending any audit, examination or controversy with any Taxing Authority, (b) make itself available to the Company and its representatives to provide explanations of documents and materials and such other information as the Company or its representatives may reasonably request in connection with any of the matters described in clause (a) above, and (c) reasonably cooperate in connection with any such matter described in clause (a) above. The Company shall reimburse the Applicable Limited Partner for any reasonable third-party costs and expenses incurred pursuant to this Section 6.03.

## ARTICLE 7

### MISCELLANEOUS

7.1 **Notices.** All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by facsimile (provided a copy is thereafter promptly delivered as provided in this Section 7.1) or nationally recognized overnight courier, addressed to such party at the address or facsimile number set forth below or such other address or facsimile number as may hereafter be designated in writing by such party to the other parties..

If to the Company, to:

Silvercrest Asset Management Group Inc.  
1330 Avenue of the Americas  
38<sup>th</sup> Floor  
New York, NY 10019  
(T) (212) 649-0600  
(F) (212) 212-649-0625  
Attention: General Counsel

with a copy to:

---

Bingham McCutchen LLP  
399 Park Avenue  
New York, New York 10022  
(T) (212) 705-7000  
(F) (212) 752-5378  
Attention: Floyd I. Wittlin, Esq.

if to Silvercrest LP, to:

Silvercrest L.P.  
1330 Avenue of the Americas  
38<sup>th</sup> Floor  
New York, NY 10019  
(T) (212) 649-0600  
(F) (212) 212-649-0625  
Attention: General Counsel

with a copy to:

Bingham McCutchen LLP  
399 Park Avenue  
New York, New York 10022  
(T) (212) 705-7000  
(F) (212) 752-5378  
Attention: Floyd I. Wittlin, Esq.

If to Limited Partners:

the address and facsimile number set forth in the records of Silvercrest LP.

7.2 **Counterparts.** This Agreement may be executed in any number of counterparts, including electronic counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument, it being understood that both parties need not sign the same counterpart.

7.3 **Entire Agreement; No Third-Party Beneficiaries.** This Agreement constitutes the entire agreement among the parties hereto and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties hereto and their respective heirs, successors, legal representatives and permitted assigns, any rights or remedies hereunder.

7.4 **Governing Law.** This Agreement shall be governed by, construed and enforced in accordance with, the laws of the State of New York, without regard to the conflict of laws principles thereof that would mandate the application of the laws of another jurisdiction.

7.5 **Severability.** If the final determination of a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such

---

determination may be perfected, that any term or provision hereof is invalid or unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

**7.6 Successors; Assignment; Amendments; and Waivers.**

(a) No Limited Partner may assign this Agreement to any person without the prior written consent of the Company; provided, however, that (i) to the extent Class B Units are transferred in accordance with the terms of the LP Agreement, the transferring Limited Partner shall have the option to assign to the transferee of such Class B Units the transferring Limited Partner's rights under this Agreement with respect to such transferred Class B Units, as long as such transferee has executed and delivered, or, in connection with such transfer, executes and delivers, a joinder to this Agreement, in form and substance substantially similar to Exhibit A to this Agreement, agreeing to become a "Limited Partner" for all purposes of this Agreement, except as otherwise provided in such joinder, and (ii) once an Exchange has occurred, any and all payments that may become payable to a Limited Partner pursuant to this Agreement with respect to the Exchanged Class B Units may be assigned to any Person or Persons as long as any such Person has executed and delivered, or, in connection with such assignment, executes and delivers, a joinder to this Agreement, in form and substance substantially similar to Exhibit A to this Agreement, agreeing to be bound by Section 7.12 and acknowledging specifically the terms of Section 7.6(b). For the avoidance of doubt, if a Limited Partner transfers Class B Units but does not assign to the transferee of such Class B Units such Limited Partner's rights under this Agreement with respect to such transferred Class B Units, such Limited Partner shall continue to be entitled to receive the Tax Benefit Payments arising in respect of a subsequent Exchange of such Class B Units.

(b) No provision of this Agreement may be amended unless such amendment is approved in writing by each of the Company and Silvercrest LP and by Limited Partners who would be entitled to receive at least fifty one percent (51%) of the Early Termination Payments payable to all Limited Partners hereunder if the Company had exercised its right of early termination on the date of the most recent Exchange prior to such amendment (excluding, for purposes of this sentence, all payments made to any Limited pursuant to this Agreement since the date of such most recent Exchange); provided, however, that no such amendment shall be effective if such amendment would have a disproportionate effect on the payments certain Limited Partners will or may receive under this Agreement unless all such Limited Partners disproportionately affected consent in writing to such amendment. No provision of this Agreement may be waived unless such waiver is in writing and signed by the party against whom the waiver is to be effective.

(c) Except as otherwise specifically provided herein, all of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, permitted assigns, heirs, executors, administrators and legal representatives. The Company shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by written agreement, expressly to

---

assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

7.7 **Interpretation.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “included”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

7.8 **Resolution of Disputes.**

(a) Any and all claims, disputes and other disagreements arising hereunder (each, a “Dispute”) which are not governed by Section 7.9, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non- performance of this Agreement (including the validity, scope and enforceability of this Section 7.8 and Section 7.9) shall be governed by this Section 7.8. The parties hereto shall attempt in good faith to resolve all Disputes by negotiation. If a Dispute between the parties hereto cannot be resolved in such manner, such Dispute shall, at the request of any party, after providing written notice to the other party or parties to the Dispute, be submitted to arbitration in New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceeding shall be confidential. The party initially asserting the Dispute (the “Initiating Party”) shall notify the other party (the “Responding Party”) of the name and address of the arbitrator chosen by the Initiating Party and shall specifically describe the Dispute in issue to be submitted to arbitration. Within 30 days of receipt of such notification, the Responding Party shall notify the Initiating Party of its answer to the Dispute, any counterclaim which it wishes to assert in the arbitration and the name and address of the arbitrator chosen by the Responding Party. If the Responding Party does not appoint an arbitrator during such 30-day period, appointment of the second arbitrator shall be made by the American Arbitration Association upon request of the Initiating Party. The two arbitrators so chosen or appointed shall choose a third arbitrator, who shall serve as president of the panel of arbitrators (the “Panel”) thus composed. If the two arbitrators so chosen or appointed fail to agree upon the choice of a third arbitrator within 30 days from the appointment of the second arbitrator, the third arbitrator will be appointed by the American Arbitration Association upon the request of the arbitrators or either of the parties. In all cases, the arbitrators must be persons who have substantial experience in tax matters. The arbitrators will act by majority decisions. Any decision of the arbitrators shall (i) be rendered in writing and shall bear the signatures of at least two arbitrators, and (ii) identify the members of the Panel, and the time and place of the award granted. Absent fraud or manifest error, any such decision of the Panel shall be final, conclusive and binding on the parties to the arbitration and enforceable by a court of competent jurisdiction. The expenses of the arbitration shall be borne equally by the parties to the arbitration; provided, however, that each party shall pay for and bear the costs of its own experts, evidence and legal counsel, unless the arbitrator rules otherwise in the arbitration. The parties shall complete all discovery within 30 days after the Panel is composed, shall complete the presentation of evidence to the Panel within 15 days after the completion of discovery, and a final decision with respect to the matter submitted to arbitration shall be rendered within 15 days after the completion of presentation of evidence. The parties hereto shall cause to be kept a record of the proceedings of any matter submitted to arbitration hereunder. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings. In

---

addition to monetary damages, the arbitrator shall be empowered to award equitable relief, including an injunction and specific performance of any obligation under this Agreement. The arbitrator is not empowered to award damages in excess of compensatory damages, and each party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispute. The award shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues, or accounting presented to the arbitral tribunal. Judgment upon any award may be entered and enforced in any court having jurisdiction over a party or any of its assets.

(b) Notwithstanding the provisions of Section 7.8(a), the Company may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this Section 7.8(b), each Limited Partner (i) expressly consents to the application of Section 7.8(c) to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Company as such Limited Partner's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Limited Partner in writing of any such service of process, shall be deemed in every respect effective service of process upon the Limited Partner in any such action or proceeding.

(c) The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby that is brought in accordance with Section 7.8(b) shall be brought and maintained exclusively in the United States District Court for the Southern District of New York or the Supreme Court of the State of New York located in the County of New York. Each of the parties irrevocably consents to submit to the personal jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding. Process in any such suit, action or proceeding in such courts may be served, and shall be effective, on any party anywhere in the world, whether within or without the jurisdiction of any such court, by any of the methods specified for the giving of Notices pursuant to Section 7.01. Each of the parties irrevocably waives, to the fullest extent permitted by law, any objection or defense that it may now or hereafter have based on venue, inconvenience of forum, the lack of personal jurisdiction and the adequacy of service of process (as long as the party was provided Notice in accordance with the methods specified in Section 7.01) in any suit action or proceeding brought in such courts. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING SEEKING TO ENFORCE ANY PROVISION OF, OR BASED ON ANY MATTER ARISING OUT OF OR IN CONNECTION WITH, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**7.9 Reconciliation.** In the event that the Company and the relevant Limited Partner are unable to resolve a disagreement with respect to the matters governed by Sections 2.4, 4.2 and 6.2 within the relevant period designated in this Agreement ("Reconciliation Dispute"), the Reconciliation Dispute shall be submitted for determination to a nationally recognized expert (the "Expert") in the particular area of disagreement mutually acceptable to both parties. The Expert

---

shall be a partner in a nationally recognized accounting firm or a law firm (other than the Advisory Firm), and the Expert shall not, and the firm that employs the Expert shall not, have any material relationship with either the Company or the relevant Limited Partner or other actual or potential conflict of interest. If the parties are unable to agree on an Expert within 15 days of receipt by the respondent(s) of written notice of a Reconciliation Dispute, the Expert shall be appointed by the International Chamber of Commerce Centre for Expertise. The Expert shall resolve any matter relating to the Exchange Basis Schedule or an amendment thereto or the Early Termination Schedule or an amendment thereto within 30 calendar days and shall resolve any matter relating to a Tax Benefit Schedule or an amendment thereto within 15 calendar days or as soon thereafter as is reasonably practicable, in each case after the matter has been submitted to the Expert for resolution. Notwithstanding the preceding sentence, if the matter is not resolved before any payment that is the subject of a disagreement would be due (in the absence of such disagreement) or any Tax Return reflecting the subject of a disagreement is due, the undisputed amount shall be paid on such date and such Tax Return may be filed as prepared by the Company, subject to adjustment or amendment upon resolution. In the event that this reconciliation provision is utilized, the fees of the Expert shall be paid in proportion to the manner in which the dispute is resolved, such that, for example, if the entire dispute is resolved in favor of the Company, the relevant Limited Partner shall pay all of the fees, or if the items in dispute are resolved 50% in favor of the Company and 50% in favor of the relevant Limited Partner, each of the Company and the relevant Limited Partner shall pay 50% of the fees of the Expert. Any Dispute as to whether a Dispute is a Reconciliation Dispute within the meaning of this Section 7.9 shall be decided by the Expert. The Expert shall finally determine any Reconciliation Dispute and the determinations of the Expert pursuant to this Section 7.9 shall be binding on the Company and the relevant Limited Partner and may be entered and enforced in any court having jurisdiction.

7.10 **Withholding.** The Company shall be entitled to deduct and withhold from any payment payable pursuant to this Agreement such amounts as the Company is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign Tax law. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority by the Company, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Applicable Limited Partner.

7.11 **Admission of the Company into a Consolidated Group; Transfers of Corporate Assets.**

(a) If the Company becomes a member of an affiliated or consolidated group of corporations that files a consolidated income Tax return pursuant to Sections 1501, et seq. of the Code or any corresponding provisions of state, local or foreign law, then: (i) the provisions of this Agreement shall be applied with respect to the group as a whole; and (ii) Tax Benefit Payments, Early Termination Payments and other applicable items hereunder shall be computed with reference to the consolidated Taxable income of the group as a whole.

(b) If any entity that is obligated to make an Exchange Payment hereunder transfers one or more assets to a corporation with which such entity does not file a consolidated Tax return pursuant to Section 1501 of the Code, such entity, for purposes of calculating the amount of any Exchange Payment (e.g., calculating the gross income of the entity and determining the Realized

---

Tax Benefit of such entity) due hereunder, shall be treated as having disposed of such asset in a fully Taxable transaction on the date of such contribution. The consideration deemed to be received by such entity shall be equal to the fair market value of the contributed asset, plus (i) the amount of debt to which such asset is subject, in the case of a contribution of an encumbered asset or (ii) the amount of debt allocated to such asset, in the case of a contribution of a partnership interest.

**7.12 Confidentiality.**

(a) Each Limited Partner and assignee acknowledges and agrees that the information of the Company and of its Affiliates is confidential and, except in the course of performing any duties as necessary for the Company and its Affiliates, as required by law or legal process or to enforce the terms of this Agreement, such person shall keep and retain in the strictest confidence and not disclose to any Person any confidential matters, acquired pursuant to this Agreement, of the Company and its Affiliates and successors, concerning Silvercrest LP and its Affiliates and successors or the other Limited Partners, learned by the Limited Partner heretofore or hereafter. This Section 7.12(a) shall not apply to (i) any information that has been made publicly available by the Company or any of its Affiliates, becomes public knowledge (except as a result of an act of such Limited Partner in violation of this Agreement) or is generally known to the business community and (ii) the disclosure of information to the extent necessary for a Limited Partner to prepare and file his or her Tax returns, to respond to any inquiries regarding the same from any Taxing authority or to prosecute or defend any action, proceeding or audit by any Taxing authority with respect to such returns. Notwithstanding anything to the contrary herein, each Limited Partner and assignee (and each employee, representative or other agent of such Limited Partner or assignee, as applicable) may disclose to any and all Persons, without limitation of any kind, the Tax treatment and Tax structure of the Company, Silvercrest LP, the Limited Partners and their Affiliates, and any of their transactions, and all materials of any kind (including opinions or other Tax analyses) that are provided to the Limited Partners relating to such Tax treatment and Tax structure.

(b) If a Limited Partner or assignee commits a breach, or threatens to commit a breach, of any of the provisions of Section 7.12(a), the Company shall have the right and remedy to have the provisions of Section 7.12(a) specifically enforced by injunctive relief or otherwise by any court of competent jurisdiction without the need to post any bond or other security, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to the Company or any of its Subsidiaries or the other Limited Partners and the accounts and funds managed by the Company and that money damages alone shall not provide an adequate remedy to such Persons. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available at law or in equity.

**7.13 No Joint Venture.** Parties hereto intend that the relationships created hereunder and under the Exchange Agreement be solely that of transferor and transferee of the Class B Units as determined herein. Nothing herein or therein is intended to create a joint venture, partnership, tenancy-in-common, or joint tenancy relationship between or among the parties nor to grant the exchanging Limited Partners any interest in the exchanged Class B Units other than that of a transferor.

---

7.14 **Partnerships.** The Company hereby agrees that, to the extent it acquires a general partnership interest, managing member interest or similar interest in any Person after the date hereof, it shall cause such Person to execute and deliver a joinder to this Agreement and such Person shall be treated as a “Partnership Subsidiary” for all purposes of this Agreement.

7.15 **Construction.** This Agreement shall be decided by a court of law and shall not be construed in favor of the drafters of this Agreement.

7.16 **Further Assurances.** Each party shall execute, deliver, acknowledge and file such other documents and take such further actions as may be reasonably requested from time to time by the other party hereto to give effect to and carry out the transactions contemplated herein.

*[Signature page follows.]*

---

IN WITNESS WHEREOF, the Company, Silvercrest LP and each Limited Partner have duly executed this Agreement as of the date first written above.

Silvercrest Asset Management Group Inc.

By: \_\_\_\_\_

Name: G. Moffett Cochran

Title: Chairman, Chief Executive Officer

Silvercrest L.P.

By: Silvercrest Asset Management Group Inc.

Title: General Partner of Silvercrest L.P.

By: \_\_\_\_\_

Name: G. Moffett Cochran

Title: Chairman, Chief Executive Officer

Signature Page to Tax Receivable Agreement

---

**CLASS B PARTNERS:**

---

Jeffrey C. Allen

---

Edward F. Appel

---

Matthew Arpano

---

Patrick A. Bittner  
James J. Bleakley, Jr. Revocable Trust dated  
May 15, 2002

By: \_\_\_\_\_  
Name: James J. Bleakley, Jr.  
Title: Trustee

---

Jeremiah M. Bogert

The Margot C. Bogert and  
Jeremiah M. Bogert Family Trust

By: \_\_\_\_\_  
Name: Jeremiah M. Bogert  
Title: Trustee

---

Ben Brewster

Signature Page to Tax Receivable Agreement

---

Brewster 1966 Trust

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Russell Brown

\_\_\_\_\_  
David J. Campbell

\_\_\_\_\_  
Kim Campione

\_\_\_\_\_  
G. Moffett Cochran

The Moffett Cochran GRAT 2010

By: \_\_\_\_\_  
Name: G. Moffett Cochran  
Title: Trustee

The Peyton Cochran Trust

By: \_\_\_\_\_  
Name: G. Moffett Cochran  
Title: Trustee

The Lee Cochran Trust

By: \_\_\_\_\_  
Name: G. Moffett Cochran  
Title: Trustee

\_\_\_\_\_  
Anthony Fiore

\_\_\_\_\_  
Scott A. Gerard

---

J. Allen Gray

Hamar Capital Limited

---

G. David Hamar, Jr.

George David Hamar Trust DDD 2/3/2006 for  
Katherine Anne Phelps Hamar

By: \_\_\_\_\_

Name: G. David Hamar, Jr.

Title: Trustee

---

G. David Hamar, Jr.

---

Burnett Hansen

The Linda M. Hartley Revocable Lifetime Trust

By: \_\_\_\_\_

Name: Linda M. Hartley

Title: Trustee

---

Robert F. Hill

---

Richard R. Hough

Investor Records Holdings, LLC

By: \_\_\_\_\_

Name: Benjamin Brewster

Title:

---

Martin Jaffe

Signature Page to Tax Receivable Agreement

---

Cathy A. Jameson

---

Bart A. Johnston

---

Todd Kanter

Kanter Marathon Holding LLC

By: \_\_\_\_\_

Name: Todd Kanter

Title: Member

Lanark Holdings LLC

By: \_\_\_\_\_

Name: Benjamin Brewster

Title: Member

---

Allen J. Laufer

---

David B. MacNeil

---

Paul McCrann

---

Sally Megear

---

Albert S. Messina

Signature Page to Tax Receivable Agreement

---

Jeremiah Milbank

---

Stanley H. Reese

---

Ian W. Smith

---

Douglas M. Stevenson

---

John B. Stevenson

---

David Taylor

---

Peter Tobeason

---

Roger W. Vogel

---

Carter Whisnand

Signature Page to Tax Receivable Agreement

---

**EXHIBIT A**  
**JOINDER**

This JOINDER (this "Joinder") to the Tax Receivable Agreement (as defined below), dated as of [ ] by and among Silvercrest Asset Management Group, Inc., a Delaware corporation (the "Company"), Silvercrest L.P., a Delaware limited partnership ("Silvercrest LP"), \_\_\_\_\_ (the "Transferor"), and [ ] ("Permitted Transferee").

WHEREAS, on [ ] the Permitted Transferee acquired (the "Acquisition") Class B Units in Silvercrest LP and, together with all other Class B Units hereinafter acquired by the Permitted Transferee from Transferor and its Permitted Transferees (as defined in the Tax Receivable Agreement dated as of [ ] 2012 (as the same may be amended from time to time, the "Tax Receivable Agreement"), among the Company, Silvercrest LP and the other parties thereto), the "Acquired Interests") from Transferor and

WHEREAS, Transferor, in connection with the Acquisition, has required Permitted Transferee to execute and deliver this Joinder pursuant to Section 7.6 of the Tax Receivable Agreement;

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Permitted Transferee hereby agrees as follows:

1.1 Definitions. To the extent capitalized words used in this Joinder are not defined in this Joinder, such words shall have the respective meanings set forth in the Tax Receivable Agreement.

1.2 Joinder. Permitted Transferee hereby acknowledges and agrees to become a "Limited Partner" (as defined in the Tax Receivable Agreement) for all purposes of the Tax Receivable Agreement, including but not limited to, being bound by Sections 2.4, 4.2, 6.1, 6.2 and 7.12 of the Tax Receivable Agreement, with respect to the Acquired Interests, and any other Acquired Interests Permitted Transferee acquires hereafter. Permitted Transferee hereby acknowledges the terms of Section 7.6(b) of the Tax Receivable Agreement.

1.3 Notice. Any notice, request, consent, claim, demand, approval, waiver or other communication hereunder to Permitted Transferee shall be delivered or sent to Permitted Transferee at the address set forth on the signature page hereto in accordance with Section 7.01 of the Tax Receivable Agreement.

1.4 Governing Law. THIS JOINDER SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS

---

PRINCIPLES THEREOF THAT WOULD MANDATE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

*[Signature page follows.]*

A-2

---

IN WITNESS WHEREOF, this Joinder has been duly executed and delivered by Permitted Transferee as of the date first above written.

[PERMITTED TRANSFEREE]

---

Name:

Address:

Address for Notices:

**CONSENT OF DELOITTE & TOUCHE LLP**

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-183963 of our report dated May 11, 2012 relating to the balance sheet of Silvercrest Asset Management Group Inc. as of May 11, 2012 appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

**/s/ DELOITTE & TOUCHE LLP**

New York, New York  
October 9, 2012

**CONSENT OF DELOITTE & TOUCHE LLP**

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-183963 of our report dated May 11, 2012 (August 13, 2012 as to the effects of the restatement discussed in Note 2) relating to the consolidated financial statements of Silvercrest L.P. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph referring to a change in the annual goodwill impairment testing date) appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

**/s/ DELOITTE & TOUCHE LLP**

New York, New York  
October 9, 2012

FULVIO & ASSOCIATES, L.L.P.

JOHN FULVIO, CPA  
SUSAN E. VAN VELSON, CPA  
KENNETH S. WERNER, CPA

*Certified Public Accountants*

New York Office:  
5 West 37th Street, 4th Floor  
New York, New York 10018  
TEL: 212-490-3113  
FAX: 212-986-3679  
www.fulviollp.com

Connecticut Office:  
95B Rowayton Avenue  
Rowayton, CT 06853  
TEL: 203-857-4400  
FAX: 203-857-0280

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated September 2, 2011 for Milbank Winthrop and Co., Inc., in the Registration Statement on Form S-1 and related Prospectus of Silvercrest Asset Management Group Inc. for the registration of shares of Class A common stock.



New York, New York  
October 9, 2012

---

**FULVIO & ASSOCIATES, L.L.P.**

JOHN FULVIO, CPA  
SUSAN E. VAN VELSON, CPA  
KENNETH S. WERNER, CPA

*Certified Public Accountants*

New York Office:  
5 West 37th Street, 4th Floor  
New York, New York 10018  
TEL: 212-490-3113  
FAX: 212-986-3679  
www.fulviollp.com

Connecticut Office:  
95B Rowayton Avenue  
Rowayton, CT 06853  
TEL: 203-857-4400  
FAX: 203-857-0280

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 30, 2011 for Milbank Winthrop and Co., Inc., in the Registration Statement on Form S-1 and related Prospectus of Silvercrest Asset Management Group Inc. for the registration of shares of Class A common stock.



New York, New York  
October 9, 2012

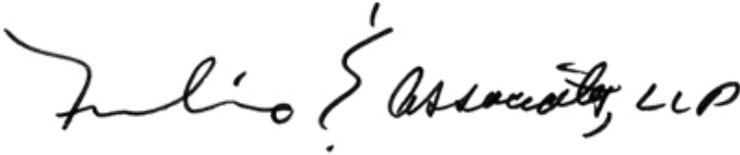
*Certified Public Accountants*

New York Office:  
5 West 37th Street, 4th Floor  
New York, New York 10018  
TEL: 212-490-3113  
FAX: 212-986-3679  
www.fulviollp.com

Connecticut Office:  
95B Rowayton Avenue  
Rowayton, CT 06853  
TEL: 203-857-4400  
FAX: 203-857-0280

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 15, 2012 for MW Commodity Advisors, LLC, in the Registration Statement on Form S-1 and related Prospectus of Silvercrest Asset Management Group Inc. for the registration of shares of Class A common stock.



New York, New York  
October 9, 2012

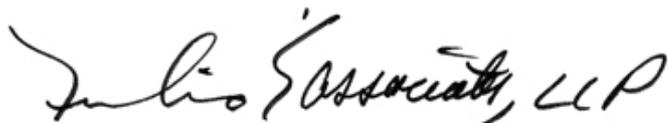
*Certified Public Accountants*

New York Office:  
5 West 37th Street, 4th Floor  
New York, New York 10018  
TEL: 212-490-3113  
FAX: 212-986-3679  
www.fulviollp.com

Connecticut Office:  
95B Rowayton Avenue  
Rowayton, CT 06853  
TEL: 203-857-4400  
FAX: 203-857-0280

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated October 28, 2011 for MW Commodity Advisors, LLC, in the Registration Statement on Form S-1 and related Prospectus of Silvercrest Asset Management Group Inc. for the registration of shares of Class A common stock.



New York, New York  
October 9, 2012



**SILVERCREST**  
ASSET MANAGEMENT GROUP

October 9, 2012

David J. Campbell  
General Counsel

VIA-EDGAR

Pamela Long  
Assistant Director  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Silvercrest Asset Management Group Inc.  
Amendment No. 1 to Registration Statement on Form S-1  
Submitted October 9, 2012  
CIK No. 0001549966**

Dear Ms. Long,

This letter sets forth the response of Silvercrest Asset Management Group Inc. (the "Company") to the comment letter, dated October 1, 2012, of the staff of the Division of Corporation Finance (the "Staff") to the Company's registration statement on Form S-1. In order to ease your review, we have repeated each comment in its entirety in the original numbered sequences. This letter is being filed with amendment number 1 to the registration statement on Form S-1 on EDGAR (the "Registration Statement"). Please note that all page number references correspond to the clean version of the Registration Statement.

Prospectus Summary, page 1

The Reorganization and Our Holding Company Structure, page 41

1. *We note your disclosure that you have issued deferred equity units that are exercisable for Class B units. Please revise your disclosure to state the date when these units were granted, the parties to the issuance, the material terms of the units, and your accounting for these units. If the units were granted subsequent to June 30, 2012, please tell us how you intend to reflect the issuance of these units in your pro forma financial statements.*

Response: In response to the Staff's comment, the Company has revised its disclosure on page 42 of the Registration Statement to include a cross-reference to the discussion of the deferred equity units included elsewhere in the Registration Statement.

2. *We note the disclosures you provided in response to comment 3 in our letter dated August 28, 2012. Please consider providing the disclosures for the amount of AUM, the percentage of management and advisory fees revenues for the corresponding period, and the amount of revenue recognized for discretionary managed accounts and for private funds for each period presented in a tabular format. Refer to pages 76 and 77 in the Form S-1. A tabular format will allow investors to more easily understand and analyze this information. Please refer to Section 501.12.a. of the Financial Reporting Codification for guidance. Please also include average AUM for discretionary managed accounts and for private funds for each period presented in the table, or provide us with a comprehensive explanation as to why average AUM for discretionary managed accounts and for private funds is not useful information for investors to gain some insight into changes in management and advisory fees.*

Response: In response to the Staff's comment, the Company has revised its disclosure on pages 74 and 75 of the Registration Statement to include the amount of AUM, the percentage of management and advisory fees revenues, the amount of revenue recognized and the average AUM for discretionary managed accounts and for private funds for each period presented in a tabular format.

3. *Please include updated financial statements and corresponding financial information in the Form S-1 for Silvercrest Asset Management Group Inc. as of June 30, 2012. Refer to Item 11(e) of Form S-1 and Article 3-12(b) of Regulation S-X for guidance.*

Response: In response to the Staff's comment the Company has provided financial statements and corresponding financial information for Silvercrest Asset Management Group Inc. as of June 30, 2012 on pages F-6 and F-7 in the Registration Statement.

Thank you for your prompt attention to the Company's responses to the comments. Should you have any questions or comments with respect to this submission, please call me at (212) 649-0600 or Christina E. Melendi at (212) 705-7814.

Sincerely,

/s/ David J. Campbell

David J. Campbell  
General Counsel

cc: Floyd I. Wittlin (Bingham McCutchen LLP)  
Christina E. Melendi (Bingham McCutchen LLP)  
David S. Huntington (Paul, Weiss, Rifkind, Wharton & Garrison LLP)