

SEC



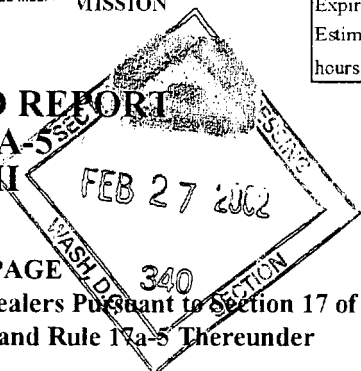
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MISSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	December 31, 2002
Estimated average burden	
hours per response . . . . .	12.00

**ANNUAL AUDITED REPORT  
FORM X-17 A-5  
PART III**

SEC FILE NUMBER
8-49830



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*[Signature]*

**FACING PAGE**  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER DEALER:

EVERCORE GROUP INC.

OFFICIAL USE ONLY
_____
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

65 EAST 55TH STREET  
(No. and Street)

New York  
(City)

New York  
(State)

10019  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

DAVID G. OFFENSEND

(212) 857-3150  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Arthur Andersen LLP  
(Name - if individual, state last, first, middle name)

1345 Avenue of the Americas  
(Address)

New York  
(City)

New York  
(State)

10105  
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**PROCESSED**  
**MAR 19 2002**

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THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

# EVERCORE GROUP

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity.
- (f) Statement of Changes in Subordinated Liabilities.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Exemptive Provision under Rule 15c3-3.

*\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of  
Evercore Group Inc.:

We have audited the accompanying statement of financial condition of Evercore Group Inc. as of December 31, 2001 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of Evercore Group Inc. as of December 31, 2001 in conformity with accounting principles generally accepted in the United States.

*Arthur Andersen LLP*

New York, New York  
February 8, 2002

**EVERCORE GROUP INC.**

STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

CASH AND CASH EQUIVALENTS	\$ 8,640
OTHER RECEIVABLES	<u>2</u>
Total assets	<u>\$ 8,642</u>

STOCKHOLDERS' EQUITY

COMMON STOCK, \$0.01 par value, 1,220 shares authorized and issued; 1,084 shares outstanding	\$ 12
ADDITIONAL PAID-IN CAPITAL	9,990
TREASURY STOCK	<u>(1,360)</u>
Total stockholders' equity	<u>\$ 8,642</u>

The accompanying notes are an integral part of this statement.

## EVERCORE GROUP INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

### 1. ORGANIZATION

Evercore Group Inc. (the "Company") became a registered broker-dealer with the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers, Inc. ("NASD") on April 30, 1997. The Company provides financial advisory services primarily to corporations in connection with mergers, acquisitions, divestitures, leveraged buyouts, joint ventures, reorganizations, recapitulations and other extraordinary corporate transactions. These services also include the establishment of appropriate acquisition criteria; screening and identification of acquisition targets; valuation and assistance with due diligence and formulation of strategy; assistance with negotiations and with the consideration of financing alternatives. The Company also provides valuation services, including public company comparisons and comparable transactions analysis.

The Company does not engage in any of the following activities:

- a. Executing transactions in securities for or with clients, or processing any such transactions;
- b. Carrying securities accounts for clients;
- c. Receiving or holding securities or funds of clients;
- d. Underwriting or dealing in securities or participating in selling groups for securities offerings; and
- e. Acting as an "investment advisor" (e.g., regularly advising clients, for a fee, as to the desirability of purchasing or selling portfolio securities).

Based on the above, the Company was granted the following by the NASD:

- a. A waiver from the two principal requirements based on the limited nature of the Company's business and its employment of no more than ten persons; and
- b. A waiver from the Financial and Operations Principal Requirement.

The Company was originally incorporated in March 1996 under the name Evercore Partners Inc. and changed its name to Evercore Group Inc. on April 16, 1997. The Company began its broker-dealer activities on May 1, 1997.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The Company accounts for all transactions on the accrual basis.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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

## EVERCORE GROUP INC.

### NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2001

and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

The Company considers all highly liquid investments purchased with a time to maturity of three months or less to be cash equivalents. As of December 31, 2001, cash equivalents amounted to approximately \$8,640.

#### 3. RELATED-PARTY TRANSACTIONS

Pursuant to a Service Agreement, Evercore Partners Inc. ("Partners"), an affiliated company with common ownership, provides all of the following services to the Company as may from time to time be required by the Company:

- (1) Use of office space including all necessary furniture, office equipment, data processing and communication equipment;
- (2) All communication services, postage, office supplies; and
- (3) Such other services and equipment as may be necessary for the Company to conduct its business.
- (4) Payment on the Company's behalf of all registration fees and filing fees necessary for the Company to do business as a broker-dealer.

At the end of each calendar year, the Company shall pay Partners a fee for services provided. Such fee will be payable no earlier than the receipt by the Company of its fees earned with regard to its financial advisory services.

Pursuant to an agreement, Partners shall purchase from the Company, in full satisfaction of the Company's liability, if any, to Partners under the Service Agreement, all the Company's accounts receivable, in respect of the Company's fee income derived from its rendering of fairness opinions and its performance of other financial advisory services.

#### 4. INCOME TAXES

The Company has elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. As a result of this election, the Company's net earnings are taxable to stockholders. The Company is subject to minimum state and local taxes.

#### 5. NET CAPITAL REGULATORY REQUIREMENTS

The Company is subject to the SEC's Rule 15c3-1, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$5,000 or one-fifteenth of aggregate indebtedness, as defined. At December 31, 2001, the Company had net capital of \$8,642, which was \$3,642 in excess of its minimum net capital requirement of \$5,000.

The Company does not carry the accounts of its customers and, accordingly, is exempt from the provision of SEC Rule 15c3-3.

**EVERCORE GROUP INC.**

NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

6. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash equivalents at December 31, 2001, which are on deposit with one commercial financial institution.



To the Stockholders of  
Evercore Group Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Evercore Group Inc. (the "Company"), for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons;
2. Recordation of differences required by rule 17a-13; and
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Arthur Andersen LLP*

New York, New York  
February 8, 2002