Silvercrest Asset Management Group Inc.
Form 10-Q
August 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED June 30, 2014

OR

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

Commission file number: 001-35733

Silvercrest Asset Management Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	45-5146560
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

1330 Avenue of the Americas, 38th Floor

New York, New York 10019

(Address of principal executive offices and zip code)

(212) 649-0600

(Registrant’s telephone number, including area code)

Not Applicable

(Formed name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of outstanding shares of the registrant’s Class A common stock, par value $0.01 per share, and Class B common stock, par value $0.01 per share, as of August 11, 2014 were 7,524,271 and 4,704,152, respectively.

Except where the context requires otherwise and as otherwise set forth herein, in this report, references to the “Company”, “we”, “us” or “our” refer to Silvercrest Asset Management Group Inc. (“Silvercrest”) and its consolidated subsidiaries, including Silvercrest L.P. (“Silvercrest L.P.” or “SLP”). SLP’s existing limited partners are referred to in this report as “principals”. On June 26, 2013, Silvercrest completed its corporate reorganization, and on July 2, 2013, Silvercrest closed its initial public offering. Prior to that date, Silvercrest was a private company. The reorganization and initial public offering are described in the notes to our Condensed Consolidated Financial Statements included in Part I of this Form 10-Q.

Forward-Looking Statements

This report contains, and from time to time our management may make, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expects”, “intends”, “p “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue”, the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions, may include projections of our future financial performance, future expenses, anticipated growth strategies, descriptions of new business initiatives and anticipated trends in our business or financial results. These statements are only predictions based on our current expectations and projections about future events. Among the important factors that could cause actual results, level of activity, performance or achievements to differ materially from those indicated by such forward-looking statements are: fluctuations in quarterly and annual results, adverse economic or market conditions, incurrence of net losses, adverse effects of management focusing on implementation of a growth strategy, failure to develop and maintain the Silvercrest brand and other factors disclosed under “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2013 which is accessible on the SEC’s website at www.sec.gov. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Factors that may cause our actual results to differ materially from our forward-looking statements include, but are not limited to:

· our anticipated future results of operations;
· our potential operating performance and efficiency and any related reputational harm or negative perceptions in the market;
· our expectations with respect to future levels of assets under management, inflows and outflows;
· our financing plans, issuance of debt or senior equity securities, cash needs and liquidity position;
· our intention to pay dividends and our expectations about the amount of those dividends;
· our expected levels of compensation of our employees and our expected ability to hire and retain qualified investment professionals;
· our expectations with respect to future expenses and the level of future expenses;
· our expected tax rate, and our expectations with respect to deferred tax assets;
· our estimates of future amounts payable pursuant to our tax receivable agreements and the contingent value rights we have issued;
· our ability to retain clients from whom we derive a substantial portion of our assets under management;
· our ability to maintain our fee structure;
· our particular choices with regard to investment strategies employed;
· our ability to handle market volatility and risk in any and all markets to which we have exposure;
· the cost of complying with current and future regulation, coupled with the cost of defending ourselves from related investigations or litigation;
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failure of our operational safeguards against breaches in data security, privacy, conflicts of interest or employee misconduct;

- our ability to compete in an intensely competitive industry; and
- our reliance on prime brokers, custodians, administrators and other agents.

Part I – Financial Information

Item 1. Financial Statements

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Financial Condition

(Unaudited)

(In thousands, except share and par value data)

	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$21,438	$ 27,122
Restricted certificates of deposit and escrow	1,022	1,021
Investments	100	103
Receivables, net	4,098	5,405
Due from Silvercrest Funds	3,599	2,653
Furniture, equipment and leasehold improvements, net	2,175	1,913
Goodwill	20,008	20,031
Intangible assets, net	11,870	12,589
Deferred tax asset—tax receivable agreement	23,841	25,022
Prepaid expenses and other assets	2,123	4,868
Total assets	$90,274	$ 100,727
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	$2,294	$ 6,587
Accrued compensation	10,282	17,424
Notes payable	8,164	8,303
Borrowings under revolving credit facility	3,000	3,000
Deferred rent	1,523	1,742
Deferred tax and other liabilities	15,737	15,506
Total liabilities	41,000	52,562
Commitments and Contingencies (Note 10)		
Stockholders' Equity		
Preferred Stock, par value $0.01, 10,000,000 shares authorized; none issued and outstanding, as of June 30, 2014 and December 31, 2013	—	—
Class A common stock, par value $0.01, 50,000,000 shares authorized; 7,524,271 and 7,522,974 issued and outstanding, as of June 30, 2014 and December 31, 2013, respectively	75	75
Class B common stock, par value $0.01, 25,000,000 shares authorized; 4,704,152 and 4,464,617 issued and outstanding, as of June 30, 2014 and December 31, 2013, respectively	47	45

Additional Paid-In Capital	39,026	39,003
Retained earnings	2,588	2,099
Total stockholders’ equity	41,736	41,222
Non-controlling interests	7,538	6,943
Total equity	49,274	48,165
Total liabilities and stockholders’ equity	$90,274	$ 100,727

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except par value data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenue				
Management and advisory fees	$16,088	$13,272	$31,671	$25,729
Performance fees and allocations	—	—	—	3
Family office services	1,138	1,200	2,275	2,425
Total revenue	17,226	14,472	33,946	28,157
Expenses				
Compensation and benefits	9,761	5,925	19,472	11,125
General and administrative	3,222	2,722	6,436	5,434
Total expenses	12,983	8,647	25,908	16,559
Income before other (expense) income, net	4,243	5,825	8,038	11,598
Other (expense) income, net				
Other income, net	—	29	8	57
Interest income	16	22	36	49
Interest expense	(128)	(71)	(255)	(108)
Total other (expense) income, net	(112)	(20)	(211)	(2)
Income before provision for income taxes	4,131	5,805	7,827	11,596
Provision for income taxes	(1,333)	(338)	(2,788)	(667)
Net income	2,798	5,467	5,039	10,929
Less: net income attributable to non-controlling interests	(1,447)		(2,744)	
Net income attributable to Silvercrest	$1,351		$2,295	
Net income per share/unit:				
Basic	$0.18	$0.50	$0.31	$1.02
Diluted	$0.18	$0.49	$0.31	$0.99
Weighted average shares/units outstanding:				
Basic	7,523,464	10,909,091	7,523,219	10,697,653
Diluted	7,523,464	11,146,180	7,523,219	10,934,742

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity/Partners' Deficit

(Unaudited)

(In thousands)

	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity	Non-controlling Interest	Total Equity	Partners' Capital	Excess of Liabilities, Redeemable Partners' Capital and Partners' Capital over Assets	Total Partners' Deficit
anuary 1, 2013	—	$—	—	$—	$—	$—	$—	$—	$—	$47,904	$(108,374)	$(60,470
Contribution rom partners	—	—	—	—	—	—	—	—	—	—	455	455
Distributions to artners	—	—	—	—	—	—	—	—	—	(4,036)	(23,864)	(27,900
Accrued artner ncentive listributions	—	—	—	—	—	—	—	—	—	—	(6,000)	(6,000
Redemptions of artners' nterests	—	—	—	—	—	—	—	—	—	—	(5,561)	(5,561
Equity-based ompensation	—	—	—	—	—	—	—	—	—	—	1,024	1,024
Reclassification of equity-based wards due to limination of edemption eature	—	—	—	—	—	—	—	—	—	—	824	824
Net Income	—	—	—	—	—	—	—	—	—	2,827	8,102	10,929
ssuance of Class A shares n IPO	4,791	48	—	—	48,200	—	48,248	—	48,248	—	—	—
Reorganization of equity tructure	—	—	10,000	100	—	12,683	12,783	—	12,783	(46,695)	133,394	86,699
Purchase of Class B units of	—	—	(3,541)	(35)	(30,881)	(4,484)	(35,400)	—	(35,400)	—	—	—

SLP initial establishments of deferred tax assets, net amounts payable under tax receivable agreement	—	—	—	—	8,662	—	8,662	—	8,662	—	—	—
une 30, 2013	4,791	$48	6,459	$65	$25,981	$8,199	$34,293	$—	$34,293	$—	$—	$—
anuary 1, 2014	7,523	$75	4,465	$45	$39,003	$2,099	$41,222	$6,943	$48,165	$—	$—	$—
Distributions to partners	—	—	—	—	—	—	—	(3,995)	(3,995)	—	—	—
Redemption of partner's interest	—	—	(23)	—	—	—	—	(345)	(345)	—	—	—
Repayment of notes receivable from members	—	—	—	—	—	—	—	833	833	—	—	—
Equity-based compensation	—	—	262	2	—	—	2	1,391	1,393	—	—	—
Net Income	—	—	—	—	—	2,295	2,295	2,744	5,039	—	—	—
Accrued interest on notes receivable from partners	—	—	—	—	—	—	—	(33)	(33)	—	—	—
Share conversion	1	—	—	—	23	—	23	—	23	—	—	—
Dividends paid on Class A common stock $0.24 per share	—	—	—	—	—	(1,806)	(1,806)	—	(1,806)	—	—	—
une 30, 2014	7,524	$75	4,704	$47	$39,026	$2,588	$41,736	$7,538	$49,274	$—	$—	$—

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six months ended June 30, 2014	2013
Cash Flows From Operating Activities		
Net income	$ 5,039	$ 10,929
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	774	764
Depreciation and amortization	982	954
Deferred rent	(219)	(222)
Provision for doubtful accounts	227	—
Deferred income taxes	1,994	44
Non-cash interest on notes receivable from partners	(33)	(44)
Distributions received from investment funds	3	1,900
Other	4	(4)
Cash flows due to changes in operating assets and liabilities:		
Receivables and due from Silvercrest Funds	135	1,078
Prepaid expenses and other assets	1,934	(556)
Accounts payable and accrued expenses	(2,081)	(24)
Accrued compensation	(6,523)	139
Other liabilities	14	(133)
Interest payable on notes payable	178	104
Net cash provided by operating activities	2,428	14,929
Cash Flows From Investing Activities		
Restricted certificates of deposit and escrow	$ (1)	$ (171)
Acquisition of furniture, equipment and leasehold improvements	(289)	(64)
Earn-outs paid related to acquisitions completed before January 1, 2009	(1,679)	(703)
Acquisition of Ten-Sixty Asset Management, LLC	—	(2,500)
Net cash used in investing activities	(1,969)	(3,438)
Cash Flows From Financing Activities		
Earn-outs paid related to acquisitions completed on or after January 1, 2009	$ (511)	$ (462)
Borrowings under revolving credit facility	—	7,000
Redemptions of partners' interests	(240)	(261)
Repayments of notes payable	(313)	(704)
Payments on capital leases	(19)	(9)
Distributions to partners	(3,995)	(17,900)
Offering costs	—	(786)
Dividends paid on Class A common stock	(1,806)	—
Payments from partners on notes receivable	741	887
Net cash used in financing activities	(6,143)	(12,235)

Net decrease in cash and cash equivalents	(5,684)	(744)
Cash and cash equivalents, beginning of period	27,122	13,443
Cash and cash equivalents, end of period	$21,438	$12,699

See accompanying notes to condensed consolidated financial statements.

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Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

(continued)

	Six months ended June 30,	
	2014	2013
Supplemental Disclosures of Cash Flow Information		
Net cash paid during the period for:		
Income taxes	$ 3,144	$ 811
Interest	92	34
Supplemental Disclosures of Non-cash Financing and Investing Activities		
Notes receivable from new partners issued as capital contributions to Silvercrest L.P.	$ —	$ 455
Accrual of pre-IPO distribution to partners of Silvercrest L.P.	—	10,000
Accrual of partner incentive distributions	—	6,000
Issuance of notes for redemption of partnership interest	—	5,300
Common stock surrendered	92	—
Liability for purchase of Class B units from partners of Silvercrest L.P.	—	35,365
Receivable from underwriters for sale and issuance of Silvercrest Asset Management Group Inc. Class A common Stock	—	49,310
Accrued offering costs	—	277
Issuance of notes payable for acquisition of Ten-Sixty Asset Management, LLC	—	1,592
Recognition of deferred tax assets as a result of IPO	11	12,396
Recognition of tax receivable agreement liability	—	3,734
Asset acquired under capital lease	289	—

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Notes to Consolidated Financial Statements

As of and for the Three and Six Months ended June 30, 2014 and 2013

(Dollars in thousands)

1. ORGANIZATION AND BUSINESS

Silvercrest Asset Management Group Inc. ("Silvercrest"), together with its consolidated subsidiaries (collectively the "Company"), was formed as a Delaware corporation on July 11, 2011. Silvercrest was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Silvercrest L.P. and its subsidiaries.

Silvercrest L.P., together with its consolidated subsidiaries (collectively "SLP"), 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".

SLP was formed on December 10, 2008 and commenced operations on January 1, 2009.

On March 11, 2004, SLP 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, SLP acquired 100% of the outstanding shares of The LongChamp Group, Inc. (now SAM Alternative Solutions, Inc.) ("LGI"). Effective March 31, 2005, SLP entered into an Asset Contribution Agreement with and acquired all of the assets, properties, rights and certain liabilities of Heritage Financial Management, LLC ("HFM"). Effective October 3, 2008, SLP 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, SLP acquired certain assets of Milbank Winthrop & Co. ("Milbank"). On April 1, 2012, SLP acquired the LLC interests of MW Commodity Advisors, LLC ("Commodity Advisors"). On March 28, 2013, SLP acquired certain assets of Ten-Sixty Asset Management, LLC ("Ten-Sixty"). See Notes 3, 7 and 8 for additional information related to goodwill and intangible assets arising from these acquisitions.

Reorganization and Initial Public Offering

Pursuant to a reorganization agreement effective on June 26, 2013, Silvercrest became the sole general partner in Silvercrest L.P. and its only material asset is the general partner interest in Silvercrest L.P., represented by 7,524,271 Class A units or approximately 62% of the economic interests of Silvercrest L.P. Effective June 26, 2013, Silvercrest controlled all of the businesses and affairs of Silvercrest L.P. and, through Silvercrest L.P. and its subsidiaries, continues to conduct the business previously conducted by these entities prior to the reorganization.

On July 2, 2013, Silvercrest completed the initial public offering of 4,790,684 of its Class A common shares at $11.00 per share (the "IPO"). Silvercrest's stock began trading on June 27, 2013 on NASDAQ under the symbol "SAMG". The net proceeds from the IPO were $47,920, after payment of underwriting discounts and commissions of $3,324 and offering expenses paid by Silvercrest of $1,454.

On July 12, 2013, Silvercrest sold an additional 718,603 shares of its Class A common stock, at a public offering cost of $11.00 per share, pursuant to the exercise in full of the over-allotment option that the Company granted to the underwriters in connection with its initial public offering. The exercise of the over-allotment option resulted in gross proceeds of $7,905 and net proceeds, after expenses, of $7,379, after payment of underwriting discounts of $498 and offering expenses of $28. Following consummation of this issuance of 718,603 shares of Class A Common Stock, Silvercrest had outstanding 5,509,297 shares of Class A common stock.

The Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2013 and the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2013 are those of SLP, the Company's accounting predecessor.

In connection with the IPO and the reorganization of SLP, Silvercrest and SLP entered into a series of transactions in order to reorganize their capital structures and complete the IPO. The reorganization and IPO transactions included, among others, the following:

Silvercrest GP LLC ("GP LLC") (SLP's general partner prior to the reorganization) distributed all of its interests in SLP to its members on a pro rata basis in accordance with each member's interest in GP LLC;

SLP completed a unit distribution of 19.64 Class B partnership units for each outstanding and vested limited partnership unit prior to the consummation of the IPO which resulted in 10,000,000 outstanding Class B units;
GP LLC transferred its rights as general partner of SLP to Silvercrest, which became the sole general partner of SLP, and GP LLC was dissolved thereafter;
The partnership agreement of SLP was amended, effective as of the consummation of the IPO, to eliminate the call and put rights of SLP and its partners, respectively upon a partner's death, or, if applicable, termination of employment, which required all limited partner's units to be classified as temporary equity in SLP's Consolidated Financial Statements;
For each Class B unit of SLP, Silvercrest issued one share of Class B common stock to the holders of Class B units of SLP, in exchange for its par value which was funded by SLP;
Silvercrest entered into a tax receivable agreement with each limited partner of SLP to return 85% of the tax benefits, estimated to be $15,271 as of June 30, 2014, that it receives as a result of its ability to step up its tax basis in the partnership units of SLP that it acquired from partners of SLP;
A special distribution by SLP of $10,000 was made to its existing partners prior to the consummation of the IPO, of which $7,000 was funded by borrowings under a credit facility with City National Bank; this special distribution, which was paid in July 2013, was treated as an equity transaction;
A special bonus payment by SLP was made to non-principals of $754 which was paid in July 2013, and was recorded as compensation expense during the quarter ended June 30, 2013;
Partner incentive distributions earned for the six months ended June 30, 2013 were treated as equity transactions and were accrued in accrued compensation as of June 30, 2013; and
The purchase of 3,540,684 Class B units from partners of SLP at an offering price of $11.00 per unit, as adjusted for underwriting discounts and commissions of $2,457 and offering expenses of $1,126, resulted in net proceeds of $35,365 to the selling partners. The Class B units acquired by Silvercrest were converted into Class A units of SLP.

Modification of Units of SLP

As part of the reorganization, the limited partner units of SLP were modified.

The Class B units (previously limited partnership units) of SLP, which are held by employee-partners, were modified to eliminate a cash redemption feature. Prior to the reorganization, the terms of the limited partnership units included call and put rights to redeem the units from a holder whose employment by SLP had been terminated. As a result of the redemption feature, SLP was required to account for the limited partnership units held by employee-partners as temporary equity. At the time of the reorganization and as a result of the elimination of the redemption feature, SLP reclassified the redeemable equity of its limited partners to permanent equity. Any deferred equity units that were unvested at the time of the reorganization will continue to be reflected as share-based payment awards and will be expensed as compensation over the remaining vesting period (see Note 16, "Equity-based Compensation").

Tax Receivable Agreement

In connection with the IPO and reorganization of SLP, Silvercrest entered into a tax receivable agreement (the "TRA") with the partners of SLP that will require it to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that it actually realizes (or is deemed to realize in the case of an early termination payment by it, or a change in control) as a result of the increases in tax basis and certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA. This will be Silvercrest's obligation and not the obligation of SLP. Silvercrest expects to benefit from the remaining 15% of cash savings, if any, realized.

The TRA was effective upon the consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless Silvercrest exercises its right to terminate the TRA for an amount based on an agreed upon value of the payments remaining to be made under the agreement. The TRA will automatically terminate with respect to Silvercrest's obligations to a partner if a partner (i) is terminated for cause, (ii) breaches his or her non-solicitation covenants with Silvercrest or any of its subsidiaries or (iii) voluntarily resigns or retires and competes with Silvercrest or any of its subsidiaries in the 12-month period following resignation of employment or retirement, and no further payments will be made to such partner under the TRA.

For purposes of the TRA, cash savings in income tax will be computed by comparing Silvercrest's actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase in its share of the tax basis of the tangible and intangible assets of SLP.

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

- the timing of exchanges of Class B units for shares of Silvercrest's 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 SLP at the time of the exchanges;
- the price of Silvercrest's Class A common stock at the time of exchanges of Class B units—the increase in Silvercrest's share of the basis in the assets of SLP, as well as the increase in any tax deductions, will be related to the price of Silvercrest's 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 principal who holds 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 Silvercrest utilizes the increased amortization and depreciation deductions; and
- the amount and timing of Silvercrest's income—Silvercrest will be required to pay 85% of the tax savings, as and when realized, if any. If Silvercrest does not have taxable income, it generally will not be required to make payments under the TRA for that taxable year because no tax savings will have been actually realized.

In addition, the TRA provides that, upon certain mergers, asset sales, other forms of business combinations or other changes of control, Silvercrest's (or its 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 Silvercrest 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 TRA.

Decisions made by the continuing partners of SLP in the course of running Silvercrest's 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 principal under the TRA. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the TRA 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 a principal to receive payments under the TRA.

Were the Internal Revenue Service to successfully challenge the tax basis increases described above, Silvercrest would not be reimbursed for any payments previously made under the TRA. As a result, in certain circumstances, Silvercrest could make payments under the TRA in excess of its actual cash savings in income tax.

IPO and Use of Proceeds

The net proceeds from the IPO were $47,920. Silvercrest used a portion of the IPO net proceeds to purchase 3,540,684 Class B units of SLP from certain of its partners for $35,365.

The net proceeds from the underwriters' exercise in full of the over-allotment option that the Company granted to the underwriters in connection with its initial public offering were $7,379.

Silvercrest intends to use the remaining proceeds from the IPO and underwriters' over-allotment option for general corporate purposes.

Earnings per share and unit

In connection with the reorganization of SLP and the IPO, SLP completed a unit distribution of 19.64 units for each unit outstanding as of the date of the consummation of the IPO.

Weighted average units outstanding for the three and six months ended June 30, 2013 reflect the effect of the unit distribution as if it had occurred on June 30, 2013.

Diluted weighted average units outstanding for the three and six months ended June 30, 2013 includes 237,089 performance units which are conditionally issuable units that would be issuable if June 30, 2013 was the end of the contingency period. Basic and Diluted Earnings per share for the three and six months ended June 30, 2013 are presented on a historic basis. In our Form 10-Q for the three and six months ended June 30, 2013, we reported earnings per share on a pro forma basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Silvercrest and its wholly-owned subsidiaries, SLP, SAMG LLC, SFS, MCG, Silvercrest Investors LLC and Silvercrest Investors II LLC as of and for the three and six months ended June 30, 2014. The condensed consolidated financial statements for the three and six months ended June 30, 2013 are of the Company's accounting predecessor, SLP, and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated.

The Condensed Consolidated Statement of Financial Condition at December 31, 2013 was derived from the audited consolidated statement of financial condition at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and six-month periods ended June 30, 2014 are not necessarily indicative of the operating results that may be expected for the full fiscal year ending December 31, 2014 or any future period.

The condensed consolidated financial statements of the Company included herein are unaudited and have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the interim results have been made. The Company's condensed consolidated financial statements and the related notes should be read together with the consolidated financial statements and the related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The Company evaluates for consolidation those entities it controls through a majority voting interest or otherwise, including those SLP 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 SLP 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 SLP is the general partner met the definition of a VIE during the three and six months ended June 30, 2014 and 2013, 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.

SLP then considers whether the fund is a voting interest entity (VoIE) in which the unaffiliated limited partners have substantive "kick-out" rights that provide the ability to dissolve (liquidate) the limited partnership or otherwise remove the general partner without cause. SLP 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 are 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 June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013, all of the funds for which SLP was the general partner have substantive "kick-out" rights and therefore neither SLP nor Silvercrest consolidated any of the Silvercrest Funds.

Non-controlling interest

As of June 30, 2014, Silvercrest holds approximately 62% of the economic interests in SLP. Silvercrest is the sole general partner of SLP and, therefore, controls the management of SLP. As a result, Silvercrest consolidates the financial position and the results of operations of SLP and its subsidiaries, and records a non-controlling interest, as a separate component of stockholders' equity on its Condensed Consolidated Statement of Financial Condition for the remaining economic interests in SLP. The non-controlling interest in the income or loss of SLP is included in the Condensed Consolidated Statement of Operations as a reduction or addition to net income derived from SLP.

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 condensed 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 condensed consolidated financial statements and the reported amounts of revenues, expenses and other income reported in the condensed 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, accounting for income taxes, the useful lives of long-lived assets and other matters that affect the condensed 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, whereby the 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 an impairment when the loss in value is deemed other than temporary. The Company's equity method investments approximate their fair value at June 30, 2014 and December 31, 2013. The fair value of the equity method investments is estimated based on the Company's share of the fair value of the 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 three and six months ended June 30, 2014 or 2013.

Receivables and Due from Silvercrest Funds

Receivables consist primarily of amounts for advisory fees due from clients and management fees, and are stated as 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 Condensed Consolidated 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 Condensed 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 generally 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.

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 was effective for the Company as of January 1, 2012. The Company utilized this option when performing its annual impairment assessment in 2013 and concluded that its single reporting unit's fair value was more likely than not greater than its carrying value, including goodwill.

The first step of the two-step process 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, 2014 and December 31, 2013. No goodwill impairment charges were recorded during the three and six months ended June 30, 2014 and 2013.

Identifiable finite-lived intangible assets are amortized over their estimated useful lives ranging from 3 to 20 years. The method of amortization is based on the pattern over which the economic benefits, generally expected undiscounted cash flows, of the intangible asset are consumed. Intangible assets for which no pattern can be reliably determined are amortized using the straight-line method. 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.

Partner Distributions

Partner incentive allocations, which are determined by the general partner, can be formula-based or discretionary. Prior to the reorganization and consummation of the IPO, incentive allocations were considered distributions of net income as stipulated by SLP's Second Amended and Restated Limited Partnership Agreement in effect prior to the reorganization and were recognized in the period in which they were paid. Subsequent to the reorganization and consummation of the IPO, partner incentive allocations are treated as compensation expense and recognized in the period in which they are earned. 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 unit holders based on their pro rata ownership.

Redeemable Partnership Units

Prior to the reorganization, redeemable partnership units in SLP consisted of units issued to our founders and those purchased by certain of our employees. These capital units entitled the holder to a share of the distributions of SLP. Units were subject to certain redemption features. Upon the termination of employment of the terminated employee, as defined, SLP had a right to call the units. In addition, the terminated employee had a right to put the units to SLP upon termination or death, provided the terminated employee had complied with certain restrictions, as described in SLP's Second Amended and Restated Limited Partnership Agreement. In accordance with the provisions of SLP's Second Amended and Restated Limited Partnership Agreement, the put described above expired upon the consummation of the IPO. Subsequent to the completion of the reorganization and IPO, if a principal of SLP is terminated for cause, SLP has 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 SLP 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.

SLP also makes distributions to its partners of various nature including incentive payments, profit distributions and tax distributions.

Class A Common Stock

The Company's Class A stockholders are entitled to one vote for each share held of record on all matters submitted to a vote of the Company's stockholders. Also, Class A stockholders are entitled to receive dividends, when and if declared by the Company's 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 the Company's Class A common stock. Upon the Company's liquidation, dissolution or winding-up, or the sale of all, or substantially all, of the Company's 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 the Company's remaining assets available for distribution to Class A stockholders. Class B units of SLP held by principals will be exchangeable for shares of the Company's Class A common stock, on a one-for-one basis, subject to customary adjustments for share splits, dividends and reclassifications.

Class B Common Stock

Shares of the Company’s Class B common stock are issuable only in connection with the issuance of Class B units of SLP. When a vested or unvested Class B unit is issued by SLP, the Company will issue the holder one share of its Class B common stock in exchange for the payment of its par value. Each share of the Company’s Class B common stock will be redeemed for its par value and cancelled by the Company 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 SLP, the terms of the Silvercrest Asset Management Group Inc. 2012 Equity Incentive Plan (the “2012 Equity Incentive Plan”). The Company’s Class B stockholders will be entitled to one vote for each share held of record on all matters submitted to a vote of the Company’s stockholders. The Company’s Class B stockholders will not participate in any dividends declared by the Company’s board of directors. Upon the Company’s liquidation, dissolution or winding-up, or the sale of all, or substantially all, of its assets, Class B stockholders only will be entitled to receive the par value of the Company’s Class B common stock.

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 at 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 at 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 are 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 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 employees 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 prior to the reorganization related 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 compensation expense in the Condensed Consolidated Statements of Operations.

Leases

The Company expenses the net lease payments associated with operating leases on a straight-line basis over the respective lease 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 and SFS are subject to federal and state corporate income tax, which requires an asset and liability approach to the financial accounting and reporting of income taxes. SLP is not subject to federal and state income taxes, since all income, gains and losses are passed through to its partners. SLP is, however, subject to New York City unincorporated business tax. With respect to the Company's incorporated entities, 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 June 2013, the FASB issued ASU 2013-08, “Financial Services-Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements.” The ASU modifies the guidance in ASC 946 for determining whether an entity is an investment company, as well as the measurement and disclosure requirements for investment companies. The ASU also clarifies the characteristics of an investment company and requires an investment company to measure non-controlling ownership interests in other investment companies at fair value rather than using the equity method of accounting. The ASU does not change the current accounting where a noninvestment company parent retains the specialized accounting applied by an investment company subsidiary in consolidation. The ASU was effective for the Company on January 1, 2014. The adoption of this ASU did not have a material effect on the Company’s results of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.” ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on the consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor determined the effect of the standard on its ongoing financial reporting.

In June 2014, the FASB issued Accounting Standards Update 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("ASU 2014-12").” ASU 2014-12 applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. That is the case when an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target could be achieved and still be eligible to vest in the award if and when the performance target is achieved. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period to be treated as a performance condition. A reporting entity should apply existing guidance ASC 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. This guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The Company is in the process of evaluating the impact of the adoption of this guidance on its Consolidated Financial Statements.

3. ACQUISITIONS

Milbank:

On November 1, 2011, the Company acquired certain assets of Milbank. A fair value adjustment to contingent purchase price consideration of $0 and $148 was recorded during the six months ended June 30, 2014 and the year ended December 31, 2013, respectively. The Company has a liability of $784 and $1,295 related to Milbank included in accounts payable and accrued expenses in the Condensed Consolidated Statement of Financial Condition as of June 30, 2014 and December 31, 2013, respectively, for contingent consideration. During the three months ended June 30, 2014 and 2013, the Company made contingent purchase price payments to Milbank of $511 and $462, respectively.

Commodity Advisors:

On April 1, 2012, SLP acquired Commodity Advisors. Commodity Advisors is the general partner of MW Commodity Strategies, L.P. (the “MW Commodity Fund LLC”), 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 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. Furthermore, SLP is obligated to make quarterly contingent payments if incremental income, as defined in the purchase agreement, exceeds various thresholds. As these contingent payments are tied to the continued employment by SLP of the former member of Commodity Advisors, they will be considered compensation expense in the period in which such contingent payments are earned (See Note 10).

Ten-Sixty:

On March 28, 2013, SLP executed an Asset Purchase Agreement with and closed the related transaction to acquire certain assets of Ten-Sixty. Ten-Sixty is a registered investment adviser that advises on approximately $1.9 billion of assets primarily on behalf of institutional clients. This strategic acquisition enhances the Company’s hedge fund and investment manager due diligence capabilities, risk management analysis and reporting, and enhances its institutional business. Under the terms of the Asset Purchase Agreement, SLP paid cash consideration at closing of $2,500 and issued a promissory note to Ten-Sixty in the principal amount of $1,479 subject to adjustment. The principal amount of the promissory note was paid in two initial installments of $218 each on April 30, 2013 and December 31, 2013 and then quarterly installments from June 30, 2014 through March 31, 2017 of $87 each. The principal amount outstanding under this note bears interest at the rate of five percent per annum. During the year ended December 31, 2013, SLP incurred $51 in costs related to the acquisition of Ten-Sixty, and included these in general and administrative in the Condensed Consolidated Statement of Operations.

Cash paid on date of acquisition	$2,500
Note payable due to Ten-Sixty	1,592
Total purchase consideration	$4,092

The net tangible assets acquired from the Ten-Sixty transaction were determined to have a fair value of $0.

The following table summarizes the allocation of the excess of the purchase price over the fair value of assets acquired and liabilities assumed which was allocated to goodwill and intangible assets.

Goodwill	$2,345
Customer relationships (10 years)	1,650
Non-compete agreements (5 years)	97
Total purchase consideration	$4,092

The Company believes the recorded goodwill is supported by the anticipated revenues and expected synergies of integrating the operations of Ten-Sixty into the Company. Furthermore, there are expected synergies with respect to compensation and benefits and general and administrative costs. All goodwill is expected to be deductible for tax purposes.

The pro forma information below represents consolidated results of operations as if the acquisition of Ten-Sixty occurred on January 1, 2013. The pro forma information has been included for comparative purposes and is not indicative of results of operations of the Company had the acquisitions occurred as of January 1, 2013, nor is it necessarily indicative of future results.

	Pro Forma Six Months Ended June 30, 2013
Total Revenue	$ 28,385
Net Income	$ 10,981

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments include $100 and $103 as of June 30, 2014 and December 31, 2013, 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 exercises 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, 2014 and 2013, the Company determined that 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 range from July 2003 to July 2008.

Fair Value Measurements

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.

- Level I: Quoted prices are available in active markets for identic al 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.

At June 30, 2014 and December 31, 2013, the Company did not have any financial assets or liabilities that are recorded at fair value on a recurring basis.

At June 30, 2014 and December 31, 2013, financial instruments that are not held at fair value are categorized in the table below:

	June 30, 2014		December 31, 2013			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Hierarchy	
Financial Assets:						
Cash	$21,438	$21,438	$27,122	$27,122		
Restricted Certificates of Deposit and Escrow	$1,022	$1,022	$1,021	$1,021	Level 1	(1)
Financial liabilities:						
Notes Payable	$8,164	$8,164	$8,303	$8,303	Level 2	(2)
Borrowings Under Revolving Credit Agreement	$3,000	$3,000	$3,000	$3,000	Level 2	(2)

(1) Restricted certificates of deposit and escrow consists of money market funds that are carried at either cost or amortized cost that approximates fair value due to their short-term maturities. The money market funds are valued through the use of quoted market prices, or $1.00, which is generally the net asset value of the funds.

(2) The carrying value of notes payable and borrowings under the revolving credit agreement approximates fair value, which is determined based on interest rates currently available to the Company for similar debt.

5. RECEIVABLES, NET

The following is a summary of receivables as of June 30, 2014 and December 31, 2013:

	2014	2013
Management and advisory fees receivable	$2,422	$1,973
Unbilled receivables	2,138	3,741
Other receivables	2	30
Receivables	4,562	5,744
Allowance for doubtful receivables	(464)	(339)
Receivables, net	$4,098	$5,405

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6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

The following is a summary of furniture, equipment and leasehold improvements, net as of June 30, 2014 and December 31, 2013:

	2014	2013
Leasehold improvements	$3,690	$3,679
Furniture and equipment	4,173	3,672
Artwork	358	345
Total cost	8,221	7,696
Accumulated depreciation and amortization	(6,046)	(5,783)
Furniture, equipment and leasehold improvements, net	$2,175	$1,913

Depreciation expense for the three months ended June 30, 2014 and 2013 was $142 and $101, respectively. Depreciation expense for the six months ended June 30, 2014 and 2013 was $263 and $199, respectively.

7. GOODWILL

The following is a summary of the changes to the carrying amount of goodwill for the six months ended June 30, 2014 and the year ended December 31, 2013:

	2014	2013
Beginning		
Gross balance	$37,446	$33,306
Accumulated impairment losses	(17,415)	(17,415)
Net balance	20,031	15,891
Purchase price adjustments from earnouts	(23)	1,795
Acquisition of Ten-Sixty	—	2,345
Ending		
Gross balance	37,423	37,446
Accumulated impairment losses	(17,415)	(17,415)
Net balance	$20,008	$20,031

8. INTANGIBLE ASSETS

The following is a summary of intangible assets as of June 30, 2014 and December 31, 2013:

	Customer Relationships	Other Intangible Assets	Total
Cost			
Balance, January 1, 2014	$ 17,560	$ 1,663	$ 19,223
Balance, June 30, 2014	17,560	1,663	19,223
Useful lives	10-20 years	3-5 years	
Accumulated amortization			
Balance, January 1, 2014	(5,410)	(1,224)	(6,634)
Amortization expense	(630)	(89)	(719)
Balance, June 30, 2014	(6,040)	(1,313)	(7,353)
Net book value	$ 11,520	$ 350	$ 11,870
Cost			
Balance, January 1, 2013	$ 15,910	$ 1,566	$ 17,476
Acquisition of certain assets of Ten-Sixty	1,650	97	1,747
Balance, December 31, 2013	17,560	1,663	19,223
Useful lives	10-20 years	3-5 years	
Accumulated amortization			
Balance, January 1, 2013	(4,238)	(875)	(5,113)
Amortization expense	(1,172)	(349)	(1,521)
Balance, December 31, 2013	(5,410)	(1,224)	(6,634)
Net Book Value	$12,150	$439	$12,589

Amortization expense related to the intangible assets was $360 and $402 for the three months ended June 30, 2014 and 2013, respectively. Amortization expense related to the intangible assets was $719 and $754 for the six months ended June 30, 2014 and 2013, respectively.

Amortization related to the Company's finite life intangible assets is scheduled to be expensed over the next five years and thereafter as follows:

2014 (remainder of)	$703
2015	1,291
2016	1,236
2017	1,135
2018	1,001
Thereafter	6,504
Total	$11,870

9. DEBT

Credit Facility

On June 24, 2013, the subsidiaries of SLP entered into a $15,000 credit facility with City National Bank. The subsidiaries of SLP are the borrowers under such facility and SLP guarantees the obligations of its subsidiaries under the credit facility. The credit facility is secured by certain assets of SLP and its subsidiaries. The credit facility consists of a $7,500 delayed draw term loan that matures on June 24, 2020 and a $7,500 revolving credit facility that matures on December 24, 2016. The loan bears interest at either (a) the higher of the prime rate plus a margin of 0.05 percentage points and 2.5% or (b) the LIBOR rate plus 3 percentage points, at the borrowers' option. On June 28, 2013, the borrowers borrowed $7,000 on the revolving credit loan. As of June 30, 2014 and December 31, 2013, no amount has been drawn on the term loan credit facility and the borrowers may draw up to the full amount of the term loan through June 25, 2018. Borrowings under the term loan on or prior to June 24, 2015 will be payable in 20 equal quarterly installments. Borrowings under the term loan after June 24, 2015 will be payable in equal quarterly installments through the maturity date. The credit facility contains restrictions on, among other things, (i) incurrence of additional debt, (ii) creating liens on certain assets, (iii) making certain investments, (iv) consolidating, merging or otherwise disposing of substantially all of our assets, (v) the sale of certain assets, and (vi) entering into transactions with affiliates. In addition, the credit facility contains certain financial covenants including a test on discretionary assets under management, maximum debt to EBITDA and a fixed charge coverage ratio. The credit facility contains customary events of default, including the occurrence of a change in control which includes a person or group of persons acting together acquiring more than 30% of the total voting securities of Silvercrest.

As of June 30, 2014 and December 31, 2013, $3,000 of principal was outstanding under the revolving credit loan.

The interest rate on the revolving credit loan as of June 30, 2014 was 3.75%. Interest expense, which also includes amortization of deferred financing fees, incurred on the revolving credit and term loans for the three months ended June 30, 2014 and 2013 was $37 and $2, respectively. Interest expense, which also includes amortization of deferred financing fees, incurred on the revolving credit and term loans for the six months ended June 30, 2014 and 2013 was $74 and $2, respectively.

Notes Payable

The following is a summary of notes payable:

	June 30, 2014	
	Interest Rate	Amount
Principal on fixed rate notes	5.0 %	$ 2,570
Variable rate notes issued for redemption of partners' interests (see Note 15)	Prime plus 1 %	5,300
Interest payable		294
Total, June 30, 2014		$ 8,164

	December 31, 2013	
	Interest Rate	Amount
Principal on fixed rate notes	5.0 %	$ 2,665
Variable rate notes issued for redemption of partners' interests (see Note 15)	Prime plus 1%	5,486
Interest payable		152
Total, December 31, 2013		$ 8,303

The carrying value of notes payable approximates fair value. The variable rate notes are based on a multiple of the U.S. Prime Rate.

As of June 30, 2014, future principal amounts payable under the fixed and variable rate notes are as follows:

2014 (remainder of)	$2,338
2015	2,314
2016	1,751
2017	1,467
Total	$7,870

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 three months ended June 30, 2014 and 2013 amounted to $897 and $859, respectively. The Company received sub-lease income from subtenants during the three months ended June 30, 2014 and 2013 of $95 and $188, respectively. Therefore, for the three months ended June 30, 2014 and 2013, net rent expense amounted to $802 and $671, respectively, and is included in general and administrative expenses in the Condensed Consolidated Statement of Operations.

Rent expense charged to operations for the six months ended June 30, 2014 and 2013 amounted to $1,798 and $1,761, respectively. The Company received sub-lease income from subtenants during the six months ended June 30, 2014 and 2013 of $196 and $473, respectively. Therefore, for the six months ended June 30, 2014 and 2013, net rent expense amounted to $1,602 and $1,288, respectively, and is included in general and administrative expenses in the Condensed Consolidated Statement of Operations.

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.

In March 2014, the Company entered into a lease agreement for additional office space. The lease commenced on May 1, 2014 and expires July 31, 2019. The lease is subject to escalation clauses and provides for a rent-free period of three months. Monthly rent expense is $5. The Company paid a refundable security deposit of $3.

Future minimum lease payments and rentals under lease agreements which expire through 2019 are as follows:

	Minimum Lease Commitments	Non-cancellable Subleases	Minimum Net Rentals
Remainder of 2014	$ 1,866	$ (213)	$ 1,653
2015	3,693	(426)	3,267
2016	3,646	(426)	3,220
2017	2,838	(328)	2,510
2018	60	—	60
Thereafter	36	—	36
Total	$ 12,139	$ (1,393)	$ 10,746

The Company has capital leases for certain office equipment. The Company entered into a new capital lease agreement for a telephone system during the six months ended June 30, 2014. The amount financed was $289 and the lease has a term of five years, which began on March 1, 2014. Monthly minimum lease payments are $5, and continue through November 30, 2018. The aggregate principal balance of capital leases was $239 and $19 as of June 30, 2014 and December 31, 2013, respectively and is included in other liabilities in the Condensed Consolidated Statements of Financial Condition.

Contingent Consideration

In connection with its acquisition of MCG in October 2008, SLP entered into a contingent consideration agreement whereby the former members of MCG were entitled to contingent consideration equal to 22% of adjusted annual EBITDA in addition to any performance fee payments 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 of $1,679 (which was accrued as of December 31, 2013) and $703 were made during the six months ended June 30, 2014 and 2013, respectively, related to MCG and are reflected in investing activities in the Condensed Consolidated Statements of Cash Flows.

Quarterly contingent payments related to the Commodity Advisors acquisition were accrued when the contingency was resolved. The total accrual for these payments for the six months ended June 30, 2014 and 2013 was $0 and $99, respectively, which was recorded as compensation expense in the Condensed Consolidated Statements of Operations.

11. STOCKHOLDERS’ EQUITY

Prior to the reorganization described in Note 1, Silvercrest was a private company. SLP historically made, and will continue to make, distributions of its net income to the holders of its partnership units for income tax purposes as required under the terms of its Second Amended and Restated Limited Partnership Agreement and also made, and will continue to make, additional distributions of net income under the terms of its Second Amended and Restated Limited Partnership Agreement. Prior to the reorganization, all distributions were treated as equity transactions and recorded in the financial statements on the payment date. Partnership distributions totaled $2,646 and $3,995, for the three and six months ended June 30, 2014, respectively. Partnership distributions totaled $4,231 and $17,900 for the three and six months ended June 30, 2013, respectively. Distributions paid or accrued prior to June 30, 2013 are included in partners' capital and excess of liabilities, redeemable partners' capital and partners' capital over assets, respectively, in the Condensed Consolidated Statements of Changes in Stockholders' Equity/Partners' Deficit. Distributions accrued and paid subsequent to June 30, 2013 are included in non-controlling interests in the Condensed Consolidated Statements of Financial Condition.

SLP distributed $10,000 to its existing partners prior to the consummation of the IPO.

Prior to the reorganization and pursuant to SLP's Second Amended and Restated Limited Partnership Agreement, as amended and restated, partner incentive allocations were treated as distributions of net income. The remaining net income or loss after partner incentive allocations was 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, 2014 and 2013 amounted to $14,206 and $12,104, respectively. The 2013 distributions are included in excess of liabilities, redeemable partners' capital and partners' capital over assets in the Condensed Consolidated Statements of Financial Condition and Condensed Consolidated Statement of Changes in Stockholders' Equity/Partners' Deficit for the six months ended June 30, 2014 and June 30, 2013, respectively. As part of the reorganization, partner incentive distributions for the six months ended June 30, 2013 were treated as an equity transaction and accrued and recorded in accrued compensation in the Condensed Consolidated Statements of Financial Condition. Subsequent to the consummation of the IPO, Silvercrest treats SLP's partner incentive allocations as compensation expense and accrues such amounts when earned. During the six months ended June 30, 2014, SLP accrued partner incentive allocations of $8,440, which is included in accrued compensation in the Condensed Consolidated Statements of Financial Condition.

The pre-IPO partners of SLP received Silvercrest shares in connection with the reorganization and IPO, as described below.

Silvercrest—Stockholders' Equity

As described in Note 1, Silvercrest's equity structure was modified in connection with the IPO-related reorganization.

Silvercrest has the following authorized and outstanding equity:

	Shares at June 30, 2014			
	Authorized	Outstanding	Voting Rights	Economic Rights
Common shares				
Class A, par value $0.01 per share	50,000,000	7,524,271	1 vote per share (1)	All (1)
Class B, par value $0.01 per share	25,000,000	4,704,152	1 vote per share (2),(3)	None (2), (3)
Preferred shares				
Preferred stock, par value $0.01 per share	10,000,000	—	See footnote (4) below	See footnote (4) below

(1) Each share of Class A common stock is entitled to one vote per share. Class A common stockholders have 100% of the rights of all classes of Silvercrest's capital stock to receive dividends.

(2) Each share of Class B common stock is entitled to one vote per share.

(3) Each Class B unit of SLP held by a principal is exchangeable for one share of the Company's Class A common stock. The principals collectively hold 4,704,152 Class B units, which represents the right to receive their proportionate share of the distributions made by SLP, and 52,188 deferred equity units exercisable for Class B units of SLP, which represents the right to receive additional proportions of the distributions made by SLP. The 52,188 deferred equity units which have been issued to our principals entitle the holders thereof to participate in distributions from SLP as if the underlying Class B units are outstanding and thus are taken into account to determine the economic interest of each holder of units in SLP. However, because the Class B units underlying the deferred equity units have not been issued and are not deemed outstanding, the holders of deferred equity units have no voting rights with respect to those Class B units. Silvercrest will not issue shares of Class B common stock in respect of deferred equity units of SLP until such time that the underlying Class B units are issued.

(4) Silvercrest's 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 its stockholders.

Silvercrest is dependent on cash generated by SLP to fund any dividends. Generally, SLP will distribute its profits to all of its partners, including Silvercrest, based on the proportionate ownership each holds in SLP. Silvercrest will fund dividends to its stockholders from its proportionate share of those distributions after provision for its income taxes and other obligations.

In connection with the reorganization and IPO described in Note 1, "Reorganization and Initial Public Offering", Silvercrest issued the following shares on the date of the reorganization:

Class A Common Stock

Silvercrest issued 4,790,684 shares of Class A common stock in the IPO. Each Class B unit of SLP acquired by the Company with proceeds from the IPO immediately converted to a Class A unit. Class A units have the same rights as Class B units. During July 2013, the Company issued 718,603 shares of Class A common stock pursuant to the underwriters' exercise in full of the over-allotment option that the Company granted to the underwriters in connection with its IPO. During November 2013, 2,013,677 Class B units automatically converted to Class A common stock upon the death of the Company's former Chief Executive Officer and as per the terms of an exchange agreement entered into with our principal, a corresponding amount of Class B common stock was redeemed by the Company. During May 2014, 1,297 Class B units converted to Class A common stock upon the resignation of a partner.

Class B Common Stock

	Transaction Date	# of Shares
Class B common stock outstanding - January 1, 2014		4,464,617
Class B common stock repurchased and cancelled	February 2014	(16,530)
Class B common stock issued upon vesting of deferred equity units	February 2014	261,958
Class B common stock surrendered and cancelled	May 2014	(5,893)
Class B common shares outstanding - June 30, 2014		4,704,152

In February 2014, the Company purchased from a former partner 16,530 shares of Class B common stock at a price equal to the par value thereof in connection with the repurchase of a like number of Class B Units from such former partner at a price of $14.50 per share.

In February 2014, the Company issued 261,958 shares of Class B common stock upon the vesting of deferred equity units which resulted in the issuance of a like number of Class B units of Silvercrest LP. The shares of Class B common stock were issued pursuant to the terms of the Certificate of Incorporation of the Company which requires the Company to issue at the par value per share of Class B common stock, one share of Class B common stock for each Class B Unit of Silvercrest LP issued.

In May 2014, a former partner surrendered 5,893 shares of Class B common stock at a price equal to the par value thereof in connection with the surrender of a like number of Class B Units from such former partner at a price of $17.73 per share. 4,596 shares of the Class B common stocks were surrendered in settlement of an outstanding note receivable in the amount of $81 from the former partner.

The total amount of shares of Class B common stock outstanding and held by employee-principals equals the number of Class B units those individuals hold in SLP. Shares of Silvercrest's Class B common stock are issuable only in connection with the issuance of Class B units of SLP. When a vested or unvested Class B unit is issued by SLP, Silvercrest will issue to the holder one share of its 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 a stockholders' agreement amongst the Class B stockholders of the Company. Each share of Silvercrest's Class B common stock will be redeemed for its par value and cancelled by Silvercrest 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 SLP, the terms of the 2012 Equity Incentive Plan of Silvercrest, or otherwise.

12. NOTES RECEIVABLE FROM PARTNERS

Partner contributions to SLP 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 and August 2009 with interest rates of 3.53% and 2.77%, 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 SLP's units that are purchased with the note. Notes receivable from partners are reflected as a reduction of non-controlling interests in the Condensed Consolidated Statements of Financial Condition subsequent to the reorganization and IPO.

Notes receivable from partners are as follows for the six months ended June 30, 214 and the year ended December 31, 2013:

	June 30, 2014	December 31, 2013
Beginning balance	$3,052	$ 3,410
Repayment of notes	(833)	(887)
Interest accrued and capitalized on notes receivable	33	74
New notes receivable issued to partners	—	455
Ending balance	$2,252	$ 3,052

Full recourse notes receivable from partners as of June 30, 2014 and December 31, 2013 are $963 and $1,671, respectively. Limited recourse notes receivable from partners as of June 30, 2014 and December 31, 2013 are $1,289 and $1,381, respectively. There is no allowance for credit losses on notes receivable from partners as of June 30, 2014 and December 31, 2013.

13. RELATED PARTY TRANSACTIONS

During 2014 and 2013, 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, Silvercrest Strategic Opportunities Fund LP, the Jefferson Global Growth Fund, L.P., and Jefferson Global Growth Fund, Ltd. which operate and invest as stand-alone funds.

The Company also provides services to 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. (merged into Silvercrest International Fund, L.P. in October 2013), Silvercrest Municipal Special Situations Fund LLC, Silvercrest Municipal Special Situations Fund II LLC, Silvercrest Select Growth Equity Fund, L.P., Silvercrest International Fund, L.P. (previously known as Silvercrest Global Partners, L.P.), Silvercrest Small Cap, L.P. Silvercrest Special Situations, L.P., and Silvercrest Commodity Strategies Fund, LP 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 three months ended June 30, 2014 and 2013 the Company earned from the above activities management fee income, which is included in “Management and advisory fees” in the Condensed Consolidated Statements of Operations, of $2,241 and $2,299, respectively, and performance fees and allocations of $0 and $0, respectively, which is included in performance fees in the Condensed Consolidated Statements of Operations. For the six months ended June 30, 2014 and 2013 the Company earned from the above activities management fee income, which is included in “Management and advisory fees” in the Condensed Consolidated Statements of Operations, of $4,436 and $4,479, respectively, and performance fees and allocations of $0 and $3, respectively, which is included in performance fees in the Condensed Consolidated Statements of Operations. As of June 30, 2014 and December 31, 2013, the Company was owed $3,599 and $2,653, respectively, from its various funds, which is included in the Due from Silvercrest Funds on the Condensed Consolidated Statements of Financial Condition.

For the three months ended June 30, 2014 and 2013, the Company earned advisory fees of $155 and $102, respectively, from assets managed on behalf of certain of its partners. For the six months ended June 30, 2014 and 2013, the Company earned advisory fees of $281 and $205, respectively, from assets managed on behalf of certain of its partners. As of June 30, 2014 and December 31, 2013, the Company is owed approximately $70 and $78, respectively, from certain of its partners, which is included in receivables, net on the Condensed Consolidated Statements of Financial Condition.

14. INCOME TAXES

As of June 30, 2014, the Company had net deferred tax assets of $23,680, which is recorded as a non-current deferred tax asset of $23,841 specific to Silvercrest which consists primarily of assets related to temporary differences between the financial statement and tax bases of intangible assets related to its acquisition of partnership units of SLP, a non-current deferred tax liability of $54 specific to SLP which consists primarily of liabilities related to differences between the financial statement and tax bases of intangible assets offset in part by amounts for deferred rent expense and a non-current deferred tax liability of $107 related to the corporate activity of SFS which is primarily related to temporary differences between the financial statement and tax bases of intangible assets. Of the total net deferred taxes at June 30, 2014, $63 of the net deferred tax liabilities relate to non-controlling interests. These amounts are included in the prepaid expenses and other assets and deferred tax and other liabilities on the Condensed Consolidated Statements of Financial Position, respectively.

As of December 31, 2013, the Company had net deferred tax assets of $25,683, which is recorded as a non-current deferred tax asset of $25,831 specific to Silvercrest which consists primarily of assets related to temporary differences between the financial statement and tax bases of intangible assets related to its acquisition of partnership units of SLP, a non-current deferred tax liability of $34 specific to SLP which consists primarily of liabilities related to differences between the financial statement and tax bases of intangible assets offset in part by amounts for deferred rent expense, and a non-current deferred tax liability of $114 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 in the Consolidated Statement of Financial Condition, respectively.

The current tax expense was $342 and $309 for the three months ended June 30, 2014 and 2013, respectively. Of the amount for the three months ended June 30, 2014, ($26) relates to Silvercrest's corporate tax expense, $367 relates to SLP's UBT liability and $1 relates to SFS's corporate tax expense. The deferred tax expense for the three months ended June 30, 2014 and 2013 was $991 and $29, respectively. When combined with current tax expense, the total income tax provision for the six months ended June 30, 2014 and 2013 is $1,333 and $338, respectively.

The current tax expense was $784 and $591 for the six months ended June 30, 2014 and 2013, respectively. Of the amount for the six months ended June 30, 2014, $86 relates to Silvercrest's corporate tax expense, $695 relates to SLP's UBT liability and $3 relates to SFS's corporate tax expense. The deferred tax expense for the six months ended June 30, 2014 and 2013 was $2,004 and $73, respectively. When combined with current tax expense, the total income tax provision for the six months ended June 30, 2014 and 2013 is $2,788 and $667, respectively.

The current expense increased from the comparable period for 2013 mainly due to corporate taxes at Silvercrest, which did not previously exist and increased profitability during 2014. The deferred expense difference is attributable primarily to the movement in deferred tax accounts with respect to various intangible assets between 2013 and 2014. The deferred tax expense for the three months ended June 30, 2014 also includes additional deferred tax expense of ($29) for discrete items. The deferred tax expense for the six months ended June 30, 2014 also includes additional deferred tax expense of $215 for discrete items. The discrete items are primarily attributable to the decrease of deferred tax assets at Silvercrest due to a reductions in the future statutory corporate tax rates in New York State.

Of the total current tax expense for the three months ended June 30, 2014, $156 relates to non-controlling interests. Of the deferred tax expense for the three months ended June 30, 2014, $3 relates to non-controlling interests. When combined with current tax expense, the total income tax provision for the three months ended June, 2014 related to non-controlling interests is $159.

In the normal course of business, the Company is subject to examination by federal, state, and local tax regulators. Of the total current tax expense for the six months ended June 30, 2014, $270 relates to non-controlling interests. Of the deferred tax expense for the six months ended June 30, 2014, $5 relates to non-controlling interests. When combined with current tax expense, the total income tax provision for the six months ended June, 2014 related to non-controlling interests is $275.

As of June 30, 2014, the Company’s U.S. federal income tax returns for the years 2010 through 2013 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

Before the reorganization and consummation of our IPO, upon the termination of employment, SLP had a right to call the terminated employee's partnership units. In addition, the terminated employee also had a right to put the partnership units back to SLP upon termination or death, provided the terminated employee had complied with certain restrictions as described in SLP's partnership agreement. With respect to the two founders of SLP, their estate, heirs or other permitted related parties could not require SLP to redeem their units prior to April 1, 2013. In accordance with the provisions of SLP's Second Amended and Restated Limited Partnership Agreement, the put described above expired upon the consummation of the Company's reorganization.

Subsequent to the completion of the Company's initial public offering, if a principal of SLP is terminated for cause, SLP 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 SLP 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.

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.

SLP has granted equity-based compensation awards to certain partners under SLP's 2010, 2011 and 2012 Deferred Equity programs (the "Equity Programs"). The Equity Programs allow for the granting of deferred equity units based on the fair value of the Company's units. These deferred equity units con