Silvercrest Asset Management Group Inc.
Form 10-Q
November 01, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED September 30, 2017

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 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 No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act

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

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 October 30, 2017 was 8,131,220 and 5,070,219, 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 subsidiary, Silvercrest L.P., the managing member of our operating subsidiary (“Silvercrest L.P.” or “SLP”). SLP is a limited partnership whose existing limited partners are referred to in this report as “principals”.

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. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those indicated by such forward-looking statements include but are not limited to: incurrence of net losses, fluctuations in quarterly and annual results, adverse economic or market conditions, our expectations with respect to future levels of assets under management, inflows and outflows, 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 hire and retain qualified investment professionals, the cost of complying with current and future regulation, coupled with the cost of defending ourselves from related investigations or litigation, failure of our operational safeguards against breaches in data security, privacy, conflicts of interest or employee misconduct, our expected tax rate, and our expectations with respect to deferred tax assets, 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, 2016 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.

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)

	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$39,558	$ 37,517
Investments	13	335
Receivables, net	6,458	6,270
Due from Silvercrest Funds	2,656	2,876
Furniture, equipment and leasehold improvements, net	2,505	2,411
Goodwill	25,168	25,168
Intangible assets, net	12,035	13,404
Deferred tax asset—tax receivable agreement	19,204	20,221
Prepaid expenses and other assets	1,953	4,079
Total assets	$109,550	$ 112,281
Liabilities and Equity		
Accounts payable and accrued expenses	$2,649	$ 4,485
Accrued compensation	20,134	23,797
Notes payable	731	2,486
Deferred rent	138	436
Deferred tax and other liabilities	15,297	14,993
Total liabilities	38,949	46,197
Commitments and Contingencies (Note 10)		
Equity		
Preferred Stock, par value $0.01, 10,000,000 shares authorized; none issued and outstanding, as of September 30, 2017 and December 31, 2016	—	—
Class A common stock, par value $0.01, 50,000,000 shares authorized; 8,131,220 and 8,074,197 issued and outstanding, as of September 30, 2017 and December 31, 2016, respectively	81	81
Class B common stock, par value $0.01, 25,000,000 shares authorized; 5,070,219 and 4,866,303 issued and outstanding, as of September 30, 2017 and December 31, 2016, respectively	50	48
Additional Paid-In Capital	41,555	41,260
Retained earnings	8,416	5,916

Total Silvercrest Asset Management Group Inc.'s equity	50,102	47,305
Non-controlling interests	20,499	18,779
Total equity	70,601	66,084
Total liabilities and equity	$109,550	$ 112,281

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue				
Management and advisory fees	$ 21,774	$ 19,457	$ 63,900	$ 56,194
Performance fees and allocations	—	—	10	—
Family office services	1,071	1,013	2,977	2,876
Total revenue	22,845	20,470	66,887	59,070
Expenses				
Compensation and benefits	13,508	12,166	39,618	35,390
General and administrative	4,021	4,123	12,052	12,370
Total expenses	17,529	16,289	51,670	47,760
Income before other (expense) income, net	5,316	4,181	15,217	11,310
Other (expense) income, net				
Other (expense) income, net	8	(215)	24	(99)
Interest income	11	15	33	47
Interest expense	(17)	(47)	(85)	(174)
Total other (expense) income, net	2	(247)	(28)	(226)
Income before provision for income taxes	5,318	3,934	15,189	11,084
Provision for income taxes	1,604	1,041	4,575	3,589
Net income	3,714	2,893	10,614	7,495
Less: net income attributable to non-controlling interests	(1,842)	(1,397)	(5,197)	(3,766)
Net income attributable to Silvercrest	$ 1,872	$ 1,496	$ 5,417	$ 3,729
Net income per share:				
Basic	$ 0.23	$ 0.19	$ 0.67	$ 0.47
Diluted	$ 0.23	$ 0.19	$ 0.67	$ 0.47
Weighted average shares outstanding:				
Basic	8,119,444	8,038,638	8,101,077	8,020,793
Diluted	8,125,131	8,049,220	8,108,893	8,026,625

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Changes in Equity

(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 Silvercrest Asset Management Group Inc.'s Equity	Non-controlling Interest	Total Equity
January 1, 2016	7,990	$ 80	4,695	$ 46	$ 40,951	$ 4,758	$ 45,835	$ 15,802	$ 61,637
Distributions to partners	—	—	—	—	—	—	—	(5,760)	(5,760)
Repayment of notes receivable from partners	—	—	—	—	—	—	—	533	533
Contributions from partners	—	—	9	1	26	—	27	—	27
Equity-based compensation	—	—	246	2	—	—	2	2,412	2,414
Net Income	—	—	—	—	—	3,729	3,729	3,766	7,495
Accrued interest on notes receivable from partners	—	—	—	—	—	—	—	(43)	(43)
Share conversion	59	—	(59)	(1)	237	—	236	(237)	(1)
Deferred tax, net of amounts payable under tax receivable agreement	—	—	—	—	21	—	21	—	21
Dividends paid on Class A common stock - $0.36 per share	—	—	—	—	—	(2,887)	(2,887)	—	(2,887)
September 30, 2016	8,049	$ 80	4,891	$ 48	$ 41,235	$ 5,600	$ 46,963	$ 16,473	$ 63,436
January 1, 2017	8,074	$ 81	4,866	$ 48	$ 41,260	$ 5,916	$ 47,305	$ 18,779	$ 66,084
Distributions to partners	—	—	—	—	—	—	—	(6,001)	(6,001)
Repayment of notes receivable from partners	—	—	—	—	—	—	—	371	371
Equity-based compensation	5	—	243	2	32	—	34	2,413	2,447
Issuance of notes receivable	—	—	—	—	—	—	—	(165)	(165)
Issuance of Class B shares	—	—	13	—	—	—	—	165	165

Net Income	—	—	—	—	—	5,417	5,417	5,197	10,614
Deferred tax, net of amounts payable under tax receivable agreement	—	—	—	—	30	—	30	—	30
Accrued interest on notes receivable from partners	—	—	—	—	—	—	—	(27)	(27)
Share conversion	52	—	(52)	—	233	—	233	(233)	—
Dividends paid on Class A common stock - $0.36 per share	—	—	—	—	—	(2,917)	(2,917)	—	(2,917)
September 30, 2017	8,131	$ 81	5,070	$ 50	$ 41,555	$ 8,416	$ 50,102	$ 20,499	$ 70,601

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Nine months ended September 30,	
	2017	2016
Cash Flows From Operating Activities		
Net income	$ 10,614	$ 7,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	2,447	2,417
Depreciation and amortization	2,051	2,012
Deferred rent	(298)	(324)
Deferred income taxes	1,273	1,227
Tax receivable agreement adjustment	217	123
Non-cash interest on notes receivable from partners	(27)	(43)
Distributions received from investment funds	322	2
Cash flows due to changes in operating assets and liabilities:		
Receivables and due from Silvercrest Funds	32	1,796
Prepaid expenses and other assets	1,756	(451)
Accounts payable and accrued expenses	(921)	224
Accrued compensation	(3,663)	(5,305)
Interest payable on notes payable	71	140
Net cash provided by operating activities	13,874	9,313
Cash Flows From Investing Activities		
Restricted certificates of deposit and escrow	$ —	$ 507
Acquisition of furniture, equipment and leasehold improvements	(583)	(290)
Acquisition of Cappiccille & Company, LLC	—	(148)
Net cash (used in) provided by investing activities	(583)	69
Cash Flows From Financing Activities		
Earn-outs paid related to acquisitions completed on or after January 1, 2009	$ (756)	$ (630)
Repayments of notes payable	(1,826)	(2,102)
Payments on capital leases	(121)	(131)
Distributions to partners	(6,001)	(5,760)
Dividends paid on Class A common stock	(2,917)	(2,887)
Payments from partners on notes receivable	371	533
Net cash used in financing activities	(11,250)	(10,977)
Net increase (decrease) in cash and cash equivalents	2,041	(1,595)
Cash and cash equivalents, beginning of period	37,517	31,562
Cash and cash equivalents, end of period	$ 39,558	$ 29,967

	Nine months ended September 30,	
	2017	2016
Supplemental Disclosures of Cash Flow Information		
Net cash paid during the period for:		
Income taxes	$ 1,179	$ 3,505
Interest	115	202
Supplemental Disclosures of Non-cash Financing and Investing Activities		
Recognition of deferred tax assets as a result of share conversions	$ 247	$ 234
Asset acquired under capital lease	241	—
Earnout accrual for acquisition of certain assets of Cappiccille & Company LLC	—	354
Note receivable from new partners issued for capital contribution to Silvercrest L.P.	165	120

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Notes to Condensed Consolidated Financial Statements

As of September 30, 2017 and December 31, 2016 and for the Three and Nine Months ended September 30, 2017 and 2016

(Unaudited)

(Dollars in thousands, except per share and par value data)

1. ORGANIZATION AND BUSINESS

Silvercrest Asset Management Group Inc. (“Silvercrest”), together with its consolidated subsidiary, Silvercrest L.P., a limited partnership, (collectively the “Company”), was formed as a Delaware corporation on July 11, 2011. Silvercrest is a holding company that was formed in order to carry on the business of Silvercrest L.P., the managing member of our operating subsidiary, and its subsidiaries. Effective on June 26, 2013, Silvercrest became the sole general partner of Silvercrest L.P. and its only material asset is the general partner interest in Silvercrest L.P., represented by 8,131,220 Class A units or approximately 62% of the outstanding interests of Silvercrest L.P. Silvercrest controls 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.

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”.

Silvercrest L.P. was formed on December 10, 2008 and commenced operations on January 1, 2009.

On March 11, 2004, Silvercrest Asset Management Group LLC (“SAMG LLC”) 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 100% of the outstanding limited liability company interests of MW Commodity Advisors, LLC (“Commodity Advisors”). On March 28, 2013, SLP acquired certain assets of Ten-Sixty Asset Management, LLC (“Ten-Sixty”). On June 30, 2015, SLP acquired certain assets of Jamison, Eaton & Wood, Inc. (“Jamison”). On January 11, 2016, SLP acquired certain assets of Cappiccille & Company, LLC (“Cappiccille”). See Notes 3, 7 and 8 for additional information related to the acquisition, goodwill and intangible assets arising from these acquisitions.

Tax Receivable Agreement

In connection with the Company's initial public offering (the "IPO") and reorganization of SLP that were completed on June 26, 2013, Silvercrest entered into a tax receivable agreement (the "TRA") with the partners of SLP that requires 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 are 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. The payments to be made pursuant to the tax receivable agreement are a liability of Silvercrest and not Silvercrest L.P. As of September 30, 2017, this liability is estimated to be $14,641 and is included in deferred tax and other liabilities in the Condensed Consolidated Statements of Financial Condition. Silvercrest expects to benefit from the remaining 15% of cash savings realized, if any.

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 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 Silvercrest's 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 Silvercrest's 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 Silvercrest's 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 Silvercrest 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 IRS 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.

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 SLP, including its wholly owned subsidiaries, Silvercrest Asset Management Group LLC ("SAMG"), SFS, MCG, Silvercrest Investors LLC, Silvercrest Investors II LLC and Silvercrest Investors III LLC as of September 30, 2017 and December 31, 2016 and for the three and nine months ended September 30, 2017 and 2016. All intercompany transactions and balances have been eliminated.

The Condensed Consolidated Statement of Financial Condition at December 31, 2016 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 nine months ended September 30, 2017 and 2016 are not necessarily indicative of the operating results that may be expected for the full fiscal year ending December 31, 2017 and 2016 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 financial position and 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, 2016.

The Company evaluates for consolidation those entities it controls through a majority voting interest or otherwise, including those Silvercrest Funds over which the general partner or equivalent is presumed to have control, e.g. by virtue of the limited partners not being able to remove the general partner. The initial step in the Company's determination of whether a fund for which SLP is the general partner is required to be consolidated is assessing whether the fund is a variable interest entity or a voting interest entity.

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.

If the fund is a variable interest entity, SLP then determines whether it has a variable interest in the fund, and if so, whether SLP is the primary beneficiary.

During the three and nine months ended September 30, 2017 and 2016, each fund is deemed to be a VoIE and neither SLP nor Silvercrest consolidated any of the Silvercrest Funds.

Non-controlling Interest

As of September 30, 2017, 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 equity on its Condensed Consolidated Statements 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 Statements 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 has similar economic characteristics and has been or is in the process of being fully integrated. Furthermore, our chief operating decision maker, who 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, determination of equity-based compensation, accounting for income taxes, determination of 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.

Equity Method Investments

Entities and investments, the activities over which the Company exercises significant influence, 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 September 30, 2017 and December 31, 2016. 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. No impairment charges related to equity method investments were recorded during the three and nine months ended September 30, 2017 or 2016.

Receivables and Due from Silvercrest Funds

Receivables consist primarily of amounts for advisory fees due from clients, management fees and family office services 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 and amortization are 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 the 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.

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.

The excess of the purchase price over the fair value of the identifiable assets acquired, including intangibles, and liabilities assumed is recorded as goodwill. The Company generally uses valuation specialists to perform appraisals and assist in the determination of the fair values of the assets acquired and liabilities assumed. These valuations require management to make estimates and assumptions that are critical in determining the fair values of the assets and liabilities. During the measurement period, the Company may record adjustments to the assets acquired and liabilities assumed. Any adjustments to provisional amounts that are identified during the measurement period are recorded in the reporting period in which the adjustment amounts are determined. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

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.

The Company accounts for Goodwill under Accounting Standard Codification (“ASC”) No. 350, “Intangibles - Goodwill and Other,” which 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 Company utilized this option when performing its annual impairment assessment in 2016 and 2015, and concluded that its single reporting unit’s fair value was more likely than not greater than its carrying value, including goodwill.

The Company has one reporting unit at September 30, 2017 and December 31, 2016. No goodwill impairment charges were recorded during the three and nine months ended September 30, 2017 and 2016.

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 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 reevaluates 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. 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

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 or (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. The profit distributions and tax distributions are accounted for as equity transactions.

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 and 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, which are earned pursuant to the terms of the underlying advisory contract, 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 No. 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.

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.

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

Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 No. 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP. Originally, ASU No. 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20, was to become effective on January 1, 2017, but the effective date has been deferred for one year. Early adoption is permitted as of the original effective date. The new standard permits the use of either the retrospective or cumulative effect transition method. The new standard will require additional disclosures to provide better clarity about the nature, timing and potential uncertainties of the revenue that is recognized. The Company is evaluating the effect that ASU No. 2014-09 will have on the Condensed Consolidated Financial Statements and related disclosures. The Company has not yet selected a transition method nor determined the impact of adoption of this standard on its Condensed Consolidated Financial Statements. The Company plans on using the cumulative effect method upon adoption of this guidance, which is expected to result in an increase in the revenue disclosures in the Condensed Consolidated Financial Statements, but not expected to have a material impact to the revenue amounts recognized on the condensed consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Topic 825-10): "Recognition and Measurement of Financial Assets and Financial Liabilities." Although the ASU retains many current requirements, it significantly revises an entity’s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. Some of the amendments in ASU 2016-01 include the following: (1) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (3) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; and (4) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value, among others. ASU 2016-01 will be effective on January 1, 2018. The Company is in the process of evaluating the impact of adoption of this guidance on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This amendment introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in ASC 606, the FASB’s new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, the ASU addresses other concerns related to the current lease accounting model. This amendment is effective for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of this guidance on its Condensed Consolidated Financial Statements. However, the Company expects the adoption of this guidance will result in an increase to its assets and liabilities as a result of substantially all operating leases existing as of the adoption date being capitalized along with the associated obligations.

In March 2016, the FASB issued ASU 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The ASU was effective for the Company on January 1, 2017. The adoption of this ASU did not have a material effect on the Company’s Condensed Consolidated

Financial Statements.

In June 2016, the FASB issued ASU 2016-13, “Accounting for Credit Losses” which amends the Board’s guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. This amendment is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of this guidance on its Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, “Cash Flow Classification” which amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. This amendment is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of this guidance on its Condensed Consolidated Financial Statements.

In October 2016, the FASB issued ASU 2016-17, "Interests Held Through Related Parties That Are Under Common Control" which alters how a decision maker needs to consider indirect interests in a variable interest entity (VIE) held through an entity under common control. The new guidance amends ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis", issued in February 2015. The ASU was effective for the Company on January 1, 2017. The adoption of this ASU did not have a material effect on the Company's Condensed Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash" which requires that a statement of cash flows explain the change during a reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This amendment is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of this guidance on its Condensed Consolidated Financial Statements.

In December 2016, the FASB issued ASU 2016-19, "Technical Corrections and Improvements" which amends a number of Topics in the FASB Accounting Standards Codification. The ASU was effective for the Company on January 1, 2017. The adoption of this ASU did not have a material effect on the Company's Condensed Consolidated Financial Statements.

In January 2017, The FASB issued ASU 2017-01, "Business Combinations (Topic 85): Clarifying the Definition of a Business". The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. ASU 2017-01 will be effective for the Company in fiscal year 2019 and interim reporting periods within that year. Early adoption is permitted for transactions that have not been reported in financial statements that have been issued or made available for issuance. The Company expects the adoption of this guidance will not have a material effect on its Condensed Consolidated Financial Statements.

In January 2017, The FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment testing. An entity will no longer determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 will be effective for the Company in fiscal year 2021 and interim reporting periods within that year. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January, 1, 2017. The Company expects the adoption of this guidance will not have a material effect on the Company's Condensed Consolidated Financial Statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets". The ASU conforms the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard (ASC 606, as amended). Subtopic 610-20 was issued as part of the new revenue standard. It provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The new guidance defines "in substance nonfinancial assets," unifies guidance related to partial sales of nonfinancial assets, eliminates rules specifically addressing sales of real estate, removes exceptions to the financial asset derecognition model, and clarifies the accounting for contributions of nonfinancial assets to joint ventures. The amendments are effective for annual periods beginning after December 15, 2017 with early adoption permitted. Transition can use either the full retrospective approach or the modified retrospective approach. The Company expects the adoption of this guidance will not have a material effect on the on the Company's Condensed Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09 "Compensation – Stock". The ASU amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company expects the adoption of this guidance will not have a material effect on the on the Company's Condensed Consolidated Financial Statements.

3. ACQUISITIONS

Cappiccille:

On December 15, 2015, the Company executed an Asset Purchase Agreement (the “Asset Purchase Agreement”) by and among the Company, SLP, SAMG LLC (the “Buyer”) and Cappiccille & Company, LLC, a Delaware limited liability company (“Cappiccille” or the “Seller”), and Michael Cappiccille (the “Principal”), to acquire certain assets of Cappiccille. The transaction contemplated by the Asset Purchase Agreement closed on January 11, 2016 and is referred to herein as the “Cappiccille Acquisition”.

Pursuant to the terms of the Asset Purchase Agreement, SAMG LLC acquired (i) substantially all of the business and assets of the Seller, a provider of tax services, including goodwill and the benefit of the amortization of goodwill related to such assets, and (ii) the personal goodwill of the Principal. In consideration of the purchased assets and goodwill, SAMG LLC paid to the Seller and the Principal an aggregate purchase price consisting of a cash payment of $148. The Company determined that the acquisition-date fair value of the contingent consideration was $354, based on the likelihood that the financial and performance targets described in the Asset Purchase Agreement will be achieved. SAMG LLC will make earnout payments to the Principal as soon as practicable following December 31, 2016, 2017, 2018, 2019, and during 2020, in an amount equal to 19% of the revenue attributable to the business and assets of Cappiccille, based on revenue gained or lost post-transaction during the twelve months ended on the applicable determination date, except that the earnout payment for 2016 shall be equal to 19% of the revenue attributable to the Cappiccille for the period between the closing date of the Cappiccille Acquisition and December 31, 2016 and the earnout payment for 2020 shall be equal to 19% of the revenue attributable to the Cappiccille Acquisition for the period between January 1, 2020 and the fifth anniversary of the closing date of the Cappiccille Acquisition. The estimated fair value of contingent consideration is recognized at the date of acquisition, and adjusted for changes in facts and circumstances until the ultimate resolution of the contingency. Changes in the fair value of contingent consideration are reflected as a component of general and administrative expenses in the Condensed Consolidated Statement of Operations. The fair value of the contingent consideration was based on discounted cash flow models using projected revenue for each earnout period. The discount rate applied to the projected revenue was determined based on the weighted average cost of capital for the Company and took into account that the overall risk associated with the payments was similar to the overall risks of the Company as there is no target, floor or cap associated the contingent payments. The Company has a liability of $238 and $354 related to earnout payments to be made in conjunction with the Cappiccille Acquisition which is included in accounts payable and accrued expenses in the Condensed Consolidated Statement of Financial Condition as of September 30, 2017 and December 31, 2016, respectively, for contingent consideration.

Jamison:

On March 30, 2015, the Company executed an Asset Purchase Agreement (the “Asset Purchase Agreement”) by and among the Company, SLP, SAMG LLC (the “Buyer”) and Jamison Eaton & Wood, Inc., a New Jersey corporation (“Jamison” or the “Seller”), and Keith Wood, Ernest Cruikshank, III, William F. Gadsden and Frederick E. Thalmann, Jr., each such individual a principal of Jamison (together, the “Principals of Jamison”), to acquire certain assets of Jamison. The transaction contemplated by the Asset Purchase Agreement closed on June 30, 2015 and is referred to herein as the “Jamison Acquisition”.

Pursuant to the terms of the Asset Purchase Agreement, SAMG LLC acquired (i) substantially all of the business and assets of the Seller, an investment adviser, including goodwill and the benefit of the amortization of goodwill related to such assets, and (ii) the personal goodwill of the Principals of Jamison. In consideration of the purchased assets and goodwill, SAMG LLC paid to the Seller and the Principals of Jamison an aggregate purchase price consisting of (1) cash payments in the aggregate amount of $3,550 (the “Closing Cash Payment”), (2) a promissory note issued to the

Seller in the principal amount of $394, with an interest rate of 5% per annum (the "Seller Note"), (3) promissory notes in varying amounts issued to each of the Principals of Jamison for an aggregated total amount of $1,771, each with an interest rate of 5% per annum (together, the "Principals of Jamison Notes") and (4) Class B units of SLP (the "Class B Units") issued to the Principals of Jamison with a value equal to $3,562 and an equal number of shares of Class B common stock of the Company, having voting rights but no economic interest (together, the "Equity Consideration"). The Company determined that the acquisition-date fair value of the contingent consideration was $1,429, based on the likelihood that the financial and performance targets described in the Asset Purchase Agreement will be achieved. SAMG LLC will make earnout payments to the Principals of Jamison as soon as practicable following December 31, 2015, 2016, 2017, 2018, 2019 and during 2020, in an amount equal to 20% of the EBITDA attributable to the business and assets of Jamison (the "Jamison Business"), based on revenue gained or lost post-transaction during the twelve months ended on the applicable determination date, except that the earnout payment for 2015 shall be equal to 20% of the EBITDA attributable to the Jamison Business for the period between the closing date of the Jamison Acquisition and December 31, 2015 and the earnout payment for 2020 shall be equal to 20% of the EBITDA attributable to the Jamison Business for the period between January 1, 2020 and the fifth anniversary of the closing date of the Jamison Acquisition. The estimated fair value of contingent consideration is recognized at the date of acquisition, and adjusted for changes in facts and circumstances until the ultimate resolution of the contingency. Changes in the fair value of contingent consideration are reflected as a component of general and administrative expenses in the Condensed Consolidated Statement of Operations. The fair value of the contingent consideration was based on discounted cash flow models using projected EBITDA for each earnout period. The discount rate applied to the projected EBITDA was determined based on the weighted average cost of capital for the Company and took into account that the overall risk associated with the payments was similar to the overall risks of the Company as there is no target, floor or cap associated the contingent payments. The Company has a liability of $897 and $1,242 as of September 30, 2017 and December 31, 2016, respectively, related to earnout payments to be made in conjunction with the Jamison Acquisition which is included in accounts payable and accrued expenses in the Condensed Consolidated Statement of Financial Condition for contingent consideration.

In connection with their receipt of the Equity Consideration, the Principals of Jamison became subject to the rights and obligations set forth in the limited partnership agreement of SLP and are entitled to distributions consistent with SLP's distribution policy. In addition, the Principals of Jamison became parties to the Exchange Agreement, which governs the exchange of Class B Units for Class A common stock of the Company, the Resale and Registration Rights Agreement, which provides the Principals of Jamison with liquidity with respect to shares of Class A common stock of the Company received in exchange for Class B Units, and the TRA of the Company, which entitles the Principals of Jamison to share in a portion of the tax benefit received by the Company upon the exchange of Class B Units for Class A common stock of the Company.

The Asset Purchase Agreement includes customary representations, warranties and covenants.

The strategic acquisition of Jamison, a long-standing and highly regarded investment boutique, strengthens the Company's presence in the greater New York market and the Company gains investment managers that have significant experience and knowledge of the industry. Jamison's clients will gain access to the Company's complete investment management, wealth planning and reporting capabilities, including proprietary value equity and fixed income disciplines and alternative investment advisory services.

The Company believes the recorded goodwill is supported by the anticipated revenues and expected synergies of integrating the operations of Jamison into the Company. The goodwill is expected to be deductible for tax purposes.

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 was a registered investment adviser that advised on approximately $1,900,000 of assets primarily on behalf of institutional clients. This strategic acquisition enhanced the Company's hedge fund and investment manager due diligence capabilities, risk management analysis and reporting, and enhanced 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. As of September 30, 2017 and December 31, 2016, $0 and $95, respectively, remained outstanding on the note payable related to the Ten-Sixty acquisition.

Milbank:

On November 1, 2011, SAMG LLC executed an asset purchase agreement to acquire certain assets of Milbank. The Company has a liability of $0 and $303 as of September 30, 2017 and December 31, 2016, respectively, related to earn-outs payable to Milbank included in accounts payable and accrued expenses in the Condensed Consolidated Statement of Financial Condition for contingent consideration.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments

Investments include $13 and $335 as of September 30, 2017 and December 31, 2016, respectively, representing the Company’s interests in the Silvercrest Funds which have been established and managed by the Company and its affiliates. The Company’s financial interest in these funds can range in amounts up to 2% of the net assets of the funds. Despite the Company’s insignificant financial interest, the Company applies the equity method to account for its interests in affiliated investment funds because it 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 September 30, 2017 and December 31, 2016, 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 2014.

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 identical investments as of the reporting date. The type of investments in Level I include listed equities and listed derivatives.
- Level II: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in Level II include corporate bonds and loans, less liquid and restricted equity securities, certain over-the counter derivatives, and certain fund of hedge funds investments in which the Company has the ability to redeem its investment at net asset value at, or within three months of, the reporting date.
- Level III: Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in Level III generally include general and limited partnership interests in private equity and real estate funds, credit-oriented funds, certain over-the-counter derivatives, funds of hedge funds which use net asset value per share to determine fair value in which the Company may not have the ability to redeem its investment at net asset value at, or within three months of, the reporting date, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

At September 30, 2017 and December 31, 2016, the Company did not have any financial assets or liabilities that are recorded at fair value on a recurring basis.

At September 30, 2017 and December 31, 2016, financial instruments that are not held at fair value are categorized in the table below:

	September 30, 2017		December 31, 2016			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Hierarchy	
Financial Assets:						
Cash	$39,558	$39,558	$37,517	$37,517		
Investments	$13	$13	$335	$335	N/A	(1)
Financial liabilities:						
Notes Payable	$731	$731	$2,486	$2,486	Level 2	(2)

(1)

Investments consist of the Company’s equity method investments in affiliated investment funds which have been established and managed by the Company and its affiliates. Fair value of investments is based on the net asset value of the affiliated investment funds which is a practical expedient for fair value, which is not included in the fair value hierarchy under GAAP.

(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 September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Management and advisory fees receivable	$ 4,072	$ 4,369
Unbilled receivables	3,005	2,552
Other receivables	2	2
Receivables	7,079	6,923
Allowance for doubtful receivables	(621)	(653)
Receivables, net	$ 6,458	$ 6,270

6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

The following is a summary of furniture, equipment and leasehold improvements, net as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Leasehold improvements	$ 3,926	$ 3,915
Furniture and equipment	6,528	5,802
Artwork	466	466
Total cost	10,920	10,183
Accumulated depreciation and amortization	(8,415)	(7,772)
Furniture, equipment and leasehold improvements, net	$ 2,505	$ 2,411

Depreciation expense for the three months ended September 30, 2017 and 2016 was $247 and $184, respectively. Depreciation expense for the nine months ended September 30, 2017 and 2016 was $681 and $553, respectively.

7. GOODWILL

The following is a summary of the changes to the carrying amount of goodwill for the nine months ended September 30, 2017 and the year ended December 31, 2016:

	September 30, 2017	December 31, 2016
Beginning		
Gross balance	$ 42,583	$ 42,097
Accumulated impairment losses	(17,415)	(17,415)
Net balance	25,168	24,682
Acquisition of Cappiccille	—	486
Ending		
Gross balance	42,583	42,583
Accumulated impairment losses	(17,415)	(17,415)
Net balance	$ 25,168	$ 25,168

8. INTANGIBLE ASSETS, NET

The following is a summary of intangible assets as of September 30, 2017 and December 31, 2016:

	Customer Relationships	Other Intangible Assets	Total
Cost			
Balance, January 1, 2017	$22,560	$2,467	$25,027
Balance, September 30, 2017	22,560	2,467	25,027
Useful lives	10-20 years	3-5 years	
Accumulated amortization			
Balance, January 1, 2017	(9,721)	(1,902)	(11,623)
Amortization expense	(1,234)	(135)	(1,369)
Balance, September 30, 2017	(10,955)	(2,037)	(12,992)
Net book value	$11,605	$430	$12,035
Cost			
Balance, January 1, 2016	$22,560	$2,467	$25,027
Balance, December 31, 2016	22,560	2,467	25,027
Useful lives	10-20 years	3-5 years	
Accumulated amortization			
Balance, January 1, 2016	(8,062)	(1,634)	(9,696)
Amortization expense	(1,659)	(268)	(1,927)
Balance, December 31, 2016	(9,721)	(1,902)	(11,623)
Net Book Value	$12,839	$565	$13,404

Amortization expense related to intangible assets was $456 and $486 for the three months ended September 30, 2017 and 2016, respectively. Amortization expense related to intangible assets was $1,369 and $1,459 for the nine months ended September 30, 2017 and 2016, 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:

2017 (remainder of)	$457
2018	1,685
2019	1,390
2020	1,299
2021	1,196
Thereafter	6,008
Total	$12,035

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 thereunder. 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 matured on December 24, 2016. As of December 23, 2016, the revolving credit facility was extended for one year. 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. As of September 30, 2017 and December 31, 2016, 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 were payable in 20 equal quarterly installments. Borrowings under the term loan after June 24, 2015 are 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 September 30, 2017 and December 31, 2016, the Company did not have any outstanding borrowings under the revolving credit facility.

Interest expense, which also includes amortization of deferred financing fees, incurred on the revolving credit facility and term loan for the three months ended September 30, 2017 and 2016 was $4 and $12, respectively, and for the nine months ended September 30, 2017 and 2016 was $12 and $35, respectively.

Notes Payable

The following is a summary of notes payable:

	September 30, 2017	
	Interest Rate	Amount
Principal on fixed rate notes	5.0%	$ 722
Interest payable		9
Total, September 30, 2017		$ 731

	December 31, 2016	
	Interest Rate	Amount
Principal on fixed rate notes	5.0 %	$ 1,538
Variable rate notes issued for redemption of partners' interests (see Note 15)	Prime plus 1%	895
Interest payable		53
Total, December 31, 2016		$ 2,486

The carrying value of notes payable approximates fair value. The fixed rate notes, which are related to the Jamison and Ten-Sixty acquisitions, approximate fair value based on interest rates currently available to the Company for similar debt. The variable rate notes are based on the U.S. Prime Rate.

As of September 30, 2017, future principal amounts payable under the fixed and variable rate notes are as follows:

2018	$722
Total	$722

On June 3, 2013, Silvercrest redeemed units from two of our former principals. In conjunction with this redemption, Silvercrest issued promissory notes in an aggregate principal amount of approximately $5,300, subject to downward adjustments to the extent of any breach by the holders of such notes. The principal amounts of the notes were originally payable in four equal annual installments on each of June 3, 2014, 2015, 2016 and 2017. The principal amount outstanding under these notes bears interest at the U.S. Prime Rate plus 1% in effect at the time payments are due. Silvercrest elected not to make the June 3, 2014 payment as it was being assessed as to whether the former principals had complied with the note covenants and whether any reduction to these notes should be made. In October 2014, certain reductions totaling $1,722 were agreed to, based upon a review of the note covenants. As a result, the principal amounts of the notes of $3,578 became payable in four equal installments of approximately $900 on November 1, 2014, and on each of August 1, 2015, 2016 and 2017. As of September 30, 2017 and December 31, 2016, $0 and $895, respectively, remained outstanding on the notes and accrued but unpaid interest on the notes was approximately $0 and $17, respectively.

On June 30, 2015, Silvercrest issued promissory notes in an aggregate principal amount of approximately $2,165 in connection with the Jamison Acquisition. The principal amount outstanding under the notes bears interest at 5% per annum. The principal amounts of the notes are payable in three equal installments of approximately $722 on each of June 30, 2016, 2017 and 2018. As of September 30, 2017 and December 31, 2016, $722 and $1,443, respectively, remained outstanding on the note and accrued but unpaid interest on the notes was approximately $9 and $18, respectively.

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 September 30, 2017 and 2016 amounted to $996 and $910, respectively. The Company received sub-lease income from sub-tenants during the three months ended September 30, 2017 and 2016 of $68 and $64, respectively.

Therefore, for the three months ended September 30, 2017 and 2016, net rent expense amounted to $928 and $846, respectively, and is included in general and administrative expenses in the Condensed Consolidated Statements of Operations.

Rent expense charged to operations for the nine months ended September 30, 2017 and 2016 amounted to $2,908 and $2,797, respectively. The Company received sub-lease income from sub-tenants during the nine months ended September 30, 2017 and 2016 of $202 and $225, respectively. Therefore, for the nine months ended September 30, 2017 and 2016, net rent expense amounted to $2,706 and $2,572, respectively, and is included in general and administrative expenses in the Condensed Consolidated Statements of Operations.

As security for performance under the leases, the Company is required to maintain letters of credit in favor of the landlord totaling $506 as of September 30, 2017 and December 31, 2016. Furthermore, the Company maintains an $80 letter of credit in favor of its Boston landlord. Both are collateralized by the Company's revolving credit facility with City National Bank.

In March 2014, the Company entered into a lease agreement for additional office space in Richmond, VA. 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. In September 2016, the Company entered into Lease Amendment Number One ("Amendment Number One") to expand its space and extend its lease. This expansion will occur on or about October 1, 2017, and the lease is extended to November 30, 2024. The amended lease provides for a rent credit of $40,000. Monthly rent expense under the amended lease is $10.

In June 2015, the Company entered into a lease agreement for office space in Charlottesville, VA. The lease commenced on June 30, 2015 and expires on June 30, 2018. The lease is subject to escalation clauses and provides for a rent-free period of two months. Monthly rent expense is $2. The Company paid a refundable security deposit of $2.

In connection with the Jamison Acquisition, the Company assumed lease agreements for office space in Bedminster and Princeton, NJ. The Bedminster lease, as extended, expires on March 31, 2022. Monthly rent expense on this lease is $11. The Princeton lease, as extended, expired on April 30, 2016. Monthly rent expense on this lease was $5. Both leases are subject to escalation clauses, and the Bedminster lease provides for a rent-free period of four months.

In December 2015, the Company extended its lease related to its New York City office space. The amended lease commences on October 1, 2017 and expires on September 30, 2028. The lease is subject to escalation clauses, and provides for a rent-free period of twelve months and for tenant improvements of up to $2,080. Monthly rent under this extension will be $446.

In January 2016, the Company entered into a lease agreement for office space in Princeton, NJ. The lease commenced April 23, 2016 and expires on August 31, 2022. This lease replaces the Princeton lease discussed above that expired on April 30, 2016. Monthly rent expense on this lease is $6. The lease is subject to escalation clauses, and provides for a rent-free period of five months.

With the Cappiccille Acquisition, the Company assumed a lease agreement for office space in Livingston, NJ. The lease is month-to-month. Monthly rent expense is $2.

In September 2017, the Company extended its lease related to its Boston, MA office space. The amended lease commences on January 1, 2018 and expires on October 31, 2018. The lease provides for a rent-free period of one month. Monthly rent under this extension will be $35.

Future minimum lease payments and rentals under lease agreements which expire through 2028 are as follows:

	Minimum Lease Commitments	Non-cancellable Subleases	Minimum Net Rentals
Remainder of 2017	$ 146	$ (62)	$ 84
2018	1,997	(52)	1,945
2019	5,743	—	5,743
2020	5,750	—	5,750
2021	5,757	—	5,757
Thereafter	38,460	—	38,460
Total	$ 57,853	$ (114)	$ 57,739

The Company has capital leases for certain office equipment. The Company entered into a capital lease agreement for a telephone system during 2014. The amount financed was $321 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. On June 30, 2015, the Company assumed certain capital leases for equipment totaling $253 as part of the Jamison Acquisition. In July 2015, the Company entered into a capital lease for a copier. The amount financed was $21 and the lease has a term of three years, which began on July 1, 2015. Monthly minimum lease payments are $1, and continue through June 30, 2018. In October 2015, the Company entered in a capital lease for a copier. The amount financed was $18 and the lease has a term of three years, which began on November 1, 2015. Monthly minimum lease payments are $1, and continue through October 31, 2018. In January 2017, the Company entered into a capital lease agreement for a copier. The amount financed was $11 and the lease has a term of two years, which began on January 1, 2017. Monthly minimum lease payments are $1, and continue through December 31, 2018. In January 2017, the Company entered into a capital lease agreement for two copiers. The amount financed was $152 and the lease has a term of five years, which began on February 1, 2017. Monthly minimum lease payments are $3, and continue through January 31, 2022. In July 2017, the Company entered into a lease agreement for four copiers. The amount financed was $72 and the lease has a term of three years, which began on July 1, 2017. Monthly minimum lease payments are $2, and continue through June 30, 2020.The aggregate principal balance of capital leases was $344 and $267 as of September 30, 2017 and December 31, 2016, respectively.

The assets relating to capital leases that are included in equipment as of September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017	December 31, 2016
Capital lease assets included in furniture and equipment	$ 780	$ 625
Capital lease assets included in software	58	58
Less: Accumulated depreciation and amortization	(447)	(374)
	$ 391	$ 309

Depreciation expense relating to capital lease assets was $36 and $31 for the three months ended September 30, 2017 and 2016, respectively. Depreciation expense relating to capital lease assets was $110 and $93 for the nine months ended September 30, 2017 and 2016, respectively.

Future minimum lease payments under capital leases are as follows:

	Future Minimum Lease Commitments
Remainder of 2017	$ 45
2018	157
2019	68
2020	45
2021	28

2022		1
Total	$	344

11. EQUITY

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. Partnership distributions totaled $1,359 and $1,345, for the three months ended September 30, 2017 and 2016, respectively. Partnership distributions totaled $6,001 and $5,760, for the nine months ended September 30, 2017 and 2016, respectively. Distributions are included in non-controlling interests in the Condensed Consolidated Statements of Financial Condition.

Pursuant to SLP's Second Amended and Restated Limited Partnership Agreement, as amended and restated, partner incentive allocations are treated as distributions of net income. The remaining net income or loss after partner incentive allocations 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 nine months ended September 30, 2017 and 2016 amounted to $21,177 and $18,827, respectively. The distributions are included in non-controlling interests in the Condensed Consolidated Statements of Financial Condition and Condensed Consolidated Statement of Changes in Equity for the nine months ended September 30, 2017 and 2016. The Company treats SLP's partner incentive allocations as compensation expense and accrues such amounts when earned. During the three months ended September 30, 2017 and 2016, SLP accrued partner incentive allocations of $6,189 and $5,169, respectively. During the nine months ended September 30, 2017 and 2016, SLP accrued partner incentive allocations of $17,667 and $14,197, respectively.

Silvercrest—Equity

Silvercrest has the following authorized and outstanding equity:

	Shares at September 30, 2017			
	Authorized	Outstanding	Voting Rights	Economic Rights
Common shares				
Class A, par value $0.01 per share	50,000,000	8,131,220	1 vote per share (1), (2)	All (1), (2)
Class B, par value $0.01 per share	25,000,000	5,070,219	1 vote per share (3), (4)	None (3), (4)
Preferred shares				
Preferred stock, par value $0.01 per share	10,000,000	—	See footnote (5) below	See footnote (5) 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) During 2016, Silvercrest granted 10,582 restricted stock units which will vest and settle in the form of Class A shares of Silvercrest, of which 5,687 remain unvested as of September 30, 2017.
(3) Each share of Class B common stock is entitled to one vote per share.
(4) 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 5,070,219 Class B units, which represent the right to receive their proportionate share of the distributions made by SLP, and 486,098 restricted stock units which will vest and settle in the form of Class B units of SLP. The 486,098 restricted stock 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 restricted stock units have not been issued and are not deemed outstanding, the holders of restricted stock 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 restricted stock units of SLP until such time that the underlying Class B units are issued.
(5) 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.

During the nine months ended September 30, 2017, Silvercrest issued the following shares:

Class A Common Stock

	Transaction Date	# of Shares
Class A common stock outstanding - January 1, 2017		8,074,197
Issuance of Class A common stock upon conversion of Class B units to Class A common stock	March 2017	26,008
Issuance of Class A common stock upon vesting of restricted stock units	April 2017	1,000
Issuance of Class A common stock upon vesting of restricted stock units	May 2017	3,896
Issuance of Class A common stock upon conversion of Class B units to Class A common stock	May 2017	2,000
Issuance of Class A common stock upon conversion of Class B units to Class A common stock	August 2017	24,119
Class A common shares outstanding – September 30, 2017		8,131,220

Class B Common Stock

	Transaction Date	# of Shares
Class B common stock outstanding - January 1, 2017		4,866,303
Cancellation of Class B common stock upon conversion of Class B units to Class A common stock	March 2017	(26,008)
Issuance of Class B common stock upon vesting of restricted stock units	May 2017	947
Cancellation of Class B common stock upon conversion of Class B units to Class A common stock	May 2017	(2,000)
Issuance of Class B common stock	June 2017	13,468
Issuance of Class B common stock upon vesting of restricted stock units	August 2017	241,628
Cancellation of Class B common stock upon conversion of Class B units to Class A common stock	August 2017	(24,119)
Class B common shares outstanding – September 30, 2017		5,070,219

In March 2017, the Company redeemed from certain existing partners 26,008 shares of Class B common stock in connection with the exchange of a like number of Class B units to Class A common stock pursuant to the resale and registration rights agreement between the Company and its principals.

In April 2017, the Company issued 1,000 shares of Class A common stock upon the vesting of restricted stock units.

In May 2017, the Company issued 3,896 shares of Class A common stock and 947 shares of Class B common stock upon the vesting of restricted stock units.

In May 2017, the Company redeemed from certain existing partners 2,000 shares of Class B common stock in connection with the exchange of a like number of Class B units to Class A common stock pursuant to the resale and registration rights agreement between the Company and its principals.

In June 2017, the Company issued 13,468 shares of Class B common stock to certain principals in connection with their admission to SLP.

In August 2017, the Company issued 241,628 shares of Class B common stock upon the vesting of restricted stock units.

In August 2017, the Company redeemed from certain existing partners 24,119 shares of Class B common stock in connection with the exchange of a like number of Class B units to Class A common stock pursuant to the resale and registration rights agreement between the Company and its principals.

The total amount of shares of Class B common stock outstanding and held by 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. 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.

Notes receivable from partners are as follows for the nine months ended September 30, 2017 and the year ended December 31, 2016:

	September 30, 2017	December 31, 2016
Beginning balance	$ 2,085	$ 2,789
New note receivable issued to partners	165	120
Repayment of notes	(371)	(880)
Interest accrued and capitalized on notes receivable	29	56
Ending balance	$ 1,908	$ 2,085

Full recourse notes receivable from partners as of September 30, 2017 and December 31, 2016 are $1,088 and $1,207, respectively. Limited recourse notes receivable from partners as of September 30, 2017 and December 31, 2016 are $820 and $878, respectively. There is no allowance for credit losses on notes receivable from partners as of September 30, 2017 and December 31, 2016.

13. RELATED PARTY TRANSACTIONS

During the first nine months of 2017 and 2016, the Company provided services to the following, which operate as feeder funds investing through master-feeder or mini-master feeder structures:

- the domesticated Silvercrest Hedged Equity Fund, L.P. (formed in 2011 and formerly Silvercrest Hedged Equity Fund),
- Silvercrest Hedged Equity Fund (International), Ltd. (which invests through Silvercrest Hedged Equity Fund, L.P.),
- the domesticated Silvercrest Emerging Markets Fund, L.P. (formed in 2011 and formerly Silvercrest Emerging Markets Fund),
- Silvercrest Emerging Markets Fund (International), Ltd. (which invests through Silvercrest Emerging Markets Fund L.P.),
- 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,
- Silvercrest Municipal Advantage Portfolio S LLC (formed in 2015),
- the Silvercrest Jefferson Fund, L.P. (formed in 2014), and
- the Silvercrest Jefferson Fund, Ltd. (the Company took over as investment manager in 2014, formerly known as the Jefferson Global Growth Fund, Ltd.), which invests in Silvercrest Jefferson Master Fund, L.P. (formed in 2014).

The Company also provides services to the following, which operate and invest separately as stand-alone funds:

- 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 (merged into Silvercrest Municipal Advantage Portfolio S LLC in 2015),
- Silvercrest Municipal Special Situations Fund II LLC (merged into Silvercrest Municipal Advantage Portfolio S LLC in 2015),
- Silvercrest Select Growth Equity Fund, L.P. (liquidated as of December 31, 2015),
- Silvercrest International Fund, L.P. (previously known as Silvercrest Global Fund, L.P. Silvercrest International Equity Fund, L.P. merged into this fund in October 2013),
- Silvercrest Small Cap Fund, L.P. (currently in liquidation),
- Silvercrest Special Situations Fund, L.P., and
- Silvercrest Commodity Strategies Fund, L.P.

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 September 30, 2017 and 2016, 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 $1,554 and $1,538, respectively. For the nine months ended September 30, 2017 and 2016, 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 $4,503 and $4,633, respectively. As of September 30, 2017 and December 31, 2016, the Company was owed $2,656 and $2,876, respectively, from its various funds, which is included in Due from Silvercrest Funds on the Condensed Consolidated Statements of Financial Condition.

For the three months ended September 30, 2017 and 2016, the Company earned advisory fees of $264 and $182, respectively, from assets managed on behalf of certain of its employees. For the nine months ended September 30, 2017 and 2016, the Company earned advisory fees of $726 and $519, respectively, from assets managed on behalf of certain of its employees. As of September 30, 2017 and December 31, 2016, the Company is owed approximately $13 and $2 from certain of its employees, which is included in Receivables, net on the Condensed Consolidated Statements of Financial Condition.

14. INCOME TAXES

As of September 30, 2017, the Company had net deferred tax assets of $18,962, which is recorded as a deferred tax asset of $19,204 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 deferred tax liability of $92 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 deferred tax liability of $150 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 September 30, 2017, $98 of the net deferred tax liabilities relate to non-controlling interests. These amounts are included in prepaid expenses and other assets and deferred tax and other liabilities on the Condensed Consolidated Statement of Financial Condition, respectively.

As of December 31, 2016, the Company had a net deferred tax asset of $19,989, which is recorded as a net deferred tax asset of $20,221 specific to Silvercrest, which consists primarily of net assets related to temporary differences between the financial statement and tax bases of intangibles related to its acquisition of partnership units of SLP, a net deferred tax liability of $128 specific to SLP which consists primarily of liabilities related to differences between the financial statement and tax bases of intangible assets, and a net deferred tax liability of $104 related to the corporate activity of SFS which is primarily related to temporary differences between the financial statement and tax bases of intangible assets.

The current tax expense was $1,238 and $900 for the three months ended September 30, 2017 and 2016, respectively. Of the amount for the three months ended September 30, 2017, $752 relates to Silvercrest's corporate tax expense, $484 relates to SLP's state and local liability and $2 relates to SFS's corporate tax expense. The deferred tax expense for the three months ended September 30, 2017 and 2016 was $366 and $140, respectively. When combined with current tax expense, the total income tax provision for the three months ended September 30, 2017 and 2016 is $1,604 and $1,041, respectively. The tax expense for the three months ended September 30, 2017 and 2016, also includes additional tax (benefits) expense of $0 and ($269), respectively, for discrete items. The discrete items for the three months ended September 30, 2016 are primarily attributable to adjustments to the value of deferred tax assets for SAMG.

The current tax expense was $3,302 and $2,362 for the nine months ended September 30, 2017 and 2016, respectively. Of the amount for the nine months ended September 30, 2017, $1,879 relates to Silvercrest's corporate tax expense, $1,418 relates to SLP's state and local liability and $5 relates to SFS's corporate tax expense. The deferred tax expense for the nine months ended September 30, 2017 and 2016 was $1,273 and $1,227, respectively. When combined with current tax expense, the total income tax provision for the nine months ended September 30, 2017 and 2016 is $4,575 and $3,589, respectively. The tax expense for the nine months ended September 30, 2017 and 2016, also includes additional tax (benefits) expense of ($32) and $47, respectively, for discrete items. The discrete items for the nine months ended September 30, 2017 are primarily attributable to adjustments to the value of deferred tax assets for SAMG. The discrete items for the nine months ended September 30, 2016 are primarily attributable to adjustments to the value of deferred tax assets for SAMG and changes in apportionment relative to tax year 2016.

The current tax expense increased from the comparable period in 2016 mainly due to an increase in Silvercrest's profits.

Of the total current tax expense for the three months ended September 30, 2017 and 2016, $197 and $179, respectively, relates to non-controlling interests. Of the deferred tax expense for the three months ended September 30, 2017 and 2016, $0 and $2, respectively, relates to non-controlling interests. When combined with current tax expense, the total income tax provision for the three months ended September 30, 2017 and 2016 related to non-controlling interests is $197 and $181, respectively.

Of the total current tax expense for the nine months ended September 30, 2017 and 2016, $579 and $485, respectively, relates to non-controlling interests. Of the deferred tax expense for the nine months ended September 30, 2017 and 2016, $4 and $0, respectively, relates to non-controlling interests. When combined with current tax expense, the total income tax provision for the nine months ended September 30, 2017 and 2016 related to non-controlling interests is $583 and $485, respectively.

In the normal course of business, the Company is subject to examination by federal, state, and local tax regulators. As of September 30, 2017, the Company's U.S. federal income tax returns for the years 2013 through 2016 are open under the normal three-year statute of limitations and therefore subject to examination.

The guidance for accounting for uncertainty in income taxes prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. 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. Furthermore, the Company does not have any material uncertain tax positions at September 30, 2017 and 2016.

15. REDEEMABLE PARTNERSHIP UNITS

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

Deferred Equity Units

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 contain both service and performance requirements.

Each grant includes a deferred equity unit (“Deferred Equity Unit”) and performance unit (“Performance Unit”) subject to various terms including terms of forfeiture and acceleration of vesting. The Deferred Equity Unit represents the unsecured right to receive one unit of SLP or the equivalent cash value of up to 50% (or such other percentage as may be determined by the Company’s Executive Committee) of SLP’s units issuable upon the vesting of any such Deferred Equity Units and the remaining 50% in units upon the vesting of any such Deferred Equity Units. Such cash amount is to be calculated using the equivalent share price of the Silvercrest’s Class A common stock as of the applicable vesting date. The Performance Unit represents the unsecured right to receive one unit of SLP for every two units of SLP issuable upon the vesting of any such Deferred Equity Units.

Twenty-five percent of the Deferred Equity Units vest on each of the first, second, third, and fourth anniversaries of the grant date until the Deferred Equity Units are fully vested. The Performance Units are subject to forfeiture and subject to the satisfaction of a predetermined performance target at the end of the four-year vesting period. If the performance target is achieved, then the Performance Units vest at the end of the four-year vesting period. The rights of the partners with respect to the Performance Units remain subject to forfeiture at all times prior to the date on which such rights become vested and will be forfeited if the performance target is not achieved.

Distributions related to Deferred Equity Units that are paid to partners are charged to non-controlling interests. Distributions related to the unvested portion of Deferred Equity Units that are assumed to be forfeited are recognized as compensation expense because these distributions are not required to be returned by partners to SLP upon forfeiture.

The grant date fair values of Performance Units were determined by applying a performance probability factor to the Deferred Equity Unit Value. These methodologies included the use of third party data and discounts for lack of control and marketability.

Only the portion of Deferred Equity Units that can be settled in cash are considered to be liability awards and are adjusted to fair value at the end of each reporting period.

For the nine months ended September 30, 2017 and 2016, the Company recorded compensation expense related to such Deferred Equity Units of $0 and $14, respectively, of which $0 and $1, respectively, relates to the Performance Units.

During the three and nine months ended September 30, 2017 and 2016, $0 of vested Deferred Equity Units were settled in cash.

A summary of these equity grants by the Company as of September 30, 2016 during the periods then ended is presented below:

	Deferred Equity Units			Performance Units	
	Units	Range of Fair Value per unit		Units	Fair Value per unit
Balance at January 1, 2016	4,911	$12.00	$ 14.25	6,386	$ 3.75
Vested	(4,911)	—	(10.92)	—	—
Forfeited	—	—	—	(6,386)	—
Balance at September 30, 2016	—	$—	$ —	—	$ —

The Company estimated 10% of all awards to be forfeited and the related service period was four years.

Restricted Stock Units

On November 2, 2012, the Company's board of directors adopted the 2012 Equity Incentive Plan.

A total of 1,687,500 shares were originally reserved and available for issuance under the 2012 Equity Incentive Plan. As of September 30, 2017, 690,077 shares are available for grant. The equity interests may be issued in the form of shares of the Company's Class A common stock and Class B units of SLP. (All references to units or interests of SLP refer to Class B units of SLP and accompanying shares of Class B common stock of Silvercrest).

The purposes of the 2012 Equity Incentive Plan are to (i) align the long-term financial interests of our employees, directors, consultants and advisers with those of our stockholders; (ii) attract and retain those individuals by providing compensation opportunities that are consistent with our compensation philosophy; and (iii) provide incentives to those individuals who contribute significantly to our long-term performance and growth. To accomplish these purposes, the

2012 Equity Incentive Plan provides for the grant of units of SLP. The 2012 Equity Incentive Plan also provides for the grant of stock options, stock appreciation rights, or SARs, restricted stock awards, restricted stock units, performance-based stock awards and other stock-based awards (collectively, stock awards) based on our Class A common stock. Awards may be granted to employees, including officers, members, limited partners or partners who are engaged in the business of one or more of our subsidiaries, as well as non-employee directors and consultants.

It is initially anticipated that awards under the 2012 Equity Incentive Plan granted to our employees will be in the form of units of SLP or shares of our Class A common stock that will not vest until a specified period of time has elapsed, or other vesting conditions have been satisfied as determined by the Compensation Committee of the Company's board of directors, and which may be forfeited if the vesting conditions are not met. During the period that any vesting restrictions apply, unless otherwise determined by the Compensation Committee, the recipient of awards that vest in the form of units of SLP will be eligible to participate in distributions of income from SLP. In addition, before the vesting conditions have been satisfied, the transferability of such units is generally prohibited and such units will not be eligible to be exchanged for cash or shares of our Class A common stock.

In August 2015, the Company granted 966,510 restricted stock units ("RSUs") under the 2012 Equity Incentive Plan at a fair value of $13.23 per share to existing Class B unit holders. These RSUs will vest and settle in the form of Class B units of SLP. Twenty-five percent of the RSUs granted vest and settle on each of the first, second, third and fourth anniversaries of the grant date.

In May 2016, the Company granted 3,791 RSUs under the 2012 Equity Incentive Plan at a fair value of $13.19 per share to existing Class B unit holders. These RSUs will vest and settle in the form of Class B units of SLP. Twenty-five percent of the RSUs granted vest and settle on each of the first, second, third and fourth anniversaries of the grant date.

In May 2016, the Company granted 3,000 RSUs under the 2012 Equity Incentive Plan at a fair value of $13.19 per share to certain members of the Board of Directors. These RSUs vested and settled in the form of Class A shares of Silvercrest. One hundred percent of the RSUs granted vested and settled on the first anniversary of the grant date.

In May 2016, the Company granted 7,582 RSUs under the 2012 Equity Incentive Plan at a fair value of $13.19 per share to an employee. These RSUs will vest and settle in the form of Class A shares of Silvercrest. Twenty-five percent of the RSUs granted vest and settle on each of the first, second, third and fourth anniversaries of the grant date.

For the three months ended September 30, 2017 and 2016, the Company recorded compensation expense related to such RSUs of $832 and $842, respectively, as part of total compensation expense in the Condensed Consolidated Statements of Operations for the period then ended. For the nine months ended September 30, 2017 and 2016, the Company recorded compensation expense related to such RSUs of $2,447 and $2,436, respectively, as part of total compensation expense in the Condensed Consolidated Statements of Operations for the period then ended. As of September 30, 2017 and December 31, 2016 there was $5,941 and $5,169, respectively, of unrecognized compensation expense related to unvested awards. As of September 30, 2017 and December 31, 2016, the unrecognized compensation expense related to unvested awards is expected to be recognized over a period of 2.34 and 2.40 years, respectively.

A summary of these RSU grants by the Company as of September 30, 2017 and 2016 is presented below:

	Restricted Stock Units Granted	
	Units	Fair Value per unit
Total granted at January 1, 2017	739,256	$13.19 – 13.23
Vested	(247,471)	13.19 – 13.23
Total granted at September 30, 2017	491,785	$13.19 – 13.23
Total granted at January 1, 2016	966,510	$13.23
Granted	14,373	13.19
Total granted at September 30, 2016	980,883	$13.19 - 13.23

For the three months ended September 30, 2017 and 2016, the Company recorded total compensation expense related to such Restricted Stock Units of $832 and $842, respectively.

For the nine months ended September 30, 2017 and 2016, the Company recorded total compensation expense related to such Deferred Equity Units and Restricted Stock Units of $2,447 and $2,417, respectively, of which $0 and ($32), respectively, related to the Performance Units given that there was an explicit service period associated with the Deferred Equity Units.

17. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

SAMG LLC has a defined contribution 401(k) savings plan (the “Plan”) for all eligible employees who meet the minimum age and service requirements as defined in the Plan. The Plan is designed to be a qualified plan under sections 401(a) and 401(k) of the Internal Revenue Code. For employees who qualify under the terms of the Plan, on an annual basis Silvercrest matches dollar for dollar an employee’s contributions up to the first 4% of compensation. For the three months ended September 30, 2017 and 2016, Silvercrest made matching contributions of $26 and $27, respectively, for the benefit of employees. For the nine months ended September 30, 2017 and 2016, Silvercrest made matching contributions of $80 and $71, respectively, for the benefit of employees.

18. SOFT DOLLAR ARRANGEMENTS

The Company obtains research and other services through “soft dollar” arrangements. The Company receives credits from broker-dealers whereby technology-based research, market quotation and/or market survey services are effectively paid for in whole or in part by “soft dollar” brokerage arrangements. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a “safe harbor” to an investment adviser against claims that it breached its fiduciary duty under state or federal law (including ERISA) solely because the adviser caused its clients’ accounts to pay more than the lowest available commission for executing a securities trade in return for brokerage and research services. To rely on the safe harbor offered by Section 28(e), (i) the Company must make a good-faith determination that the amount of commissions is reasonable in relation to the value of the brokerage and research services being received and (ii) the brokerage and research services must provide lawful and appropriate assistance to the Company in carrying out its investment decision-making responsibilities. If the use of soft dollars is limited or prohibited in the future by regulation, the Company may have to bear the costs of such research and other services. For the three months ended September 30, 2017 and 2016, the Company utilized “soft dollar” credits of $178 and $199, respectively. For the nine months ended September 30, 2017 and 2016, the Company utilized “soft dollar” credits of $534 and $597, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a full-service wealth management firm focused on providing financial advisory and related family office services to ultra-high net worth individuals and institutional investors. In addition to a wide range of investment capabilities, we offer a full suite of complementary and customized family office services for families seeking a comprehensive oversight of their financial affairs. During the three months ended September 30, 2017, our assets under management increased 3.5% from $19.9 billion to $20.6 billion. During the nine months ended September 30, 2017, our assets under management increased 10.8% from $18.6 billion to $20.6 billion.

The business includes the management of funds of funds, and other investment funds, collectively referred to as the "Silvercrest Funds". Silvercrest L.P. has issued Restricted Stock Units exercisable for 486,098 Class B units which entitle the holders thereof to receive distributions from Silvercrest L.P. to the same extent as if the underlying Class B units were outstanding. Net profits and net losses of Silvercrest L.P. will be allocated, and distributions from Silvercrest L.P. will be made, to its current partners pro rata in accordance with their respective partnership units (and assuming the Class B units underlying all restricted stock units are outstanding).

The historical results of operations discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations include those of Silvercrest L.P. and its subsidiaries. As the general partner of Silvercrest L.P., we control its business and affairs and, therefore, consolidate its financial results with ours. The interests of the limited partners' collective 38% partnership interest in Silvercrest L.P. as of September 30, 2017 are reflected in non-controlling interests in our Condensed Consolidated Financial Statements.

Key Performance Indicators

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands except as indicated)	2017	2016	2017	2016
Revenue	$22,845	$20,470	$66,887	$59,070
Income before other income (expense), net	$5,316	$4,181	$15,217	$11,310
Net income	$3,714	$2,893	$10,614	$7,495
Net income margin	16.3 %	14.1 %	15.9 %	12.7 %
Net income attributable to Silvercrest	$1,872	$1,496	$5,417	$3,729
Adjusted EBITDA (1)	$7,024	$5,893	$20,290	$16,564
Adjusted EBITDA margin (2)	30.7 %	28.8 %	30.3 %	28.0 %
Assets under management at period end (billions)	$20.6	$17.9	$20.6	$17.9
Average assets under management (billions) (3)	$20.3	$17.6	$19.6	$18.0

(1) EBITDA, a non-GAAP measure of earnings, represents net income before provision for income taxes, interest income, interest expense, depreciation and amortization. We define Adjusted EBITDA as EBITDA without giving effect to items including, but not limited to, professional fees associated with acquisitions or financing transactions,

gains on extinguishment of debt or other obligations related to acquisitions, losses on disposals or abandonment of assets and leaseholds, severance and other similar expenses, but including partner incentive allocations, prior to our initial public offering, as an expense. We use this non-GAAP financial measure to assess the strength of our business. These adjustments and the non-GAAP financial measures that are derived from them provide supplemental information to analyze our business from period to period. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, financial measures in accordance with GAAP. See “Supplemental Non-GAAP Financial Information” for a reconciliation of non-GAAP financial measures.

(2) Adjusted EBITDA margin, a non-GAAP measure of earnings, is calculated by dividing Adjusted EBITDA by total revenue.

(3) We have computed average assets under management by averaging assets under management at the beginning of the applicable period and assets under management at the end of the applicable period.

Revenue

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

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

Discretionary Managed Accounts

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
(in billions)	2017	2016	2017	2016
AUM concentrated in Discretionary Managed Accounts	$14.4	$12.7	$14.4	$12.7
Average AUM For Discretionary Managed Accounts	$14.2	$12.4	$13.9	$12.2
Discretionary Managed Accounts Revenue (in millions)	$20.2	$17.9	$59.4	$51.6
Percentage of management and advisory fees revenue	93 %	92 %	93 %	92 %

Private Funds

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
(in billions)	2017	2016	2017	2016
AUM concentrated in Private Funds	$0.9	$0.5	$0.9	$0.5
Average AUM For Private Funds	$0.9	$0.5	$0.7	$0.5
Private Funds Revenue (in millions)	$1.6	$1.6	$4.5	$4.6
Percentage of management and advisory fees revenue	7 %	8 %	7 %	8 %

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

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

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

Management fees earned on investment funds that we advise are calculated primarily based on the net assets of the funds. Some funds calculate investment fees based on the net assets of the funds as of the last business day of each calendar quarter, whereas other funds calculate investment fees based on the value of net assets on the first business day of the month. Depending on the investment fund, fees are paid either quarterly in advance or quarterly in arrears. For our private funds, the fees range from 0.25% to 1.5% annually. Certain management fees earned on investment funds for which we perform risk management and due diligence services are based on flat fee agreements customized for each engagement.

Average annual management fee is calculated by dividing our actual annualized revenue earned over a period by our average assets under management during the same period (which is calculated by averaging quarter-end assets under management for the applicable period). Our average annual management fee was 0.45% and 0.47% for the three months ended September 30, 2017 and 2016, respectively, and 0.46% and 0.44% for the nine months ended September 30, 2017 and 2016, respectively. Changes in our total average management fee rates are typically the result of changes in the mix of our assets under management and the concentration in our equities strategies whose fee rates are higher than those of other investment strategies. Advisory fees are also adjusted for any cash flows into or out of a portfolio, where the cash flow represents greater than 10% of the previous quarter-end market value of the portfolio. These cash flow-related adjustments were insignificant for the nine months ended September 30, 2017 and 2016. Silvercrest L.P. has authority to take fees directly from external custodian accounts of its separately managed accounts.

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

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

Our family office services capabilities enable us to provide comprehensive and integrated services to our clients. Our dedicated group of tax and financial planning professionals provide financial planning, tax planning and preparation, partnership accounting and fund administration and consolidated wealth reporting among other services. Family office services income fluctuates based on both the number of clients for whom we perform these services and the level of agreed-upon fees, most of which are flat fees. Therefore, non-discretionary assets under management, which are associated with family office services, do not typically serve as the basis for the amount of family office services revenue that is recognized.

Expenses

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

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

Compensation and Benefits Expense

Our largest expense is compensation and benefits, which includes the salaries, bonuses, equity-based compensation and related benefits and payroll costs attributable to our principals and employees. Our compensation methodology is intended to meet the following objectives: (i) support our overall business strategy; (ii) attract, retain and motivate top-tier professionals within the investment management industry; and (iii) align our employees' interests with those of our equity owners. We have experienced, and expect to continue to experience, a general rise in compensation and benefits expense commensurate with growth in headcount and with the need to maintain competitive compensation levels.

The components of our compensation expense for the three and nine months ended September 30, 2017 and 2016 are as follows:

(in thousands)	For the Three Months Ended September 30, 2017	2016	For the Nine Months Ended September 30, 2017	2016
Cash compensation and benefits (1)	$12,676	$11,324	$37,171	$32,973
Non-cash equity-based compensation expense	832	842	2,447	2,417
Total compensation expense	$13,508	$12,166	$39,618	$35,390

(1) For the three months ended September 30, 2017 and 2016, $6,189 and $5,169 of partner incentive payments were included in cash compensation and benefits expense, respectively. For the nine months ended September 30, 2017 and 2016, $17,667 and $14,197 of partner incentive payments were included in cash compensation and benefits expense, respectively.

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

Each performance unit represents the right to receive one Class B unit of Silvercrest L.P. for each two units of Silvercrest L.P. issued upon vesting of the deferred equity units awarded to the employee, in each case subject to the achievement of defined performance goals. Although performance units will only vest upon the achievement of the performance goals, they are expensed over the same vesting period as the deferred equity units with which they are associated because there is an explicit service period.

During 2016 and 2015, Silvercrest L.P. granted restricted stock units (“RSU”) to existing Class B unit holders. Information regarding restricted stock units can be found in Note 16. “Equity Based Compensation” in the “Notes to Consolidated Financial Statements” in “Item 1. Financial Statements” of this filing.

General and Administrative Expenses

General and administrative expenses include occupancy-related costs, professional and outside services fees, office expenses, depreciation and amortization, sub-advisory fees and the costs associated with operating and maintaining our research, trading and portfolio accounting systems. Our costs associated with operating and maintaining our research, trading and portfolio accounting systems and professional services expenses generally increase or decrease in relative proportion to the number of employees retained by us and the overall size and scale of our business operations. Sub-advisory fees will fluctuate based on the level of management fees from funds that utilize sub-advisors.

Other Income

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

Non-Controlling Interests

We are the general partner of Silvercrest L.P. and control its business and affairs and, therefore, consolidate its financial results with ours. In light of the limited partners’ interest in Silvercrest L.P., we reflect their partnership interests as non-controlling interests in our Condensed Consolidated Financial Statements.

Provision for Income Tax

We are subject to taxes applicable to C-corporations. Our effective tax rate, and the absolute dollar amount of our tax expense will be offset by the benefits of the tax receivable agreement entered into with our Class B stockholders.

As a result of the 2016 U.S. general election and ongoing activity in the U.S. Congress on tax reform proposals, there is a heightened possibility of significant changes to U.S. federal income tax laws. From time to time, legislative proposals have been introduced that, if enacted, could have a material and adverse effect on us. We are unable to predict when or if such legislation would be introduced, whether or not such legislation would be enacted, what specific provisions would be included or what the effective date would be, and as a result the ultimate impact of such legislation is uncertain.

Acquisitions

On December 15, 2015, we executed an Asset Purchase Agreement (the “Cappiccille Asset Purchase Agreement”), by and among Silvercrest, SLP, Silvercrest Asset Management Group LLC (“SAMG LLC”) and Cappiccille & Company, LLC (“Cappiccille”), and Michael Cappiccille, to acquire certain assets of Cappiccille. The transaction contemplated by the Cappiccille Asset Purchase Agreement closed on January 11, 2016 and is referred to herein as the “Cappiccille Acquisition”.

Information regarding the Cappiccille Acquisition can be found in Note 3. “Acquisitions” in the “Notes to Condensed Consolidated Financial Statements” in “Item 1. Financial Statements” of this filing.

Operating Results

Revenue

Our revenues for the three and nine months ended September 30, 2017 and 2016 are set forth below:

	For the Three Months Ended September 30,				
(in thousands)	2017	2016	2017 vs. 2016 ($)	2017 vs. 2016 (%)	
Management and advisory fees	$21,774	$19,457	$ 2,317	11.9	%
Family office services	1,071	1,013	58	5.7	%
Total revenue	$22,845	$20,470	$ 2,375	11.6	%

	For the Nine Months Ended September 30,				
(in thousands)	2017	2016	2017 vs. 2016 ($)	2017 vs. 2016 (%)	
Management and advisory fees	$63,900	$56,194	$ 7,706	13.7	%
Performance fees and allocations	10		10	100.0	%
Family office services	2,977	2,876	101	3.5	%
Total revenue	$66,887	$59,070	$ 7,817	13.2	%

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The growth in our assets under management during the three and nine months ended September 30, 2017 and 2016 is described below:

	Assets Under Management		
(in billions)	Discretionary	Non-Discretionary	Total
As of June 30, 2016	$ 12.6	$ 4.6	$ 17.2
Gross client inflows	1.1	0.1	1.2
Gross client outflows	(0.9)	(0.1)	(1.0)
Market appreciation	0.4	0.1	0.5
As of September 30, 2016	$ 13.2	$ 4.7	$ 17.9 (1)
As of June 30, 2017	$ 14.7	$ 5.2	$ 19.9
Gross client inflows	1.6	0.2	1.8
Gross client outflows	(1.6)	(0.2)	(1.8)
Market appreciation	0.6	0.1	0.7
As of September 30, 2017	$ 15.3	$ 5.3	$ 20.6 (1)
As of January 1, 2016	$ 12.1	$ 6.0	$ 18.1
Gross client inflows	3.2	0.2	3.4
Gross client outflows	(3.0)	(1.1)	(4.1)
Market appreciation (depreciation)	0.9	(0.4)	0.5
As of September 30, 2016	$ 13.2	$ 4.7	$ 17.9 (1)
As of January 1, 2017	$ 13.8	$ 4.8	$ 18.6
Gross client inflows	4.9	0.4	5.3
Gross client outflows	(4.5)	(0.4)	(4.9)
Market appreciation	1.1	0.5	1.6
As of September 30, 2017	$ 15.3	$ 5.3	$ 20.6 (1)

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

The following chart summarizes the performance [1, 2] of each of our principal equity strategies relative to their appropriate benchmarks since inception:

PROPRIETARY EQUITY PERFORMANCE

as of September 30, 2017

		ANNUALIZED PERFORMANCE				
	INCEPTION	1-YEAR	3-YEAR	5-YEAR	7-YEAR	INCEPTION
Large Cap Value Composite	4/1/02	19.7	12.4	15.1	14.3	8.9
Russell 1000 Value Index		15.1	8.5	13.2	13.2	7.4
Small Cap Value Composite	4/1/02	21.2	15.0	16.0	15.9	11.7
Russell 2000 Value Index		20.6	12.1	13.3	12.8	8.7
Smid Cap Value Composite	10/1/05	23.9	15.8	16.4	15.9	10.8
Russell 2500 Value Index		15.8	9.9	13.3	13.0	8.0
Multi Cap Value Composite	7/1/02	20.4	12.8	15.4	15.2	10.0
Russell 3000 Value Index		15.5	8.8	13.2	13.2	8.2
Equity Income Composite	12/1/03	18.4	13.3	15.8	15.7	12.2
Russell 3000 Value Index		15.5	8.8	13.2	13.2	8.4
Focused Value Composite	9/1/04	16.3	12.6	16.0	14.6	11.3
Russell 3000 Value Index		15.5	8.8	13.2	13.2	8.1

1 Returns are based upon a time weighted rate of return of various fully discretionary equity portfolios with similar investment objectives, strategies and policies and other relevant criteria managed by SAMG LLC, a subsidiary of Silvercrest. Performance results are gross of fees and net of commission charges. An investor’s actual return will be reduced by the advisory fees and any other expenses it may incur in the management of the investment advisory account. SAMG LLC’s standard advisory fees are described in Part 2 of its Form ADV. Actual fees and expenses will vary depending on a variety of factors, including the size of a particular account. Returns greater than one year are shown as annualized compounded returns and include gains and accrued income and reinvestment of distributions. Past performance is no guarantee of future results. This report contains no recommendations to buy or sell securities or a solicitation of an offer to buy or sell securities or investment services or adopt any investment position. This report is not intended to constitute investment advice and is based upon conditions in place during the period noted. Market and economic views are subject to change without notice and may be untimely when presented here. Readers are advised not to infer or assume that any securities, sectors or markets described were or will be profitable. SAMG LLC is an independent investment advisory and financial services firm created to meet the investment and administrative needs of individuals with substantial assets and select institutional investors. SAMG LLC claims compliance with the Global Investment Performance Standards (GIPS®).

2 The market indices used to compare to the performance of our strategies are as follows:

The Russell 1000 Index is a capitalization-weighted, unmanaged index that measures the 1000 smallest companies in the Russell 3000. The Russell 1000 Value Index is a capitalization-weighted, unmanaged index that includes those

Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

The Russell 2000 Index is a capitalization-weighted, unmanaged index that measures the 2000 smallest companies in the Russell 3000. The Russell 2000 Value Index is a capitalization-weighted, unmanaged index that includes those Russell 2000 Index companies with lower price-to-book ratios and lower expected growth values.

The Russell 2500 Index is a capitalization-weighted, unmanaged index that measures the 2500 smallest companies in the Russell 3000. The Russell 2500 Value Index is a capitalization-weighted, unmanaged index that includes those Russell 2000 Index companies with lower price-to-book ratios and lower expected growth values.

The Russell 3000 Value Index is a capitalization-weighted, unmanaged index that measures those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth.

Three Months Ended September 30, 2017 versus Three Months Ended September 30, 2016

Our total revenue increased by $2.4 million, or 11.6%, to $22.8 million for the three months ended September 30, 2017, from $20.5 million for the three months ended September 30, 2016. This increase was driven by growth in our management and advisory fees as a result of increased assets under management.

Total assets under management increased by $2.7 billion, or 15.1%, to $20.6 billion at September 30, 2017 from $17.9 billion at September 30, 2016. Compared to the three months ended September 30, 2016, there was an increase of $0.6 billion in client inflows, an increase of $0.9 billion in client outflows and an increase in market appreciation of $0.2 billion. Our increase in total assets under management for the three months ended September 30, 2017, from June 30, 2017, was attributable to an increase of $0.6 billion in discretionary assets under management and an increase of $0.1 billion in non-discretionary assets under management. Sub-advised fund management revenue remained flat for the three months ended September 30, 2017 as compared to the same period in the prior year. Proprietary fund management revenue increased by $0.1 million for the three months ended September 30, 2017 as compared to the same period in the prior year, as a result of market appreciation. With respect to our discretionary assets under management, equity assets experienced an increase of 4.9% during the three months ended September 30, 2017 and fixed income assets increased by 0.4% during the same period. For the three months ended September 30, 2017, most of our growth came from our large cap value, multi cap value and SMID cap value strategies with composite returns of 7.4%, 7.0% and 6.2%, respectively. As of September 30, 2017, the composition of our assets under management was 74% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 26% in non-discretionary assets which represent assets on which we provide portfolio reporting but do not have investment discretion.

The following table represents a further breakdown of our assets under management as of the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,	
	2017	2016
Total AUM as of June 30,	$ 19.9	$ 17.2
Discretionary AUM:		
Total Discretionary AUM as of June 30,	14.7	12.6
New client accounts/assets (1)		0.2
Closed accounts (2)		
Net cash inflow/(outflow) (3)		
Non-discretionary to Discretionary AUM (4)		
Market appreciation	0.6	0.4
Change to Discretionary AUM	0.6	0.6
Total Discretionary AUM at September 30,	15.3	13.2
Change to Non-Discretionary AUM (5)	0.1	0.1
Total AUM as of September 30,	$ 20.6	$ 17.9

(1) Represents new account flows from both new and existing client relationships.
(2) Represents closed accounts of existing client relationships and those that terminated.
(3) Represents periodic cash flows related to existing accounts.
(4) Represents client assets that converted to Discretionary AUM from Non-Discretionary AUM.
(5) Represents the net change to Non-Discretionary AUM.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Our total revenue increased by $7.8 million, or 13.2%, to $66.9 million for the nine months ended September 30, 2017, from $59.1 million for the nine months ended September 30, 2016. This increase was driven by growth in our management and advisory fees as a result of increased assets under management.

Total assets under management increased by $2.7 billion, or 15.1%, to $20.6 billion at September 30, 2017 from $17.9 billion at September 30, 2016. Compared to the nine months ended September 30, 2016, there was an increase of $1.9 billion in client inflows, an increase of $0.8 billion in client outflows and an increase in market appreciation of $1.1 billion. Our increase in total assets under management for the nine months ended September 30, 2017, from

December 31, 2016, was attributable to an increase of $1.5 billion in discretionary assets under management and an increase of $0.5 billion in non-discretionary assets under management. Sub-advised and proprietary fund management revenue remained flat for the nine months ended September 30, 2017 as compared to the same period in the prior year. With respect to our discretionary assets under management, equity assets experienced an increase of 12.8% during the nine months ended September 30, 2017 and fixed income assets increased by 8.9% during the same period. For the nine months ended September 30, 2017, most of our growth came from our core international, large cap value and multi cap value strategies with composite returns of 21.6%, 16.2% and 12.9%, respectively. As of September 30, 2017, the composition of our assets under management was 74% in discretionary assets, which includes both separately managed accounts and proprietary and sub-advised funds, and 26% in non-discretionary assets which represent assets on which we provide portfolio reporting but do not have investment discretion.

The following table represents a further breakdown of our assets under management as of the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
	2017	2016
Total AUM as of January 1,	$ 18.6	$ 18.1
Discretionary AUM:		
Total Discretionary AUM as of January 1,	13.8	12.1
New client accounts/assets (1)	0.2	0.5
Closed accounts (2)		(0.1)
Net cash inflow/(outflow) (3)	0.2	(0.2)
Non-discretionary to Discretionary AUM (4)		
Market appreciation	1.1	0.9
Change to Discretionary AUM	1.5	1.1
Total Discretionary AUM at September 30,	15.3	13.2
Change to Non-Discretionary AUM (5)	0.5	(1.3)
Total AUM as of September 30,	$ 20.6	$ 17.9

(2) Represents new account flows from both new and existing client relationships.
(2) Represents closed accounts of existing client relationships and those that terminated.
(3) Represents periodic cash flows related to existing accounts.
(4) Represents client assets that converted to Discretionary AUM from Non-Discretionary AUM.
(5) Represents the net change to Non-Discretionary AUM.

Expenses

Our expenses for the three and nine months ended September 30, 2017 and 2016 are set forth below:

	For the Three Months Ended September 30,			
			2017 vs. 2016	2017 vs. 2016
(in thousands)	2017	2016	($)	(%)
Compensation and benefits (1)	$13,508	$12,166	$ 1,342	11.0 %
General, administrative and other	4,021	4,123	(102)	(2.5)%
Total expenses	$17,529	$16,289	$ 1,240	7.6 %

	For the Nine Months Ended September 30,			
(in thousands)	2017	2016	2017 vs. 2016	2017 vs. 2016

			($)	(%)
Compensation and benefits (1)	$39,618	$35,390	$ 4,228	11.9 %
General, administrative and other	12,052	12,370	(318)	(2.6)%
Total expenses	$51,670	$47,760	$ 3,910	8.2 %

(1) For the three months ended September 30, 2017 and 2016, $6,189 and $5,169, respectively, of partner incentive payments were included in cash compensation and benefits expense in the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2017 and 2016, $17,667 and $14,197, respectively, of partner incentive payments were included in cash compensation and benefits expense in the Condensed Consolidated Statements of Operations.

Our expenses are driven primarily by our compensation costs. The table included in "—Expenses—Compensation and Benefits Expense" describes the components of our compensation expense for the three and nine months ended September 30, 2017 and 2016. Other expenses, such as rent, professional service fees, data-related costs, and sub-advisory fees incurred are included in our general and administrative expenses in the Condensed Consolidated Statements of Operations.

Three Months Ended September 30, 2017 versus Three Months Ended September 30, 2016

Total expenses increased by $1.2 million, or 7.6%, to $17.5 million for the three months ended September 30, 2017 from $16.3 million for the three months ended September 30, 2016. This increase was attributable to an increase in compensation and benefits expense of $1.3 million, partially offset by a decrease in general, administrative and other expenses of $0.1 million.

Compensation and benefits expense increased by $1.3 million, or 11.0%, to $13.5 million for the three months ended September 30, 2017 from $12.2 million for the three months ended September 30, 2016. The increase was primarily attributable to an increase in the accrual for bonuses of $1.1 million and an increase in salaries expense of $0.2 million primarily as a result of merit-based increases.

General and administrative expenses decreased by $0.1 million, or 2.5%, to $4.0 million for the three months ended September 30, 2017 from $4.1 million for the three months ended September 30, 2016. The decrease was primarily attributable to a decrease in investment research costs of $0.2 million mainly due to a reduction in accrued soft dollar-related research cost conversions, a decrease in sub-advisory and referral fees of $0.1 million due to a decrease in sub-advisory revenue and a decrease in professional fees of $0.1 million, partially offset by an increase in travel and entertainment expense of $0.1 million and an increase in occupancy and related costs of $0.1 million.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Total expenses increased by $3.9 million, or 8.2%, to $51.7 million for the nine months ended September 30, 2017 from $47.8 million for the nine months ended September 30, 2016. This increase was attributable to an increase in compensation and benefits expense of $4.2 million, partially offset by a decrease in general, administrative and other expenses of $0.3 million.

Compensation and benefits expense increased by $4.2 million, or 11.9%, to $39.6 million for the nine months ended September 30, 2017 from $35.4 million for the nine months ended September 30, 2016. The increase was primarily attributable to an increase in the accrual for bonuses of $3.7 million and an increase in salaries expense of $0.5 million primarily as a result of merit-based increases.

General and administrative expenses decreased by $0.3 million, or 2.6%, to $12.1 million for the nine months ended September 30, 2017 from $12.4 million for the nine months ended September 30, 2016. The decrease was primarily attributable to a decrease in investment research costs of $0.4 million mainly due to a reduction in accrued soft dollar-related research cost conversions, a decrease in sub-advisory and referral fees of $0.2 million due to a decrease in sub-advisory revenue, a decrease in business taxes of $0.1 and a decrease in client reimbursements of $0.1 million, partially offset by an increase in travel and entertainment expenses of $0.1 million, an increase in marketing costs of $0.1 million, an increase in insurance costs of $0.1 million and an increase in occupancy and related costs of $0.2 million.

Other Income (Expense), Net

	For the Three Months Ended September 30,			
			2017 vs. 2016	2017 vs. 2016
(in thousands)	2017	2016	($)	(%)
Other income (expense), net	$8	$(215)	$ 223	103.7 %
Interest income	11	15	(4)	(26.7)%
Interest expense	(17)	(47)	30	63.8 %
Total other income (expense), net	$2	$(247)	$ 249	100.8 %

	For the Nine Months Ended September 30,			
(in thousands)	2017	2016	2017 vs. 2016	2017 vs. 2016

			($)	(%)
Other income (expense), net	$24	$(99)	$ 123	124.2 %
Interest income	33	47	(14)	(29.8)%
Interest expense	(85)	(174)	89	51.1 %
Total other income (expense), net	$(28)	$(226)	$ 198	87.6 %

Three Months Ended September 30, 2017 versus Three Months Ended September 30, 2016

Total other income (expense) net increased by $249 thousand to other income of $2 thousand for the three months ended September 30, 2017 from other (expense) of ($247) thousand for the three months ended September 30, 2016 due mainly to an increase in other income of $223 thousand related to an adjustment to the fair value of our tax receivable agreement liability recorded in 2016 and a decrease in interest expense of $30 thousand due to reduced notes payable balances as of September 30, 2017.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Total other income (expense) net increased by $198 thousand to other (expense) of ($28) thousand for the nine months ended September 30, 2017 from other (expense) of ($226) thousand for the nine months ended September 30, 2016 due mainly to an increase in other income of $123 thousand related to an adjustment to the fair value of our tax receivable agreement liability recorded in 2016 and a decrease in interest expense of $89 thousand due to reduced notes payable balances as of September 30, 2017.

Provision for Income Taxes

Three Months Ended September 30, 2017 versus Three Months Ended September 30, 2016

The provision for income taxes was $1.6 million and $1.0 million for the three months ended September 30, 2017 and 2016, respectively. The change was primarily the result of an increase in income before provision for income taxes. Our provision for income taxes as a percentage of income before provision for income taxes for the three months ended September 30, 2017 and 2016 was 30.2% and 26.5%, respectively.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

The provision for income taxes was $4.6 million and $3.6 million for the nine months ended September 30, 2017 and 2016, respectively. The change was primarily the result of an increase in income before provision for income taxes. Our provision for income taxes as a percentage of income before provision for income taxes for the nine months ended September 30, 2017 and 2016 was 30.1% and 32.4%, respectively.

Supplemental Non-GAAP Financial Information

To provide investors with additional insight, promote transparency and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, we supplement our condensed consolidated financial statements presented on a basis consistent with U.S. generally accepted accounting principles, or GAAP, with Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income, and Adjusted Earnings Per Share which are non-GAAP financial measures of earnings.

- EBITDA represents net income before provision for income taxes, interest income, interest expense, depreciation and amortization.
- We define Adjusted EBITDA as EBITDA without giving effect to the Delaware franchise tax, professional fees associated with acquisitions or financing transactions, gains on extinguishment of debt or other obligations related to acquisitions, impairment charges and losses on disposals or abandonment of assets and leaseholds, client reimbursements and fund redemption costs, severance and other similar expenses, but including partner incentive allocations, prior to our initial public offering, as an expense. We feel that it is important to management and investors to supplement our consolidated financial statements presented on a GAAP basis with Adjusted EBITDA, a non-GAAP financial measure of earnings, as this measure provides a perspective of recurring earnings of the Company, taking into account earnings attributable to both Class A and Class B shareholders.
- Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by total revenue. We feel that it is important to management and investors to supplement our consolidated financial statements presented on a GAAP basis with Adjusted EBITDA Margin, a non-GAAP financial measure of earnings, as this measure provides a perspective of recurring profitability of the Company, taking into account profitability attributable to both Class A and Class B shareholders.

- Adjusted Net Income represents recurring net income without giving effect to professional fees associated with acquisitions or financing transactions, losses on forgiveness of notes receivable from our principals, gains on extinguishment of debt or other obligations related to acquisitions, impairment charges and losses on disposals or abandonment of assets and leaseholds, client reimbursements and fund redemption costs, severance and other similar expenses, but including partner incentive allocations, prior to our initial public offering, as an expense. Furthermore, Adjusted Net Income includes income tax expense assuming a blended corporate rate of 40%. We feel that it is important to management and investors to supplement our consolidated financial statements presented on a GAAP basis with Adjusted Net Income, a non-GAAP financial measure of earnings, as this measure provides a perspective of recurring income of the Company, taking into account income attributable to both Class A and Class B shareholders.
- Adjusted Earnings Per Share represents Adjusted Net Income divided by the actual Class A and Class B shares outstanding as of the end of the reporting period for basic Adjusted Earnings Per Share, and to the extent dilutive, we add unvested deferred equity units and performance units to the total shares outstanding to compute diluted Adjusted Earnings Per Share. As a result of our structure, which includes a non-controlling interest, we feel that it is important to management and investors to supplement our consolidated financial statements presented on a GAAP basis with Adjusted

Earnings Per Share, a non-GAAP financial measure of earnings, as this measure provides a perspective of recurring earnings per share of the Company as a whole as opposed to being limited to our Class A common stock.

These adjustments, and the non-GAAP financial measures that are derived from them, provide supplemental information to analyze our operations between periods and over time. Investors should consider our non-GAAP financial measure in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

The following tables contain reconciliations of net income to Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings Per Share (amounts in thousands except per share amounts).

Adjusted EBITDA

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Reconciliation of non-GAAP financial measure:				
Net income	$3,714	$2,893	$10,614	$7,495
GAAP Provision for income taxes	1,604	1,041	4,575	3,589
Delaware Franchise Tax	45	45	135	135
Interest expense	17	47	85	174
Interest income	(11)	(15)	(33)	(47)
Depreciation and amortization	704	671	2,051	2,012
Equity-based compensation	832	842	2,447	2,417
Other adjustments (A)	119	369	416	789
Adjusted EBITDA	$7,024	$5,893	$20,290	$16,564
Adjusted EBITDA Margin	30.7 %	28.8 %	30.3 %	28.0 %
Adjusted Net Income and Adjusted Earnings Per Share				
Reconciliation of non-GAAP financial measure:				
Net income	$3,714	$2,893	$10,614	$7,495
GAAP Provision for income taxes	1,604	1,041	4,575	3,589
Delaware Franchise Tax	45	45	135	135
Other adjustments (A)	119	369	416	789
Adjusted earnings before provision for income taxes	5,482	4,348	15,740	12,008
Adjusted provision for income taxes:				
Adjusted provision for income taxes (40% assumed tax rate)	(2,193)	(1,739)	(6,296)	(4,803)
Adjusted net income	$3,289	$2,609	$9,444	$7,205
GAAP net income per share (B):				
Basic and diluted	$0.23	$0.19	$0.67	$0.47
Adjusted earnings per share/unit (B):				
Basic	$0.25	$0.20	$0.72	$0.56
Diluted	$0.24	$0.19	$0.69	$0.53

Shares/units outstanding:				
Basic Class A shares outstanding	8,131	8,049	8,131	8,049
Basic Class B shares/units outstanding	5,070	4,892	5,070	4,892
Total basic shares/units outstanding	13,201	12,941	13,201	12,941
Diluted Class A shares outstanding (C)	8,137	8,060	8,137	8,060
Diluted Class B shares/units outstanding (D)	5,556	5,621	5,556	5,621
Total diluted shares/units outstanding	13,693	13,681	13,693	13,681

(A) Other adjustments consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Acquisition costs (a)	$ —	$ —	$—	$22
Non-acquisition expansion costs (b)	69	69	120	226
Severance	45	—	168	6
Other (c)	5	300	128	535
Total other adjustments	$ 119	$ 369	$416	$789

(a) For the nine months ended September 30, 2016, reflects the $12 of legal fees associated with the Cappiccille Acquisition and $10 of professional fees related to the Jamison Acquisition.
(b) For the three months ended September 30, 2017 and 2016, represents accrued earnout of $69 and $69, respectively, related to our Richmond, VA office expansion. For the nine months ended September 30, 2017 and 2016, represents accrued earnout of $120 and $226, respectively, related to our Richmond, VA office expansion.
(c) For the three months ended September 30, 2017, represents professional fees of $5 related to a technology initiative. For the nine months ended September 30, 2017, represents a sign-on bonus paid to an employee of $105, professional fees of $18 related to a mock audit in advance of the requirements of Section 404 of the Sarbanes-Oxley Act as it relates to emerging growth companies and professional fees of $5 related to a technology initiative. For the three and nine months ended September 30, 2016, represents costs associated with the upgrade of our telephone system of $16 and $60, respectively, costs related to the implementation of software of $0 and $13, respectively, a sign on bonus of $261 paid to a new employee and professional fees of $61 and $78, respectively, related to a mock compliance audit, partially offset by a true up adjustment of $223 and $123, respectively, to our tax receivable agreement. The adjustment in fair value is the result in a reduction in future effective corporate tax rate in New York City as a result of a law change. The reduction in the future effective corporate tax rate will result in less tax benefits being recognized by the Company from future amortization reducing its liability pursuant to the tax receivable agreement.
(B) GAAP net income per share is strictly attributable to Class A shareholders. Adjusted earnings per share takes into account earnings attributable to both Class A and Class B shareholders.
(C) Includes 5,687 and 10,582 unvested restricted stock units at September 30, 2017 and 2016, respectively.
(D) Includes 486,098 and 728,674 unvested restricted stock units at September 30, 2017 and 2016, respectively.

Liquidity and Capital Resources

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

On June 24, 2013, the subsidiaries of Silvercrest L.P. entered into a $15.0 million credit facility with City National Bank. The subsidiaries of Silvercrest L.P. are the borrowers under such facility and Silvercrest L.P. guarantees the obligations of its subsidiaries under the credit facility. The credit facility is secured by certain assets of Silvercrest L.P. and its subsidiaries. The credit facility consists of a $7.5 million delayed draw term loan that matures on June 24, 2020 and a $7.5 million revolving credit facility that was scheduled to mature on December 24, 2016. On December 23, 2016, the revolving credit facility was extended for one year to December 23, 2017. 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. As of September 30, 2017, there were no borrowings outstanding on the revolving credit facility. As of September 30, 2017, 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 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 total voting securities of Silvercrest. Any undrawn amounts under this facility would be available to fund future acquisitions or for working capital purposes, if needed. We were in compliance with the covenants under the credit facility as of September 30, 2017.

Our ongoing sources of cash will primarily consist of management fees and family office services fees, which are principally collected quarterly. We will primarily use cash flow from operations to pay compensation and related expenses, general and administrative expenses, income taxes, debt service, capital expenditures, distributions to Class B unit holders and dividends on shares of our Class A common stock.

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

The following table sets forth certain key financial data relating to our liquidity and capital resources as of September 30, 2017 and December 31, 2016.

	As of	
(in thousands)	September 30, 2017	December 31, 2016
Cash and cash equivalents	$39,558	$ 37,517
Accounts receivable	$6,458	$ 6,270
Due from Silvercrest Funds	$2,656	$ 2,876

We anticipate that distributions to the limited partners of Silvercrest L.P. will continue to be a material use of our cash resources and will vary in amount and timing based on our operating results and dividend policy. We pay and intend to continue paying quarterly cash dividends to holders of our Class A common stock. We are a holding company and have no material assets other than our ownership of interests in Silvercrest L.P. As a result, we will depend upon distributions from Silvercrest L.P. to pay any dividends to our Class A stockholders. We expect to cause Silvercrest L.P. to make distributions to us in an amount sufficient to cover dividends, if any, declared by us. Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends or our subsidiaries are prevented from making a distribution to us under the terms of our current credit facility or any future financing. To the extent we do not have cash on hand sufficient to pay dividends, we may decide not to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

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

The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of our income and the tax rates then applicable. Nevertheless, we expect that as a result of the size of the increases in the tax basis of our tangible and intangible assets, the payments that we may make under the tax receivable agreement likely will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased depreciation and amortization of our assets, we expect that future payments to the selling principals of Silvercrest L.P. in respect of our purchase of Class B units from them will aggregate approximately $14.5 million. Future payments to current principals of Silvercrest L.P. and future holders of Class B units in respect of subsequent exchanges would be in addition to these amounts and are expected to be substantial. We intend to fund required payments pursuant to the tax receivable agreement from the distributions received from Silvercrest L.P.

Cash Flows

The following table sets forth our cash flows for the nine months ended September 30, 2017 and 2016. Operating activities consist of net income subject to adjustments for changes in operating assets and liabilities, depreciation, and equity-based compensation expense. Investing activities consist primarily of acquiring and selling property and equipment, and cash paid as part of business acquisitions. Financing activities consist primarily of contributions from partners, distributions to partners, dividends paid on Class A common stock, the issuance and payments on partner notes, other financings, and earnout payments related to business acquisitions.

	Nine Months Ended September 30,	
(in thousands)	2017	2016
Net cash provided by operating activities	$13,874	$9,313
Net cash (used in) provided by investing activities	(583)	69
Net cash used in financing activities	(11,250)	(10,977)
Net change in cash	$2,041	$(1,595)

Operating Activities

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017 and 2016, operating activities provided $13.9 million and $9.3 million, respectively. This difference is primarily the result of increased net income of $3.1 million, decreased payouts of accrued compensation of $1.6 million, an increase in distributions received from funds of $0.3 million, an increase in prepaid and other assets of $2.2 million and an increase in the tax receivable agreement adjustment of $0.1 million. This was partially offset by a decrease in accounts receivable of $1.8 million due mainly to the timing of payments from clients and a decrease in accounts payable and accrued expenses of $1.1 million.

Investing Activities

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017 and 2016, investing activities used $0.6 million and provided $0.1 million, respectively. The primary use of cash during the nine months ended September 30, 2017 was for the acquisition of furniture, equipment and leasehold improvements. The primary source of cash during the nine months ended September 30, 2016 was a reduction in restricted certificates of deposit of $0.5 million. This was offset by cash paid at closing for the Cappiccille Acquisition of $0.1 million and the acquisition of furniture, equipment and leasehold improvements.

Financing Activities

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017 and 2016, financing activities used $11.3 million and $11.0 million, respectively. Distributions to partners during the nine months ended September 30, 2017 and 2016 were $6.0 million and $5.8 million, respectively. This increase is due to an increase in composite tax payments during the nine months ended September 30, 2017 as compared with the prior period. During each of the nine months ended September 30, 2017 and 2016, the Company paid dividends of $2.9 million to Class A shareholders. During the nine months ended

September 30, 2017 and 2016, we made earnout payments of $0.8 million and $0.6 million, respectively, and made payments on notes payable of $1.8 million and $2.1 million, respectively.

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

As described below, we have outstanding fixed rate notes payable to Jamison, Eaton & Wood, Inc. and its principals related to the Jamison Acquisition, and variable rate notes issued to former principals to redeem units held by them under which we exercised our call right upon their termination.

As of September 30, 2017 and December 31, 2016, $0 and $0.1 million, respectively, remained outstanding on the note payable related to the Ten-Sixty acquisition. There was no accrued but unpaid interest on the notes payable related to the Ten-Sixty acquisition as of September 30, 2017 and December 31, 2016.

As of September 30, 2017 and December 31, 2016, nothing was outstanding on our revolving credit facility with City National Bank.

On June 3, 2013, we redeemed units from two of our former principals. In conjunction with this redemption, we issued promissory notes in an aggregate principal amount of approximately $5.3 million, subject to downward adjustments to the extent of any breach by the holders of such notes. The principal amounts of the notes were originally payable in four equal annual installments on each of June 3, 2014, 2015, 2016 and 2017. The principal amount outstanding under these notes bear interest at the U.S. Prime Rate plus 1% in effect at the time payments are due. The June 3, 2014 payment was not made as it was being assessed as to whether the former principals had complied with the note covenants and whether any reduction to these notes should be made. In October 2014, certain reductions totaling $1.7 million were agreed to based upon a review of the note covenants. As a result, the principal amounts of the notes of $3.6 million became payable in four equal installments of approximately $0.9 million on November 1, 2014, and on each of August 1, 2015, 2016 and 2017. The principal amounts outstanding under these notes bear interest at the U.S. Prime Rate plus 1% in effect at the time payments are due. As of September 30, 2017 and December 31, 2016, $0 and $0.9 million, respectively, remained outstanding on the notes and accrued but unpaid interest was approximately $0 and $17 thousand, respectively.

On June 30, 2015, we issued promissory notes in an aggregate principal amount of approximately $2.2 million in connection with the Jamison Acquisition. The principal amount outstanding under the notes bears interest at 5%. The principal amounts of the notes are payable in three equal installments of approximately $722 thousand on each of June 30, 2016, 2017 and 2018. As of September 30, 2017 and December 31, 2016, $0.7 million and $1.4 million, respectively, remained outstanding on the notes. As of September 30, 2017 and 2016, accrued but unpaid interest on the notes payable related to the Jamison Acquisition was approximately $9 thousand and $36 thousand, respectively.

Off-Balance Sheet Arrangements

We did not have any significant off-balance sheet arrangements as of September 30, 2017 or December 31, 2016.

Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies during the three months ended September 30, 2017 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on March 9, 2017.

Revenue Recognition

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 contractual percentage of the assets managed. Family office services fees are also 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 upon a contractually agreed-upon flat fee arrangement. Revenue is recognized on a ratable basis over the period in which services are performed.

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

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

- Level 1—includes quoted prices (unadjusted) in active markets for identical instruments at the measurement date. The types of financial instruments included in Level 1 include unrestricted securities, including equities listed in active markets.
- Level 2—includes inputs other than quoted prices that are observable for the instruments, including quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are observable for the instruments. The type of financial instruments in this category include less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and managed funds whose net asset value is based on observable inputs.
- Level 3—includes one or more significant unobservable inputs. Financial instruments that are included in this category include assets under management primarily comprised of investments in privately-held entities, limited partnerships, and other instruments where the fair value is based on unobservable inputs.

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

	Level 1	Level 2	Level 3	Total
	(in billions)			
September 30, 2017 AUM	$15.5	$ 3.1	$ 2.0	$20.6
December 31, 2016 AUM	$13.8	$ 2.8	$ 2.0	$18.6

As substantially all our assets under management are valued by independent pricing services based upon observable market prices or inputs, we believe market risk is the most significant risk underlying valuation of our assets under management, as discussed under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2016, which is accessible on the SEC's website at www.sec.gov and Item 3. "– Qualitative and Quantitative Disclosures Regarding Market Risk."

The average value of our assets under management for the three and nine months ended September 30, 2017 was approximately $20.3 billion and $19.6 billion, respectively. Assuming a 10% increase or decrease in our average assets under management and the change being proportionately distributed over all our products, the value would increase or decrease by approximately $2.0 billion and $2.0 billion for the three and nine months ended September 30, 2017, respectively, which would cause an annualized increase or decrease in revenues of approximately $9.1 million and $9.0 million for the three and nine months ended September 30, 2017, respectively, at a weighted average fee rate for the three and nine months ended September 30, 2017 of 0.45% and 0.46%, respectively.

The average value of our assets under management for the year ended December 31, 2016 was approximately $18.4 billion. Assuming a 10% increase or decrease in our average assets under management and the change being proportionately distributed over all our products, the value would increase or decrease by approximately $1.8 billion for the year ended December 31, 2016, which would cause an annualized increase or decrease in revenues of approximately $8.0 million for the year ended December 31, 2016, at a weighted average fee rate for the year ended December 31, 2016 of 0.44%.

Recently Issued Accounting Pronouncements

Information regarding recent accounting developments and their impact on the Company can be found in Note 2. "Summary of Significant Accounting Policies" in the "Notes to Condensed Consolidated Financial Statements" in this filing.

Item 3. Qualitative and Quantitative Disclosures Regarding Market Risk

Our exposure to market risk is directly related to our role as investment adviser for the separate accounts we manage and the funds for which we act as sub-investment adviser. Most of our revenue for the three and nine months ended September 30, 2017 and 2016 was derived from advisory fees, which are typically based on the market value of assets under management. Accordingly, a decline in the prices of securities would cause our revenue and income to decline due to a decrease in the value of the assets we manage. In addition, such a decline could cause our clients to withdraw their funds in favor of investments offering higher returns or lower risk, which would cause our revenue and income to decline further. Due to the nature of our business, we believe that we do not face any material risk from inflation. Please see our discussion of market risks in "—Critical Accounting Policies and Estimates—Revenue Recognition" which is part of Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended) at September 30, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at September 30, 2017.

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - Other Information

Item 6. Exhibits

Exhibit Number	Description
31.1**	Certification of the Company's Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of the Company's Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

**Filed herewith
***Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of New York, state of New York, on November 1, 2017.

Silvercrest Asset Management Group Inc.

		By:	/s/ Richard R. Hough III
Date:	November 1, 2017		Richard R. Hough III Chairman, Chief Executive Officer and President (Principal Executive Officer)
			/s/ Scott A. Gerard
Date:	November 1, 2017		Scott A. Gerard Chief Financial Officer (Principal Financial and Accounting Officer)