

LAZARD LTD

FORM 10-Q (Quarterly Report)

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SIC Code	6282 - Investment Advice
Industry	Investment Services
Sector	Financial
Fiscal Year	12/31

**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 March 31, 2012

OR

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

For the transition period from _____ to _____

001-32492

(Commission File Number)

LAZARD LTD

(Exact name of registrant as specified in its charter)

Bermuda

(State or Other Jurisdiction of Incorporation
or Organization)

98-0437848

(I.R.S. Employer Identification No.)

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

(Address of principal executive offices)

Registrant's telephone number: (441) 295-1422

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

As of April 24, 2012, there were 123,094,507 shares of the Registrant's Class A common stock (including 3,790,857 shares held by subsidiaries) and one share of the registrant's Class B common stock outstanding.

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When we use the terms “Lazard”, “we”, “us”, “our” and “the Company”, we mean Lazard Ltd, a company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company (“Lazard Group”), that is the current holding company for our businesses. Lazard Ltd has no material operating assets other than indirect ownership as of March 31, 2012 of approximately 94.9% of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

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PART I. FINANCIAL INFORMATION

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LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2012 AND DECEMBER 31, 2011
(UNAUDITED)
(dollars in thousands, except for per share data)

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 765,686	\$1,003,791
Deposits with banks	257,685	286,037
Cash deposited with clearing organizations and other segregated cash	74,502	75,506
Receivables (net of allowance for doubtful accounts of \$21,172 and \$19,450 at March 31, 2012 and December 31, 2011, respectively):		
Fees	436,201	402,843
Customers and other	71,152	83,111
Related parties	<u>15,232</u>	<u>18,501</u>
	522,585	504,455
Investments	378,273	378,521
Property (net of accumulated amortization and depreciation of \$265,223 and \$266,673 at March 31, 2012 and December 31, 2011, respectively)	190,080	168,429
Goodwill and other intangible assets (net of accumulated amortization of \$28,040 and \$26,922 at March 31, 2012 and December 31, 2011, respectively)	395,962	393,099
Other assets	<u>323,225</u>	<u>272,098</u>
Total assets	<u>\$2,907,998</u>	<u>\$3,081,936</u>

See notes to condensed consolidated financial statements.

LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION—(Continued)
MARCH 31, 2012 AND DECEMBER 31, 2011
(UNAUDITED)
(dollars in thousands, except for per share data)

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits and other customer payables	\$ 274,690	\$ 288,427
Accrued compensation and benefits	210,439	383,513
Senior debt	1,076,850	1,076,850
Capital lease obligations	19,891	20,084
Related party payables	10,988	6,075
Other liabilities	<u>454,362</u>	<u>440,131</u>
Total liabilities	2,047,220	2,215,080
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 shares issued and outstanding at March 31, 2012 and December 31, 2011	-	-
Series B - no shares issued and outstanding	-	-
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 123,094,507 and 123,009,311 shares issued at March 31, 2012 and December 31, 2011, respectively, including shares held by subsidiaries as indicated below)	1,231	1,230
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at March 31, 2012 and December 31, 2011)	-	-
Additional paid-in-capital	638,868	659,013
Retained earnings	262,100	258,646
Accumulated other comprehensive loss, net of tax	<u>(71,903)</u>	<u>(88,364)</u>
	830,296	830,525
Class A common stock held by subsidiaries, at cost (3,267,892 and 3,492,017 shares at March 31, 2012 and December 31, 2011, respectively)	<u>(91,962)</u>	<u>(104,382)</u>
Total Lazard Ltd stockholders' equity	738,334	726,143
Noncontrolling interests	<u>122,444</u>	<u>140,713</u>
Total stockholders' equity	<u>860,778</u>	<u>866,856</u>
Total liabilities and stockholders' equity	\$2,907,998	<u><u>\$3,081,936</u></u>

See notes to condensed consolidated financial statements.

LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)
(dollars in thousands, except for per share data)

	Three Months Ended March 31,	
	2012	2011
REVENUE		
Investment banking and other advisory fees	\$273,541	\$220,327
Money management fees	204,561	214,692
Interest income	2,150	3,492
Other	26,209	22,830
Total revenue	506,461	461,341
Interest expense	20,422	23,318
Net revenue	486,039	438,023
OPERATING EXPENSES		
Compensation and benefits	338,317	269,999
Occupancy and equipment	26,282	22,708
Marketing and business development	28,267	18,111
Technology and information services	20,393	19,567
Professional services	9,311	9,841
Fund administration and outsourced services	13,451	13,251
Amortization of intangible assets related to acquisitions	1,118	1,474
Other	11,077	9,626
Total operating expenses	448,216	364,577
OPERATING INCOME	37,823	73,446
Provision for income taxes	8,767	13,463
NET INCOME	29,056	59,983
LESS—NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3,504	4,976
NET INCOME ATTRIBUTABLE TO LAZARD LTD	<u>\$ 25,552</u>	<u>\$ 55,007</u>
ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:		
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic	119,229,541	115,334,754
Diluted	136,594,178	138,590,593
NET INCOME PER SHARE OF COMMON STOCK:		
Basic	<u>\$0.21</u>	<u>\$0.48</u>
Diluted	<u>\$0.20</u>	<u>\$0.43</u>
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	<u>\$0.16</u>	<u>\$0.125</u>

See notes to condensed consolidated financial statements.

LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)
(dollars in thousands)

	Three Months Ended March 31,	
	2012	2011
NET INCOME	\$29,056	\$59,983
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Currency translation adjustments	19,129	23,738
Amortization of interest rate hedge	264	264
Employee benefit plans:		
Net actuarial loss (net of tax benefit of \$1,282 and \$1,935 for the three months ended March 31, 2012 and 2011, respectively)	(2,597)	(3,685)
Adjustment for items reclassified to earnings (net of tax expense of \$297 and \$255 for the three months ended March 31, 2012 and 2011, respectively)	815	548
OTHER COMPREHENSIVE INCOME, NET OF TAX	17,611	20,865
COMPREHENSIVE INCOME	46,667	80,848
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	4,602	6,245
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD	\$42,065	\$74,603

See notes to condensed consolidated financial statements.

LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)
(dollars in thousands)

	Three Months Ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 29,056	\$ 59,983
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash items included in net income:		
Depreciation and amortization of property	6,975	5,916
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	93,937	100,113
Amortization of intangible assets related to acquisitions	1,118	1,474
(Increase) decrease in operating assets:		
Deposits with banks	36,866	69,199
Cash deposited with clearing organizations and other segregated cash	3,124	(1,518)
Receivables-net	(11,454)	47,125
Investments	2,687	13,363
Other assets	(52,523)	(11,722)
Increase (decrease) in operating liabilities:		
Deposits and other payables	(17,602)	(51,497)
Accrued compensation and benefits and other liabilities	(174,391)	(302,122)
Net cash used in operating activities	<u>(82,207)</u>	<u>(69,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(26,848)	(1,954)
Disposals of property	1,609	44
Net cash used in investing activities	<u>(25,239)</u>	<u>(1,910)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contributions from noncontrolling interests	704	884
Other financing activities	-	1,374
Payments for:		
Capital lease obligations	(740)	(675)
Distributions to noncontrolling interests	(23,961)	(2,886)
Repurchase of common membership interests from members of LAZ-MD Holdings	-	(794)
Purchase of Class A common stock	(70,540)	(32,689)
Class A common stock dividends	(19,164)	(14,115)
Settlement of vested share-based incentive compensation	(24,925)	(83,016)
Other financing activities	(28)	(19)
Net cash used in financing activities	<u>(138,654)</u>	<u>(131,936)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>7,995</u>	<u>9,771</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(238,105)	(193,761)
CASH AND CASH EQUIVALENTS—January 1	<u>1,003,791</u>	<u>1,209,695</u>
CASH AND CASH EQUIVALENTS—March 31	<u>\$ 765,686</u>	<u>\$1,015,934</u>

See notes to condensed consolidated financial statements.

LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2011
(UNAUDITED)
(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	\$	Shares (*)	\$				Shares	\$			
Balance – January 1, 2011	22,021	\$ –	119,697,937	\$ 1,197	\$ 758,841	\$ 166,468	\$ (46,158)	6,847,508	\$ (227,950)	\$ 652,398	\$ 143,719	\$ 796,117
Comprehensive income (loss):												
Net income						55,007				55,007	4,976	59,983
Other comprehensive income (loss)-net of tax:												
Currency translation adjustments							22,297			22,297	1,441	23,738
Amortization of interest rate hedge							248			248	16	264
Employee benefit plans:												
Net actuarial loss							(3,464)			(3,464)	(221)	(3,685)
Adjustments for items reclassified to earnings							515			515	33	548
Comprehensive income										74,603	6,245	80,848
Business acquisitions and related equity transactions:												
Class A common stock issued/issuable (including related amortization)					2,416					2,416	154	2,570
Amortization of share-based incentive compensation					87,948					87,948	5,609	93,557
Dividend-equivalents					2,680	(2,694)				(14)	(1)	(15)
Class A common stock dividends						(14,115)				(14,115)		(14,115)
Purchase of Class A common stock								766,814	(32,689)	(32,689)		(32,689)
Delivery of Class A common stock in connection with share-based incentive compensation					(245,984)			(4,889,175)	162,968	(83,016)		(83,016)
Repurchase of common membership interests from LAZ-MD Holdings					(746)					(746)	(48)	(794)
Distributions to noncontrolling interests, net											(2,002)	(2,002)
Adjustments related to noncontrolling interests					6,946		(5)			6,941	(6,941)	–
Balance – March 31, 2011	22,021	\$ –	119,697,937	\$ 1,197	\$ 612,101	\$ 204,666	\$ (26,567)	2,725,147	\$ (97,671)	\$ 693,726	\$ 146,735	\$ 840,461

(*) Includes 119,697,936 shares of the Company's Class A common stock issued at January 1, 2011 and March 31, 2011 and 1 share of the Company's Class B common stock issued at each such date.

See notes to condensed consolidated financial statements.

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LAZARD LTD
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THREE MONTH PERIOD ENDED MARCH 31, 2012
(UNAUDITED)
(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	\$	Shares(*)	\$				Shares	\$			
Balance – January 1, 2012	7,921	\$ –	123,009,312	\$1,230	\$ 659,013	\$ 258,646	\$ (88,364)	3,492,017	\$(104,382)	\$ 726,143	\$ 140,713	\$ 866,856
Comprehensive income (loss):												
Net income						25,552				25,552	3,504	29,056
Other comprehensive income (loss) - net of tax:												
Currency translation adjustments							17,953			17,953	1,176	19,129
Amortization of interest rate hedge							250			250	14	264
Employee benefit plans:												
Net actuarial loss							(2,463)			(2,463)	(134)	(2,597)
Adjustments for items reclassified to earnings							773			773	42	815
Comprehensive income										42,065	4,602	46,667
Amortization of share-based incentive compensation					81,708					81,708	4,428	86,136
Dividend-equivalents					2,912	(2,934)				(22)	(1)	(23)
Class A common stock dividends						(19,164)				(19,164)		(19,164)
Purchase of Class A common stock								2,378,445	(70,540)	(70,540)		(70,540)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax expense of \$972					(108,807)			(2,602,570)	82,960	(25,847)	(50)	(25,897)
Class A common stock issued in exchange for Lazard Group common membership interests			85,196	1	(1)							
Distributions to noncontrolling interests, net											(23,257)	(23,257)
Adjustments related to noncontrolling interests					4,043		(52)			3,991	(3,991)	
Balance – March 31, 2012	7,921	\$ –	123,094,508	\$1,231	\$ 638,868	\$ 262,100	\$ (71,903)	3,267,892	\$ (91,962)	\$ 738,334	\$ 122,444	\$ 860,778

(*) Includes 123,009,311 and 123,094,507 shares of the Company's Class A common stock issued at January 1, 2012 and March 31, 2012, respectively, and 1 share of the Company's Class B common stock issued at each such date.

See notes to condensed consolidated financial statements.

LAZARD LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in thousands, except for per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Lazard Ltd, a Bermuda holding company, and its subsidiaries (collectively referred to as “Lazard Ltd”, “Lazard”, “we” or the “Company”), including Lazard Ltd’s indirect investment in Lazard Group LLC, a Delaware limited liability company (collectively referred to, together with its subsidiaries, as “Lazard Group”), is one of the world’s preeminent financial advisory and asset management firms and has long specialized in crafting solutions to the complex financial and strategic challenges of our clients. We serve a diverse set of clients around the world, including corporations, partnerships, institutions, governments and high net worth individuals.

Lazard Ltd indirectly held approximately 94.9% and 94.8% of all outstanding Lazard Group common membership interests as of March 31, 2012 and December 31, 2011, respectively. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group. LAZ-MD Holdings LLC (“LAZ-MD Holdings”), an entity owned by Lazard Group’s current and former managing directors, held approximately 5.1% and 5.2% of the outstanding Lazard Group common membership interests as of March 31, 2012 and December 31, 2011, respectively. Additionally, LAZ-MD Holdings was the sole owner of the one issued and outstanding share of Lazard Ltd’s Class B common stock (the “Class B common stock”) which provided LAZ-MD Holdings with approximately 5.1% and 5.2% of the voting power but no economic rights in the Company as of such respective dates. Subject to certain limitations, LAZ-MD Holdings’ interests in Lazard Group are exchangeable for Lazard Ltd Class A common stock, par value \$0.01 per share (“Class A common stock”). Lazard Group is governed by an Operating Agreement dated as of May 10, 2005, as amended (the “Operating Agreement”).

Our sole operating asset is our indirect ownership of common membership interests of Lazard Group and our managing member interest of Lazard Group, whose principal operating activities are included in two business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (“M&A”) and other strategic matters, restructurings, capital structure, capital raising and various other financial matters, and
- Asset Management, which includes strategies for the management of equity and fixed income securities and alternative investment and private equity funds, as well as wealth management.

In addition, we record selected other activities in our Corporate segment, including management of cash, certain investments and the commercial banking activities of Lazard Group’s Paris-based Lazard Frères Banque SA (“LFB”). We also allocate outstanding indebtedness to our Corporate segment.

LFB is a registered bank regulated by the Autorité de Contrôle Prudentiel. It is engaged primarily in commercial and private banking services for clients and funds managed by Lazard Frères Gestion SAS (“LFG”) and other clients, investment banking activities, including participation in underwritten offerings of securities in France, asset-liability management and limited trading in securities and foreign exchange.

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Ltd's Annual Report on Form 10-K for the year ended December 31, 2011 (the "Form 10-K"). The accompanying December 31, 2011 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that Lazard may undertake in the future, actual results may differ materially from the estimates. The consolidated results of operations for the three month period ended March 31, 2012 are not necessarily indicative of the results to be expected for any future interim or annual period.

The condensed consolidated financial statements include Lazard Ltd, Lazard Group and Lazard Group's principal operating subsidiaries: Lazard Frères & Co. LLC ("LFNY"), a New York limited liability company, along with its subsidiaries, including Lazard Asset Management LLC and its subsidiaries (collectively referred to as "LAM"); the French limited liability companies Compagnie Financière Lazard Frères SAS ("CFLF") along with its subsidiaries, LFB and LFG, and Maison Lazard SAS and its subsidiaries; and Lazard & Co., Limited ("LCL"), through Lazard & Co., Holdings Limited, an English private limited company ("LCH"), together with their jointly owned affiliates and subsidiaries.

The Company's policy is to consolidate (i) entities in which it has a controlling financial interest, (ii) variable interest entities ("VIEs") where the Company has a variable interest and is deemed to be the primary beneficiary and (iii) limited partnerships where the Company is the general partner, unless the presumption of control is overcome. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity's operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of earnings or losses of the entity. Intercompany transactions and balances have been eliminated.

2. RECENT ACCOUNTING DEVELOPMENTS

Fair Value Measurements —In the first quarter of 2012, the Company adopted the amended fair value measurement guidance issued by the Financial Accounting Standards Board (the "FASB"), which the FASB stated was designed to achieve common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards ("IFRS"). Although many of the changes for U.S. GAAP purposes are clarifications of existing guidance or wording changes to align with IFRS, additional disclosures about fair value measurements are required, including (i) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (ii) the valuation processes used and the sensitivity of fair value measurements related to investments categorized within Level 3 of the hierarchy of fair value measurements to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (iii) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial condition but for which the fair value is required to be disclosed. The amended fair value measurement guidance became effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of the amended fair value measurement guidance did not have a material impact on the Company's consolidated financial statements, primarily because substantially all Level 3 assets are carried at net asset value ("NAV") or its equivalent.

Other Comprehensive Income —In the first quarter of 2012, the Company adopted the FASB's amended guidance regarding the presentation of comprehensive income, which the FASB stated was designed to improve

LAZARD LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)
(dollars in thousands, except for per share data, unless otherwise noted)

comparability, consistency and transparency. The amendment required that all changes in comprehensive income be presented either in (i) a single continuous statement of comprehensive income or in (ii) two separate but consecutive statements. The amendment was to be applied retrospectively and is effective with interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company elected the two-statement method.

3. RECEIVABLES - NET

The Company’s “receivables - net” represents receivables from fees, customers and other and related parties.

Receivables are stated net of an estimated allowance for doubtful accounts of \$21,172 and \$19,450 at March 31, 2012 and December 31, 2011, respectively, for past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. The Company recorded bad debt expense of \$1,281 and \$967 for the three month periods ended March 31, 2012 and 2011, respectively. In addition, the Company recorded charge-offs, foreign currency translation and other adjustments, which resulted in a net increase (decrease) to the allowance for doubtful accounts of \$441 and \$(487) for the three month periods ended March 31, 2012 and 2011, respectively. At March 31, 2012 and December 31, 2011, the Company had receivables deemed past due or uncollectible of \$21,615 and \$22,785 respectively.

4. INVESTMENTS

The Company’s investments and securities sold, not yet purchased, consist of the following at March 31, 2012 and December 31, 2011:

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Debt	\$ 9,149	\$ 36,966
Equities (a)	170,438	156,053
Other:		
Interests in alternative asset management funds (a)	37,851	20,610
Fixed income funds (a)	32,951	31,121
Private equity	116,563	122,718
Equity method investments	11,321	11,053
	<u>198,686</u>	<u>185,502</u>
Total investments	378,273	378,521
Less:		
Interest-bearing deposits (included in “debt” above)	2,958	2,834
Equity method investments	11,321	11,053
Investments, at fair value	<u>\$363,994</u>	<u>\$ 364,634</u>
Securities sold, not yet purchased, at fair value (included in “other liabilities”)	<u>\$ 1,952</u>	<u>\$ 4,282</u>

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(a) Equities, interests in alternative asset management funds and fixed income funds include investments with fair values of \$22,224, \$3,619 and \$5,056, respectively, at March 31, 2012 and \$19,857, \$2,256 and \$5,212, respectively, at December 31, 2011, held in order to satisfy the Company’s liability upon vesting of previously granted Lazard Fund Interests (“Lazard Fund Interests”) and other similar deferred compensation arrangements. Lazard Fund Interests represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds (see Notes 6 and 12 of Notes to Condensed Consolidated Financial Statements).

Debt securities included in the table above are categorized as “trading” securities. Debt securities primarily relate to Asset Management seed investments and U.S. government debt securities and, at December 31, 2011, non-U.S. government securities which matured during the first quarter of 2012.

Equities primarily relate to the Company’s seed investments in Asset Management products, which in turn invest in marketable equity securities of large-, mid- and small-cap domestic, international and global companies and include investments in public and private asset management funds managed both by LAM and third-party asset managers.

Interests in alternative asset management funds represent general partner (“GP”) interests in various Lazard-managed alternative asset management funds.

Fixed income funds primarily consist of amounts seeding products of our Asset Management business.

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds and direct private equity interests. Such investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, (ii) Corporate Partners II Limited (“CP II”), a private equity fund targeting significant noncontrolling-stake investments in established public and private companies, (iii) Lazard Senior Housing Partners LP (“Senior Housing”), which targets controlling interests in companies and assets in the senior housing, extended-stay hotel and shopping center sectors, (iv) Edgewater Growth Capital Partners III, L.P. (“EGCP III”), a private equity fund primarily making equity and buyout investments in lower middle market companies and (v) Lazard Australia Corporate Opportunities Fund 2 (“COF 2”), a Lazard-managed Australian private equity fund.

Private equity investments consolidated but not owned by Lazard relate to the economic interests that are owned by the leadership team and other investors in the Edgewater Funds (“Edgewater”) which aggregated \$22,059 and \$18,502 at March 31, 2012 and December 31, 2011, respectively.

During the three month periods ended March 31, 2012 and 2011, the Company recognized gross investment gains and losses in “revenue-other” on its condensed consolidated statements of operations as follows:

	Three Months Ended	
	March 31,	
	2012	2011
Gross investment gains	\$27,644	\$6,375
Gross investment losses	\$ 984	\$1,016

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The table above includes gross unrealized investment gains and losses pertaining to “trading” securities as follows:

	Three Months Ended March 31,	
	2012	2011
Gross unrealized investment gains	\$ 1,045	\$ 573
Gross unrealized investment losses	\$ –	\$ 120

5. FAIR VALUE MEASUREMENTS

Lazard categorizes its investments and certain other assets and liabilities recorded at fair value into a three-level fair value hierarchy as follows:

- Level 1.* Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Lazard has the ability to access.
- Level 2.* Assets and liabilities whose values are based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in non-active markets or assets valued based on NAV or its equivalent redeemable at the measurement date or within the near term without redemption restrictions, or inputs other than quoted prices that are directly observable or derived principally from, or corroborated by, market data.
- Level 3.* Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our own assumptions about the assumptions a market participant would use in pricing the asset or liability. Items included in Level 3 include securities or other financial assets whose volume and level of activity have significantly decreased when compared with normal market activity and there is no longer sufficient frequency or volume to provide pricing information on an ongoing basis as well as assets valued based on NAV not redeemable within the near term.

The Company’s investments in U.S. Government and agency debt securities as well as in non-U.S. Government and other debt securities are considered Level 1 assets when their respective fair values are based on unadjusted quoted prices in active markets and are considered Level 2 assets when their fair values are primarily based on broker quotes as provided by external pricing services.

The fair value of equities is principally classified as Level 1, Level 2 or Level 3 as follows: marketable equity securities are classified as Level 1 and are valued based on the last trade price on the primary exchange for that security; public asset management funds are classified as Level 1 and are valued based on the reported closing price for the fund; investments in private asset management funds are classified as Level 2 and are primarily valued based on information provided by fund managers and, secondarily, from external pricing services to the extent managed by LAM; and Level 3 represents equities valued based on NAV and are not redeemable within the near term.

The fair value of interests in alternative asset management funds is classified as either Level 2 or Level 3 depending on the time frame of any applicable redemption restriction, and is based on information provided by external pricing services.

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The Company's investments in fixed income funds are considered Level 1 assets when the fair values are based on the reported closing price for the fund or Level 2 assets when the fair values are primarily based on broker quotes as provided by external pricing services.

The fair value of private equity investments is classified as Level 3, and is primarily based on NAV. Such investments are not redeemable within the near term.

The fair values of derivatives entered into by the Company are classified as Level 2 and are based on the values of the related underlying assets, indices or reference rates as follows - the fair value of forward foreign currency exchange rate contracts is a function of the spot rate and the interest rate differential of the currency from the trade date to settlement date; the fair value of equity and fixed income swaps is based on the change in fair values of the related underlying equity security, financial instrument or index and a specified notional holding; and the fair values of interest rate swaps are based on the interest rate yield curve.

Where information reported is based on broker quotes, the Company generally obtains one quote/price per instrument. In some cases, quotes related to corporate bonds obtained through external pricing services represent the average of several broker quotes. Where information reported is based on data received from fund managers or from external pricing services, the Company reviews such information to ascertain at which level within the fair value hierarchy to classify the investment.

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The following tables present the categorization of investments and certain other assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011 into the three-level fair value hierarchy in accordance with fair value measurement disclosure requirements:

	March 31, 2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Debt (excluding interest-bearing deposits)	\$ 1,609	\$ 4,582	\$ –	\$ 6,191
Equities	118,154	52,057	227	170,438
Other (excluding equity method investments):				
Interest in alternative asset management funds	–	31,946	5,905	37,851
Fixed income funds	19,141	13,810	–	32,951
Private equity	–	–	116,563	116,563
Derivatives	–	1,454	–	1,454
Total Assets	<u>\$138,904</u>	<u>\$103,849</u>	<u>\$122,695</u>	<u>\$365,448</u>
Liabilities:				
Securities sold, not yet purchased	\$ 1,952	\$ –	\$ –	\$ 1,952
Derivatives	–	96,092	–	96,092
Total Liabilities	<u>\$ 1,952</u>	<u>\$ 96,092</u>	<u>\$ –</u>	<u>\$ 98,044</u>

	December 31, 2011			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Debt (excluding interest-bearing deposits)	\$ 17,111	\$17,021	\$ –	\$ 34,132
Equities	115,380	37,332	3,341	156,053
Other (excluding equity method investments):				
Interest in alternative asset management funds	–	13,569	7,041	20,610
Fixed income funds	27,539	3,582	–	31,121
Private equity	–	–	122,718	122,718
Derivatives	–	7,131	–	7,131
Total Assets	<u>\$160,030</u>	<u>\$78,635</u>	<u>\$133,100</u>	<u>\$371,765</u>
Liabilities:				
Securities sold, not yet purchased	\$ 4,282	\$ –	\$ –	\$ 4,282
Derivatives	–	30,713	–	30,713
Total Liabilities	<u>\$ 4,282</u>	<u>\$30,713</u>	<u>\$ –</u>	<u>\$ 34,995</u>

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There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month periods ended March 31, 2012 and 2011.

The following tables provide a summary of changes in fair value of the Company's Level 3 assets for the three month periods ended March 31, 2012 and 2011:

	Three Months Ended March 31, 2012					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	\$ 3,341	\$ —	\$ 10	\$ (3,130)	\$ 6	\$ 227
Interest in alternative asset management funds	7,041	127	—	(1,263)	—	5,905
Private equity	122,718	7,564	2,696	(17,872)	1,457	116,563
Total Level 3 Assets	<u>\$133,100</u>	<u>\$ 7,691</u>	<u>\$ 2,706</u>	<u>\$ (22,265)</u>	<u>\$ 1,463</u>	<u>\$122,695</u>

	Three Months Ended March 31, 2011					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	\$ 316	\$ —	\$ —	\$ (195)	\$ 8	\$ 129
Private equity	163,482	279	12,153	(7,108)	2,681	171,487
Total Level 3 Assets	<u>\$163,798</u>	<u>\$ 279</u>	<u>\$ 12,153</u>	<u>\$ (7,303)</u>	<u>\$ 2,689</u>	<u>\$171,616</u>

(a) Earnings for the three month periods ended March 31, 2012 and 2011 include net unrealized gains of \$6,080 and \$279, respectively, pertaining to investments outstanding at the end of each respective period.

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Fair Value of Certain Investments Based on NAV—The Company’s Level 2 and Level 3 investments at March 31, 2012 and December 31, 2011 include certain investments that are valued using an NAV as a practical expedient in determining fair value. Information with respect thereto was as follows:

	March 31, 2012							
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Notice Period
Equity funds	\$ 52,211	\$ —	2%	1%	0%	1%	Quarterly	60 Days
Interests in alternative asset management funds	37,851	—	0%	0%	0%	0%	Quarterly	>90 Days
Fixed income funds	13,810	—	0%	0%	0%	0%	Monthly	60 Days
Private equity funds	115,200	35,883	100%	26%	34%	40%	NA	NA
Total	\$219,072	\$ 35,883						

	December 31, 2011							
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Notice Period
Equity funds	\$ 40,512	\$ —	2%	1%	0%	1%	Quarterly	60 Days
Interests in alternative asset management funds	20,600	—	0%	0%	0%	0%	Quarterly	>90 Days
Fixed income funds	3,582	—	0%	0%	0%	0%	Monthly	60 Days
Private equity funds	121,276	52,197	100%	33%	28%	39%	NA	NA
Total	\$185,970	\$ 52,197						

Investment Capital Funding Commitments— At March 31, 2012, the current maximum unfunded commitments by the Company for capital contributions to investment funds related to (i) CP II, amounting to \$2,124 for potential “follow-on investments” and/or for fund expenses through the earlier of February 25, 2017 or the liquidation of the fund, (ii) EGCP III, amounting to \$25,673 through the earlier of October 12, 2016 (*i.e.*, the end of the investment period) for investments and/or expenses (with a portion of the undrawn amount of such commitment as of that date remaining committed until October 12, 2023 in respect of “follow-on investments” and/or fund expenses) or the liquidation of the fund and (iii) COF 2, amounting to \$8,086, through the earlier of November 11, 2016 (*i.e.*, the end of the investment period) for investments and/or fund expenses (with a portion of the undrawn amount of such commitment as of that date remaining committed until November 11, 2019 in respect of “follow-on investments” and/or fund expenses) or the liquidation of the fund.

The commitment regarding EGCP III described above reflects a March 1, 2012 reduction of approximately \$17,400 from the original commitment of \$50,000 that an investor group agreed to acquire from the Company.

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6. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, equity and fixed income swaps and other derivative contracts to hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt markets. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company's derivative instruments are recorded at their fair value, and are included in "other assets" and "other liabilities" on the consolidated statements of financial condition. Gains and losses on the Company's derivative instruments not designated as hedging instruments, as well as gains and losses on derivative instruments accounted for as fair value hedges, are included in "interest income" and "interest expense", respectively, or "revenue-other", depending on the nature of the underlying item, on the consolidated statements of operations. Furthermore, with respect to derivative instruments designated as fair value hedges, the hedged item is required to be adjusted for changes in fair value of the risk being hedged, with such adjustment accounted for in the consolidated statements of operations.

In addition to the derivative instruments described above, the Company records derivative liabilities relating to its obligations pertaining to Lazard Fund Interests awards and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures, and is included in "accrued compensation and benefits" in the consolidated statements of financial condition. Changes in the fair value of the derivative liabilities are included in "compensation and benefits" in the consolidated statements of operations, the impact of which equally offsets the changes in the fair value of the underlying investments owned, which is reported in "revenue-other" in the consolidated statements of operations.

The table below represents the fair values of the Company's derivative instruments reported within "other assets" and "other liabilities" and the fair value of the Company's derivative liabilities relating to its obligations pertaining to Lazard Fund Interests and other similar deferred compensation arrangements reported within "accrued compensation and benefits" (see Note 12 of Notes to Condensed Consolidated Financial Statements) on the accompanying condensed consolidated statements of financial condition as of March 31, 2012 and December 31, 2011:

	March 31, 2012	December 31, 2011
Derivative Assets:		
Forward foreign currency exchange rate contracts	\$ 1,403	\$ 4,245
Equity and fixed income swaps and other	51	2,886
	<u>\$ 1,454</u>	<u>\$ 7,131</u>
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	\$ 1,478	\$ 445
Interest rate swaps	274	277
Equity and fixed income swaps	4,054	91
Lazard Fund Interests and other similar deferred compensation arrangements (see Note 12)	90,286	29,900
	<u>\$96,092</u>	<u>\$ 30,713</u>

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Net gains (losses) with respect to derivative instruments not designated as hedging instruments (predominantly reflected in “revenue-other”) and the Company’s derivative liabilities relating to its obligations pertaining to Lazard Fund Interests and other similar deferred compensation arrangements (reported in “compensation and benefits” expense, which equally offsets corresponding amounts reported in “revenue-other” as described above) as reflected on the accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2012 and 2011, by type of derivative, were as follows:

	Three Months Ended March 31,	
	2012	2011
Forward foreign currency exchange rate contracts	\$ (1,922)	\$(6,258)
Equity and fixed income swaps and other	(10,255)	(2,289)
Lazard Fund Interests and other similar deferred compensation arrangements	(2,767)	–
	\$(14,944)	\$(8,547)

7. BUSINESS ACQUISITIONS

On July 15, 2009, the Company established a private equity business with Edgewater. Edgewater manages funds primarily focused on buy-out and growth equity investments in middle market companies. The acquisition was structured as a purchase by Lazard Group of interests in a holding company that in turn owns interests in the general partner and management company entities of the current Edgewater private equity funds (the “Edgewater Acquisition”). Following the Edgewater Acquisition, Edgewater’s leadership team retained a substantial economic interest in such entities. Edgewater’s activities are recorded in the Company’s Asset Management segment.

The aggregate fair value of the consideration recognized by the Company at the acquisition date was \$61,624. Such consideration consisted of (i) a one-time cash payment, (ii) 1,142,857 shares of Class A common stock (the “Initial Shares”) and (iii) up to 1,142,857 additional shares of Class A common stock subject to earnout criteria and payable over time (the “Earnout Shares”). The Initial Shares are subject to forfeiture provisions that lapse only upon the achievement of certain performance thresholds and transfer restrictions during the four year period ending December 2014. The Earnout Shares will be issued only if certain performance thresholds are met. On December 30, 2011, 285,715 Initial Shares and 57,287 Earnout Shares became unrestricted or were otherwise delivered.

In prior years, the Company made certain other business acquisitions. These purchases were effected through an exchange of a combination of cash, Class A common stock, and by Lazard Ltd issuing shares of non-participating convertible Series A and Series B preferred stock, which were each convertible into Class A common stock. In connection with such acquisitions, as of both March 31, 2012 and December 31, 2011, 47,474 shares of Class A common stock were issuable on a non-contingent basis. At March 31, 2012, no shares of Series A preferred stock were convertible into shares of Class A common stock on a contingent or a non-contingent basis. See Note 11 of Notes to Condensed Consolidated Financial Statements for additional information relating to preferred stock.

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8. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangible assets at March 31, 2012 and December 31, 2011 are presented below:

	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Goodwill	\$360,638	\$ 356,657
Other intangible assets (net of accumulated amortization)	35,324	36,442
	<u>\$395,962</u>	<u>\$ 393,099</u>

At March 31, 2012 and December 31, 2011, goodwill of \$296,097 and \$292,116, respectively, was attributable to the Company's Financial Advisory segment and, at such respective dates, \$64,541 of goodwill was attributable to the Company's Asset Management segment.

Changes in the carrying amount of goodwill for the three month periods ended March 31, 2012, and 2011 are as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Balance, January 1	\$356,657	\$313,229
Foreign currency translation adjustments	3,981	2,872
Balance, March 31	<u>\$360,638</u>	<u>\$316,101</u>

The gross cost and accumulated amortization of other intangible assets as of March 31, 2012 and December 31, 2011, by major intangible asset category, are as follows:

	<u>March 31, 2012</u>			<u>December 31, 2011</u>		
	<u>Gross Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Success/performance fees	\$30,740	\$ 7,122	\$23,618	\$30,740	\$ 7,122	\$23,618
Management fees, customer relationships and non-compete agreements	32,624	20,918	11,706	32,624	19,800	12,824
	<u>\$63,364</u>	<u>\$ 28,040</u>	<u>\$35,324</u>	<u>\$63,364</u>	<u>\$ 26,922</u>	<u>\$36,442</u>

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Amortization expense of intangible assets for the three month periods ended March 31, 2012 and 2011 was \$1,118 and \$1,474, respectively. Estimated future amortization expense is as follows:

<u>Year Ending December 31,</u>	<u>Future Amortization Expense (a)</u>
2012 (April 1 through December 31)	\$ 4,280
2013	10,338
2014	8,332
2015	6,735
2016	5,639
Total amortization expense	<u>\$ 35,324</u>

(a) Approximately 46% of intangible asset amortization is attributable to a noncontrolling interest.

9. SENIOR DEBT

Senior debt is comprised of the following as of March 31, 2012 and December 31, 2011:

	<u>Initial Principal Amount</u>	<u>Maturity Date</u>	<u>Annual Interest Rate</u>	<u>Outstanding As Of</u>	
				<u>March 31,</u>	<u>December 31,</u>
				<u>2012</u>	<u>2011</u>
Lazard Group 7.125% Senior Notes	\$550,000	5/15/15	7.125%	\$ 528,500	\$ 528,500
Lazard Group 6.85% Senior Notes	600,000	6/15/17	6.85%	548,350	548,350
Lazard Group Credit Facility	150,000	4/29/13	1.90%	—	—
Total				<u>\$1,076,850</u>	<u>\$1,076,850</u>

Lazard Group has in place a \$150,000, three-year senior revolving credit facility with a group of lenders (the “Credit Facility”), which expires in April, 2013. Interest rates under the Credit Facility vary and are based on either a Federal Funds rate or a Eurodollar rate, in each case plus an applicable margin. As of March 31, 2012, the annual interest rate for a loan accruing interest (based on the Federal Funds overnight rate), including the applicable margin, was 1.90%. At March 31, 2012 and December 31, 2011, no amounts were outstanding under the Credit Facility.

The Credit Facility, as amended, contains customary terms and conditions, including certain financial covenants. In addition, the Credit Facility, as well as the indenture and the supplemental indentures relating to Lazard Group’s senior notes, contain certain covenants, events of default and other customary provisions, including, where applicable, a customary make-whole provision in the event of early redemption. As of March 31, 2012, the Company was in compliance with all of these provisions. All of the Company’s senior debt obligations are unsecured.

As of March 31, 2012, the Company had approximately \$315,000 in unused lines of credit available to it, including the Credit Facility, and unused lines of credit available to LFB of approximately \$93,000 (at March 31, 2012 exchange rates) and Edgewater of \$65,000. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

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The Company's senior debt at March 31, 2012 and December 31, 2011 is recorded at historical amounts. At those dates, the fair value of such senior debt outstanding was approximately \$1,174,000 and \$1,138,000, respectively, and exceeded the aggregate carrying value by approximately \$97,000 and \$61,000, respectively. The fair value of the Company's senior debt was estimated using a discounted cash flow analysis based on the Company's current borrowing rates for similar types of borrowing arrangements or based on market quotations, where available. The Company's senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value.

10. COMMITMENTS AND CONTINGENCIES

Leases— The Company has various leases and other contractual commitments arising in the ordinary course of business. In the opinion of management, the fulfillment of such commitments, in accordance with their terms, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Guarantees— In the normal course of business, LFB provides indemnifications to third parties to protect them in the event of non-performance by its clients. At March 31, 2012, LFB had \$5,482 of such indemnifications and held \$4,198 of collateral/counter-guarantees to secure these commitments. The Company believes the likelihood of loss with respect to these indemnities is remote. Accordingly, no liability is recorded in the consolidated statement of financial condition.

Other Commitments —In the normal course of business, LFB enters into commitments to extend credit, predominately at variable interest rates. Such commitments at March 31, 2012 aggregated \$23,409. These commitments have varying expiration dates and are fully collateralized and generally contain requirements for the counterparty to maintain a minimum collateral level. These commitments may not represent future cash requirements as they may expire without being drawn upon.

See Notes 5, 7 and 13 of Notes to Condensed Consolidated Financial Statements for information regarding commitments relating to investment capital funding commitments, business acquisitions and obligations to fund our pension plans, respectively.

The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, LFB enters into underwriting commitments in which it participates as a joint underwriter. The settlement of such transactions are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations. At March 31, 2012, LFB had no such underwriting commitments.

Legal —The Company is involved from time to time in judicial, regulatory and arbitration proceedings and inquiries concerning matters arising in connection with the conduct of our businesses, including proceedings initiated by former employees alleging wrongful termination. The Company reviews such matters on a case-by-case basis and establishes any required accrual if a loss is probable and the amount of such loss can be reasonably estimated. The Company does experience significant variation in its revenue and earnings on a quarterly basis. Accordingly, the results of any pending matter or matters could be significant when compared to the Company's earnings in any particular fiscal quarter. The Company believes, however, based on currently available information, that the results of any pending matters, in the aggregate, will not have a material effect on its business or financial condition.

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11. STOCKHOLDERS' EQUITY

Lazard Group Distributions— As previously described, Lazard Group's common membership interests are held by subsidiaries of Lazard Ltd and by LAZ-MD Holdings. Pursuant to provisions of the Operating Agreement, Lazard Group distributions in respect of its common membership interests are allocated to the holders of such interests on a pro rata basis. Such distributions represent amounts necessary to fund (i) any dividends Lazard Ltd may declare on its Class A common stock and (ii) tax distributions in respect of income taxes that Lazard Ltd's subsidiaries and the members of LAZ-MD Holdings incur as a result of holding Lazard Group common membership interests.

During the three month periods ended March 31, 2012 and 2011, Lazard Group distributed the following amounts to LAZ-MD Holdings and the subsidiaries of Lazard Ltd (none of which related to tax distributions):

	Three Months Ended March 31,	
	2012	2011
LAZ-MD Holdings	\$ 1,081	\$ 955
Subsidiaries of Lazard Ltd	19,164	14,115
	\$20,245	\$15,070

Pursuant to the Operating Agreement, Lazard Group allocates and distributes to its members a substantial portion of its distributable profits in installments, as soon as practicable after the end of each fiscal year. Such installment distributions usually begin in February.

Exchange of Lazard Group Common Membership Interests — During the three month period ended March 31, 2012, Lazard Ltd issued 85,196 shares of Class A common stock in connection with the exchange of a like number of Lazard Group common membership interests (received from members of LAZ-MD Holdings in exchange for a like number of LAZ-MD Holdings exchangeable interests). No such exchanges occurred in the three month period ended March 31, 2011.

See "Noncontrolling Interests" below for additional information regarding Lazard Ltd's and LAZ-MD Holdings' ownership interests in Lazard Group.

Share Repurchase Program— In February 2011 and October 2011, the Board of Directors of Lazard Ltd authorized, on a cumulative basis, the repurchase of up to \$250,000 and \$125,000, respectively, in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2012 and December 31, 2013, respectively. The Company's prior share repurchase authorizations expired on December 31, 2009 and December 31, 2011. The Company expects that the share repurchase program, with respect to the Class A common stock, will continue to be used primarily to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2005 Equity Incentive Plan (the "2005 Plan") and the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan"). Pursuant to such authorizations, purchases have been made in the open market or through privately negotiated transactions. During the three month period ended March 31, 2012, the Company made purchases of 2,378,445 Class A common shares, at an aggregate cost of \$70,540 (no Lazard Group common membership interests were purchased during such three month period).

As of March 31, 2012, \$141,603 of the current aggregate \$375,000 share repurchase amount authorized as of such date remained available under the share repurchase program as follows – \$16,603 of the \$250,000 share

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repurchase amount expiring December 31, 2012, and all of the \$125,000 share repurchase amount expiring December 31, 2013. In addition, under the terms of the 2005 Plan and the 2008 Plan, upon the vesting of restricted stock units (“RSUs”), shares of Class A common stock may be withheld by the Company to cover the recipient’s estimated income tax liability (see Note 12 of Notes to Condensed Consolidated Financial Statements). On April 24, 2012, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional \$125,000 in aggregate cost of Lazard Ltd Class A common stock and Lazard Group common membership interests through December 31, 2013.

During the first quarter of 2012, the Company had a written trading plan under Rule 10b5-1 of the Securities Exchange Act of 1934 in place, pursuant to which it effected stock repurchases through the open market.

Preferred Stock—Lazard Ltd has 15,000,000 authorized shares of preferred stock, par value \$0.01 per share, inclusive of its Series A preferred stock and Series B preferred stock. The Series A and Series B preferred shares are each non-participating securities that are or were each convertible into Class A common stock, and have no voting or dividend rights. As of both March 31, 2012 and December 31, 2011, 7,921 shares of Series A preferred stock were outstanding, and no shares of Series B preferred stock were outstanding at such respective dates.

Accumulated Other Comprehensive Income (Loss), Net of Tax (“AOCI”)— The components of AOCI at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012	December 31, 2011
Currency translation adjustments	\$ 22,848	\$ 3,719
Interest rate hedge	(3,293)	(3,557)
Employee benefit plans	(94,419)	(92,637)
Total AOCI	(74,864)	(92,475)
Less amount attributable to noncontrolling interests	(2,961)	(4,111)
Total Lazard Ltd AOCI	<u>\$(71,903)</u>	<u>\$ (88,364)</u>

Noncontrolling Interests— Noncontrolling interests principally represent interests held in (i) Lazard Group by LAZ-MD Holdings and (ii) Edgewater’s management vehicles that the Company is deemed to control, but does not own.

As of March 31, 2012 and December 31, 2011, LAZ-MD Holdings held approximately 5.1% and 5.2%, respectively, of the outstanding Lazard Group common membership interests. Subject to certain limitations, LAZ-MD Holdings’ interests in Lazard Group are exchangeable for Class A common stock.

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The following tables summarize the changes in ownership interests in Lazard Group held by Lazard Ltd and LAZ-MD Holdings during the three month periods ended March 31, 2012, and 2011:

	Lazard Ltd		LAZ-MD Holdings		Total Lazard Group Common Membership Interests
	Common Membership Interests	% Ownership	Common Membership Interests	% Ownership	
Balance, January 1, 2011	119,697,936	94.0%	7,652,625	6.0%	127,350,561
Activity January 1, 2011 to March 31, 2011:					
Common membership interest activity in connection with:					
Repurchase of common membership interests from LAZ-MD Holdings	—		(19,032)		(19,032)
Balance, March 31, 2011	<u>119,697,936</u>	94.0%	<u>7,633,593</u>	6.0%	<u>127,331,529</u>
Balance, January 1, 2012	123,009,311	94.8%	6,756,779	5.2%	129,766,090
Activity January 1, 2012 to March 31, 2012:					
Common membership interest activity in connection with:					
Exchanges for Class A common stock	85,196		(85,196)		—
Balance, March 31, 2012	<u>123,094,507</u>	94.9%	<u>6,671,583</u>	5.1%	<u>129,766,090</u>

The change in Lazard Ltd's ownership in Lazard Group in the three month periods ended March 31, 2012 and 2011 did not materially impact Lazard Ltd's stockholders' equity.

The tables below summarize net income attributable to noncontrolling interests for the three month periods ended March 31, 2012 and 2011 and noncontrolling interests as of March 31, 2012 and December 31, 2011 in the Company's condensed consolidated financial statements:

	Net Income Attributable to Noncontrolling Interests	
	Three Months Ended March 31,	
	2012	2011
LAZ-MD Holdings	\$ 1,325	\$ 3,734
Edgewater	2,174	1,023
Other	5	219
Total	<u>\$ 3,504</u>	<u>\$ 4,976</u>

	Noncontrolling Interests As Of	
	March 31, 2012	December 31, 2011
	LAZ-MD Holdings	\$ 33,612
Edgewater	87,069	91,713
Other	1,763	17,046
Total	<u>\$122,444</u>	<u>\$ 140,713</u>

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Dividend Declared, April, 2012 —On April 24, 2012, the Board of Directors of Lazard Ltd declared a quarterly dividend of \$0.20 per share on its Class A common stock, totaling \$24,619, payable on May 25, 2012, to stockholders of record on May 4, 2012.

12. INCENTIVE PLANS

Share-Based Incentive Plan Awards

A description of Lazard Ltd’s 2005 Plan and 2008 Plan and activity with respect thereto during the three month periods ended March 31, 2012 and 2011 is presented below.

Shares Available Under the 2005 Plan and 2008 Plan

The 2005 Plan authorizes the issuance of up to 25,000,000 shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, restricted stock, stock units and other equity-based awards. Each stock unit granted under the 2005 Plan represents a contingent right to receive one share of Class A common stock, at no cost to the recipient. The fair value of such stock unit awards is generally determined based on the closing market price of Class A common stock on the day prior to the date of grant.

In addition to the shares available under the 2005 Plan, additional shares of Class A common stock are available under the 2008 Plan. The maximum number of shares available under the 2008 Plan is based on a formula that limits the aggregate number of shares that may, at any time, be subject to awards that are considered “outstanding” under the 2008 Plan to 30% of the then-outstanding shares of Class A common stock (treating, for this purpose, the then-outstanding exchangeable interests of LAZ-MD Holdings on a “fully-exchanged” basis as described in the 2008 Plan).

The following is a summary of the impact of share-based incentive plans on “compensation and benefits” expense within the Company’s condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2012	2011
Share-based incentive compensation:		
RSUs	\$81,891	\$84,858
Deferred stock units (“DSUs”)	70	56
Restricted stock	4,175	8,643
Total	<u>\$86,136</u>	<u>\$93,557</u>

The Company’s incentive plans are described below.

Restricted and Deferred Stock Units

RSUs generally require future service as a condition for the delivery of the underlying shares of Class A common stock (unless the recipient is then eligible for retirement under the Company’s retirement policy) and convert into Class A common stock on a one-for-one basis after the stipulated vesting periods. The grant date fair value of the

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RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods, and, for purposes of calculating diluted net income per share, RSUs are included in the diluted weighted average shares of Class A common stock outstanding using the “treasury stock” method.

RSUs issued subsequent to December 31, 2005 generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any ordinary quarterly dividends paid on Class A common stock during such period. During the three month periods ended March 31, 2012 and 2011, issuances of RSUs pertaining to such dividend participation rights and respective charges to “retained earnings”, net of estimated forfeitures (with corresponding credits to “additional paid-in-capital”) consisted of the following:

	Three Months Ended March 31,	
	2012	2011
Number of RSUs issued	101,597	60,223
Charges to retained earnings, net of estimated forfeitures	\$ 2,912	\$ 2,409

Non-executive members of the Board of Directors receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors’ Fee Deferral Unit Plan described below. DSUs are convertible into Class A common stock at the time of cessation of service to the Board, and, for purposes of calculating diluted net income per share, are included in the diluted weighted average shares of Class A common stock outstanding using the “treasury stock” method. DSUs include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock, and resulted in nominal cash payments for the three month periods ended March 31, 2012 and 2011.

On May 9, 2006, the Board of Directors adopted the Directors’ Fee Deferral Unit Plan, which allows the Company’s non-executive directors to elect to receive additional DSUs pursuant to the 2005 Plan in lieu of some or all of their cash fees. The number of DSUs that shall be granted to a non-executive director pursuant to this election will equal the value of cash fees that the applicable non-executive director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date on which the foregone cash fees would otherwise have been paid. During the three month periods ended March 31, 2012 and 2011, 2,522 and 1,249 DSUs, respectively, had been granted pursuant to such plan.

DSU awards are expensed at their fair value on their date of grant, inclusive of amounts related to the Directors’ Fee Deferral Unit Plan.

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The following is a summary of activity relating to RSUs and DSUs during the three month periods ended March 31, 2012 and 2011:

	RSUs		DSUs	
	Units	Weighted Average Grant Date	Units	Weighted Average Grant Date
Balance, January 1, 2012	20,751,829	\$ 36.84	140,660	\$ 34.83
Granted (including 101,597 RSUs relating to dividend participation)	7,147,059	\$ 27.73	2,522	\$ 27.89
Forfeited	(76,264)	\$ 33.14	–	–
Vested	(3,270,375)	\$ 34.28	–	–
Balance, March 31, 2012	<u>24,552,249</u>	<u>\$ 34.54</u>	<u>143,182</u>	<u>\$ 34.71</u>
Balance, January 1, 2011	22,108,635	\$ 35.67	121,737	\$ 34.46
Granted (including 60,223 RSUs relating to dividend participation)	6,038,286	\$ 45.12	1,249	\$ 45.55
Forfeited	(122,774)	\$ 38.24	–	–
Vested	(6,678,444)	\$ 39.45	–	–
Balance, March 31, 2011	<u>21,345,703</u>	<u>\$ 37.15</u>	<u>122,986</u>	<u>\$ 34.57</u>

In connection with RSUs which vested during the three month periods ended March 31, 2012 and 2011, the Company satisfied certain employees' tax obligations in lieu of issuing 802,810 and 1,947,471 shares of Class A common stock in the respective three month periods. Accordingly, 2,467,565 and 4,730,973 shares of Class A common stock held by Lazard Group were delivered during the three month periods ended March 31, 2012 and 2011, respectively.

As of March 31, 2012, unrecognized RSU compensation expense, adjusted for estimated forfeitures, was approximately \$360,000, with such unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.6 years subsequent to March 31, 2012. The ultimate amount of such expense is dependent upon the actual number of RSUs that vest. The Company periodically assesses the forfeiture rates used for such estimates. A change in estimated forfeiture rates would cause the aggregate amount of compensation expense recognized in future periods to differ from the estimated unrecognized compensation expense described herein.

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Restricted Stock

The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the three month periods ended March 31, 2012 and 2011:

	<u>Restricted Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance, January 1, 2012	95,332	\$ 37.63
Granted/Exchanged	577,323	\$ 29.25
Vested/Converted	<u>(119,552)</u>	<u>\$ 28.54</u>
Balance, March 31, 2012	<u>553,103</u>	\$ 30.85
Balance, January 1, 2011	95,332	\$ 37.63
Granted	183,422	\$ 45.26
Vested	<u>(183,422)</u>	<u>\$ 45.26</u>
Balance, March 31, 2011	<u>95,332</u>	\$ 37.63

The Company satisfied certain employees' tax obligations in lieu of delivering 25,661 and 25,220 shares of Class A common stock in connection with shares of restricted Class A common stock that vested during the three month periods ended March 31, 2012 and 2011, respectively. Accordingly, 93,891 and 158,202 shares of Class A common stock held by the Company were delivered during the respective three month periods.

The awards include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock during the period, which will vest concurrently with the underlying restricted stock award. At March 31, 2012, unrecognized restricted stock expense was approximately \$12,000, with such expense to be recognized over a weighted average period of approximately 2.1 years subsequent to March 31, 2012.

For purposes of calculating diluted net income per share, such awards are included in the diluted weighted average shares of Class A common stock outstanding using the "treasury stock" method.

Lazard Fund Interests

As previously described, commencing in February 2011, the Company granted to eligible employees Lazard Fund Interests. In connection with the Lazard Fund Interests and other similar deferred compensation arrangements, which generally require future service as a condition for vesting, the Company recorded a prepaid compensation asset and a corresponding compensation liability on the grant date based upon the fair value of the award. The prepaid asset is amortized on a straight-line basis over the applicable vesting periods or requisite service periods, and is charged to "compensation and benefits" expense within the Company's consolidated statement of operations. Lazard Fund Interests and similar deferred compensation arrangements that do not require future service are expensed immediately. The related compensation liability is accounted for at fair value as a derivative liability, and is adjusted for changes in fair value primarily related to the changes in the fair value of the underlying investments. Such changes in the fair value of the derivative liability are recorded to "compensation and benefits" expense within the Company's consolidated statements of operations, the impact of which equally offsets the changes in fair value of the underlying investments owned, which is reported in "revenue-other" in the consolidated statement of operations (see Note 6 of Notes to Condensed Consolidated Financial Statements).

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The following is a summary of activity relating to Lazard Fund Interests and other similar deferred compensation arrangements during the three month period ended March 31, 2012:

	Prepaid Compensation	Derivative
	Asset	Liability
Balance January 1, 2012	\$ 17,782	\$ 29,900
Granted	64,598	64,598
Settled	—	(6,922)
Amortization (including grants of awards to retirement-eligible recipients)	(6,185)	—
Increase in fair value	—	2,767
Foreign currency translation and other adjustments	162	(57)
Balance, March 31, 2012	<u>\$ 76,357</u>	<u>\$ 90,286</u>

The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 2.4 years subsequent to March 31, 2012.

The following is a summary of the impact of Lazard Fund Interests and other similar deferred compensation arrangements on “compensation and benefits” expense within the accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2012 and 2011:

	Three Months Ended March 31,	
	2012	2011
Compensation expense:		
Amortization (including grants of awards to retirement-eligible recipients)	\$ 6,185	\$ 2,641
Change in fair value of compensation liability	2,767	—
Total	<u>\$ 8,952</u>	<u>\$ 2,641</u>

13. EMPLOYEE BENEFIT PLANS

The Company provides retirement and other post-retirement benefits to certain of its employees through defined contribution and defined benefit pension plans and other post-retirement plans. These plans generally provide benefits to participants based on average levels of compensation. Expenses related to the Company’s employee benefit plans are included in “compensation and benefits” expense on the consolidated statements of operations.

Employer Contributions to Pension Plans —The Company’s funding policy for its U.S. and non-U.S. pension plans is to fund when required or when applicable upon an agreement with the plans’ Trustees. Management also evaluates from time to time whether to make voluntary contributions to the plans. The Company made a contribution to the U.S. pension plans during the three month period ended March 31, 2012 of approximately \$700.

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In accordance with agreements reached with the Trustees of certain U.K. pension plans in 2005, the Company was obligated to make further contributions to such pension plans based upon the cumulative performance of the plans' assets against specific benchmarks as measured on June 1, 2009 and subsequently remeasured on June 1, 2010. As of December 31, 2009, the obligation related to the cumulative underperformance of the plans' assets (the "underperformance obligation") was payable in equal monthly installments through May 2013. During the year ended December 31, 2010, the Company contributed approximately \$8,600 to settle the plans' underperformance obligation in full.

Further, on June 30, 2009, the Company and the Trustees concluded the December 31, 2007 triennial valuation of the U.K. pension plans discussed above, pursuant to which the Company agreed to annual future contributions to the plan through 2018. The agreement also required the Company to secure its obligations' to the pension plans by placing in escrow 12.5 million British pounds (with the Company depositing such amount in escrow in July 2009), with a final redemption date of December 31, 2018. The terms of this agreement were subject to adjustment (see below) based on the results of the December 31, 2010 triennial valuation and subsequent triennial valuations.

During 2011, the Company and the Trustees of the U.K. pension plans referred to above commenced negotiations regarding the terms of the December 31, 2010 triennial valuations of the plans and potential future contributions to the plans. We currently anticipate that the valuations will be concluded during the second quarter of 2012. In addition, the Company and the Trustees agreed in principle on a tentative agreement that would supersede the June 2009 agreement described above and that provides pension funding terms whereby the Company: (i) made a contribution in December 2011 to the plans of 2.3 million British pounds (\$3,687 at December 31, 2011 exchange rates) from the escrow account, (ii) will make contributions of 1 million British pounds during each year from 2012 through 2020 inclusive and (iii) will amend and extend the existing escrow arrangement into an account security arrangement covering 10.2 million British pounds from the existing escrow and additional contributions of 1 million British pounds into such account security arrangement during each year from 2014 through 2020, inclusive, with an agreement that assets from the account security arrangements will be released into the plans if and to the extent that the value of the plans' assets falls short of the funding target for June 1, 2020 that has been agreed upon with the Trustees. The terms of the tentative agreement are subject to adjustment based on the results of subsequent triennial valuations. Additionally, the Company is discussing with the Trustees the extent to which the Company would contribute to the plans to cover their administrative expenses. The aggregate escrow balance at March 31, 2012 has been recorded in "cash deposited with clearing organizations and other segregated cash" on the accompanying condensed consolidated statement of financial condition. Income on the escrow balance accretes to the Company and is recorded in interest income.

During the three month period ended March 31, 2012, no contribution to these U.K. pension plans was required, and no contributions were required to be made to other non-U.S. pension plans.

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The following table summarizes the components of net benefit cost (credit) for the three month periods ended March 31, 2012 and 2011:

Components of Net Benefit Cost (Credit):	Pension Plans		Post-Retirement Medical Plans	
	Three Months Ended March 31,			
	2012	2011	2012	2011
Service cost	\$ 172	\$ 163	\$ 11	\$ 15
Interest cost	6,902	7,067	53	70
Expected return on plan assets	(6,672)	(7,622)	–	–
Amortization of:				
Prior service cost	701	740	–	–
Net actuarial loss	411	63	–	–
Net benefit cost	<u>\$ 1,514</u>	<u>\$ 411</u>	<u>\$ 64</u>	<u>\$ 85</u>

14. INCOME TAXES

As a result of its indirect investment in Lazard Group, Lazard Ltd, through certain of its subsidiaries, is subject to U.S. federal income taxes on its portion of Lazard Group’s operating income. Although a portion of Lazard Group’s income is subject to U.S. federal income taxes, Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group’s income from its U.S. operations is generally not subject to U.S. federal income taxes because such income is attributable to its partners. In addition, Lazard Group is subject to New York City Unincorporated Business Tax (“UBT”) which is attributable to Lazard Group’s operations apportioned to New York City. UBT is incremental to the U.S. federal statutory tax rate. Outside the U.S., Lazard Group operates principally through subsidiary corporations that are subject to local income taxes.

The Company recorded income tax provisions of \$8,767 and \$13,463 for the three month periods ended March 31, 2012 and 2011, respectively, representing effective tax rates of 23.2% and 18.3%, respectively. The difference between the U.S. federal statutory rate of 35.0% and the effective tax rates reflected above principally relates to (i) Lazard Group primarily operating as a limited liability company in the U.S., (ii) foreign source income (loss) not subject to U.S. income taxes, (iii) Lazard Group’s income from U.S. operations attributable to noncontrolling interests and (iv) U.S. state and local taxes (primarily UBT), which are incremental to the U.S. federal statutory tax rate.

Substantially all of Lazard’s foreign operations are conducted in “pass-through” entities for U.S. income tax purposes and the Company provides for U.S. income taxes on a current basis for substantially all of those earnings. The repatriation of prior earnings attributable to “non-pass-through” entities would not result in the recognition of a material amount of additional U.S. income taxes.

Tax Receivable Agreement

The redemption of historical partner interests in connection with the Company’s separation and recapitalization that occurred in May 2005 and subsequent exchanges of LAZ-MD Holdings exchangeable interests for shares of Class A common stock have resulted, and future exchanges of LAZ-MD Holdings exchangeable interests for shares of

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Class A common stock may result, in increases in the tax basis of the tangible and/or intangible assets of Lazard Group. The tax receivable agreement dated as of May 10, 2005 with LFCM Holdings LLC (“LFCM Holdings”) requires the Company to pay LFCM Holdings 85% of the cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the Company actually realizes as a result of the above-mentioned increases in tax basis. The Company calculates this provision annually and includes such amounts in operating expenses on its consolidated statements of operations once the results of operations for the full year are known. As a result, there is no provision for such payments in the three month periods ended March 31, 2012 and 2011. If any provision is required pursuant to the tax receivable agreement, such amount would be fully offset by a reduction in the Company’s income tax expense.

15. NET INCOME PER SHARE OF CLASS A COMMON STOCK

The Company’s basic and diluted net income per share calculations for the three month periods ended March 31, 2012 and 2011 are computed as described below.

Basic Net Income Per Share

Numerator —utilizes net income attributable to Lazard Ltd for the respective years, plus applicable adjustments to such net income associated with the inclusion of shares of Class A common stock issuable on a non-contingent basis.

Denominator —utilizes the weighted average number of shares of Class A common stock outstanding for the respective years, plus applicable adjustments to such shares associated with shares of Class A common stock issuable on a non-contingent basis.

Diluted Net Income Per Share

Numerator —utilizes net income attributable to Lazard Ltd for the respective years as in the basic net income per share calculation described above, plus, to the extent applicable and dilutive, (i) interest expense on convertible debt, (ii) changes in net income attributable to noncontrolling interests resulting from assumed Class A common stock issuances in connection with share-based incentive compensation, convertible debt and convertible preferred stock and, on an “as-if-exchanged” basis, amounts applicable to LAZ-MD Holdings exchangeable interests and (iii) income tax related to (i) and (ii) above.

Denominator —utilizes the weighted average number of shares of Class A common stock outstanding for the respective years as in the basic net income per share calculation described above, plus, to the extent dilutive, the incremental number of shares of Class A common stock to settle share-based incentive compensation, convertible debt, convertible preferred stock and LAZ-MD Holdings exchangeable interests, using the “treasury stock” method, the “if converted” method or the “as-if-exchanged” basis, as applicable.

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The calculations of the Company's basic and diluted net income per share and weighted average shares outstanding for the three month periods ended March 31, 2012 and 2011 are presented below:

	Three Months Ended March 31,	
	2012	2011
Net income attributable to Lazard Ltd	\$25,552	\$55,007
Add (deduct) - adjustment associated with Class A common stock issuable on a non-contingent basis	—	97
Net income attributable to Lazard Ltd - basic	25,552	55,104
Add - dilutive effect, as applicable, of:		
Adjustments to income relating to interest expense and changes in net income attributable to noncontrolling interests resulting from assumed Class A common stock issuances in connection with share-based incentive compensation, convertible debt in 2011, convertible preferred stock and exchangeable interests, net of tax	1,190	4,424
Net income attributable to Lazard Ltd - diluted	<u>\$ 26,742</u>	<u>\$59,528</u>
Weighted average number of shares of Class A common stock outstanding	118,679,859	111,681,448
Add - adjustment for shares of Class A common stock issuable on a non-contingent basis	549,682	3,653,306
Weighted average number of shares of Class A common stock outstanding - basic	119,229,541	115,334,754
Add - dilutive effect, as applicable, of:		
Weighted average number of incremental shares of Class A common stock issuable from share-based incentive compensation, convertible debt in 2011, convertible preferred stock and exchangeable interests	17,364,637	23,255,839
Weighted average number of shares of Class A common stock outstanding - diluted	<u>136,594,178</u>	<u>138,590,593</u>
Net income attributable to Lazard Ltd per share of Class A common stock:		
Basic	<u>\$0.21</u>	<u>\$0.48</u>
Diluted	<u>\$0.20</u>	<u>\$0.43</u>

16. RELATED PARTIES

Amounts receivable from, and payable to, related parties are set forth below:

	March 31,	December 31,
	2012	2011
Receivables		
LFCM Holdings	\$11,393	
Other	3,839	\$ 14,790
Total	<u>\$15,232</u>	<u>3,711</u>
		<u>\$ 18,501</u>
Payables		
LFCM Holdings	\$10,043	\$ 4,850
Other	945	1,225
Total	<u>\$10,988</u>	<u>\$ 6,075</u>

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(dollars in thousands, except for per share data, unless otherwise noted)

LFCM Holdings

LFCM Holdings owns and operates the capital markets business and fund management activities, as well as other specified non-operating assets and liabilities, that were transferred to it by Lazard Group (referred to as the “separated businesses”) in May 2005 and is owned by various current and former working members, including certain of Lazard’s current and former managing directors (which also include certain of the Company’s executive officers) who were or are also members of LAZ-MD Holdings. In addition to the master separation agreement dated as of May 10, 2005, by and among Lazard Ltd, Lazard Group, LAZ-MD Holdings and LFCM Holdings (the “master separation agreement”), which effected the separation and recapitalization that occurred in May 2005, LFCM Holdings entered into certain agreements that addressed various business matters associated with the separation, including agreements related to administrative and support services (the “administrative services agreement”), employee benefits, insurance matters and licensing. In addition, LFCM Holdings and Lazard Group entered into a business alliance agreement (the “business alliance agreement”). Certain of these agreements are described in more detail in the Company’s Form 10-K.

For the three month periods ended March 31, 2012 and 2011, amounts recorded by Lazard Group relating to the administrative services agreement amounted to \$813 and \$614, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to \$814 and \$6,947, respectively. Amounts relating to the administrative services agreement are reported as reductions to operating expenses. Net referral fees for underwriting transactions under the business alliance agreement are reported in “revenue-other”. Net referral fees for private placement, M&A and restructuring transactions under the business alliance agreement are reported in advisory fee revenue.

Receivables from LFCM Holdings and its subsidiaries as of March 31, 2012 and December 31, 2011 primarily include \$4,632 and \$10,722, respectively, related to administrative and support services, sublease income and reimbursement of expenses incurred on behalf of LFCM Holdings, and \$6,606 and \$2,928, respectively, related to referral fees for underwriting and private placement transactions. Payables to LFCM Holdings and its subsidiaries at March 31, 2012 and December 31, 2011 consist of \$7,253 and \$2,060, respectively, principally relating to certain advances and referral fees for Financial Advisory transactions and obligations pursuant to the tax receivable agreement of \$2,790 at each respective date (see Note 14 of Notes to Condensed Consolidated Financial Statements).

Other

Other receivables and payables at March 31, 2012 and December 31, 2011 primarily relate to referral fees for restructuring and M&A transactions with MBA Lazard Holdings S.A. and its subsidiaries and a related party loan.

LAZ-MD Holdings

Lazard Group provides selected administrative and support services to LAZ-MD Holdings through the administrative services agreement as discussed above, with such services generally to be provided until December 31, 2014 unless terminated earlier because of a change in control of either party. Lazard Group charges LAZ-MD Holdings for these services based on Lazard Group’s cost allocation methodology and, for the three month periods ended March 31, 2012 and 2011, such charges amounted to \$188 for each period.

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

17. REGULATORY AUTHORITIES

LFNY is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Under the basic method permitted by this rule, the minimum required net capital, as defined, is a specified fixed percentage of total aggregate indebtedness recorded in LFNY's Financial and Operational Combined Uniform Single ("FOCUS") report filed with the Financial Industry Regulatory Authority ("FINRA"), or \$100, whichever is greater. At March 31, 2012, LFNY's regulatory net capital was \$81,766, which exceeded the minimum requirement by \$77,549.

Certain U.K. subsidiaries of the Company, including LCL, Lazard Fund Managers Limited and Lazard Asset Management Limited (the "U.K. Subsidiaries") are regulated by the Financial Services Authority. At March 31, 2012, the aggregate regulatory net capital of the U.K. Subsidiaries was \$155,827, which exceeded the minimum requirement by \$131,663.

CFLF, under which asset management and commercial banking activities are carried out in France, is subject to regulation by the Autorité de Contrôle Prudentiel for its banking activities conducted through its subsidiary, LFB. In addition, the investment services activities of the Paris group, exercised through LFB and other subsidiaries of CFLF, primarily LFG (asset management), are subject to regulation and supervision by the Autorité des Marchés Financiers. At March 31, 2012, the consolidated regulatory net capital of CFLF was \$178,345, which exceeded the minimum requirement set for regulatory capital levels by \$80,612.

Certain other U.S. and non-U.S. subsidiaries are subject to various capital adequacy requirements promulgated by various regulatory and exchange authorities in the countries in which they operate. At March 31, 2012, for those subsidiaries with regulatory capital requirements, their aggregate net capital was \$108,515, which exceeded the minimum required capital by an aggregate of \$85,762.

At March 31, 2012, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

Lazard Ltd had been subject to supervision by the SEC as a Supervised Investment Bank Holding Company ("SIBHC"). As a SIBHC, Lazard Ltd was subject to group-wide supervision, which required it to compute allowable capital and risk allowances on a consolidated basis. However, pursuant to Section 617 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the SEC's SIBHC program was eliminated on July 21, 2011. Pursuant to relevant rules in the European Union, Lazard Ltd is required to be supervised by another regulatory body, either in the U.S. or the European Union. The Dodd-Frank Act allows certain securities holding companies seeking consolidated supervision, including Lazard Ltd, to elect to be supervised by the Board of Governors of the Federal Reserve. Lazard Ltd anticipates that the Board of Governors of the Federal Reserve will adopt regulations pursuant to Section 618 of the Dodd-Frank Act in the near future for companies that seek to come under its consolidated supervision. Once it analyzes the final scope of such regulations, Lazard Ltd will determine whether it will elect to register to come under the consolidated supervision of the Federal Reserve. Until such regulations are adopted, however, we cannot determine the full impact of such regulations on us. The Dodd-Frank Act and the rules and regulations that may be adopted thereunder (including regulations that have not yet been proposed) could have other effects on us. We continue to monitor the process as such rules are proposed and adopted.

LAZARD LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)
(dollars in thousands, except for per share data, unless otherwise noted)

18. SEGMENT INFORMATION

The Company's reportable segments offer different products and services and are managed separately as different levels and types of expertise are required to effectively manage the segments' transactions. Each segment is reviewed to determine the allocation of resources and to assess its performance. The Company's principal operating activities are included in two business segments as described in Note 1 above - Financial Advisory and Asset Management. In addition, as described in Note 1 above, the Company records selected other activities in its Corporate segment.

The Company's segment information for the three month periods ended March 31, 2012 and 2011 is prepared using the following methodology:

- Revenue and expenses directly associated with each segment are included in determining operating income.
- Expenses not directly associated with specific segments are allocated based on the most relevant measures applicable, including revenue, headcount, square footage and other factors.
- Segment assets are based on those directly associated with each segment, and include an allocation of certain assets relating to various segments, based on the most relevant measures applicable, including headcount, square footage and other factors.

The Company allocates investment gains and losses, interest income and interest expense among the various segments based on the segment in which the underlying asset or liability is reported.

Each segment's operating expenses include (i) compensation and benefits expenses incurred directly in support of the businesses and (ii) other operating expenses, which include directly incurred expenses for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and indirect support costs (including compensation and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities.

LAZARD LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)
(dollars in thousands, except for per share data, unless otherwise noted)

Management evaluates segment results based on net revenue and operating income (loss) and believes that the following information provides a reasonable representation of each segment's contribution with respect to net revenue, operating income (loss) and total assets:

		Three Months Ended March 31,	
		2012	2011
Financial Advisory	Net Revenue	\$277,196	\$228,845
	Operating Expenses	249,897	213,566
	Operating Income	<u>\$ 27,299</u>	<u>\$ 15,279</u>
Asset Management	Net Revenue	\$214,527	\$226,853
	Operating Expenses	160,501	149,204
	Operating Income	<u>\$ 54,026</u>	<u>\$ 77,649</u>
Corporate	Net Revenue	\$ (5,684)	\$(17,675)
	Operating Expenses	37,818	1,807
	Operating Loss	<u>\$(43,502)</u>	<u>\$(19,482)</u>
Total	Net Revenue	\$486,039	\$438,023
	Operating Expenses	448,216	364,577
	Operating Income	<u>\$ 37,823</u>	<u>\$ 73,446</u>

		As Of December 31,	
		March 31, 2012	2011
Total Assets			
Financial Advisory		\$ 797,733	\$ 767,699
Asset Management		534,558	583,524
Corporate		<u>1,575,707</u>	<u>1,730,713</u>
Total		<u>\$2,907,998</u>	<u>\$3,081,936</u>

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

The following discussion should be read in conjunction with Lazard Ltd's condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (the "Form 10-Q"), as well as Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the "Form 10-K"). All references to "2012", "2011", "first quarter" or "the period" refer to, as the context requires, the three month periods ended March 31, 2012 and March 31, 2011.

Forward-Looking Statements and Certain Factors that May Affect Our Business

Management has included in Parts I and II of this Form 10-Q, including in its MD&A, statements that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These factors include, but are not limited to, those discussed in our Form 10-K under the caption "Risk Factors," including the following:

- a decline in general economic conditions or the global financial markets,
- losses caused by financial or other problems experienced by third parties,
- losses due to unidentified or unanticipated risks,
- a lack of liquidity, *i.e.*, ready access to funds, for use in our businesses, and
- competitive pressure on our businesses and on our ability to retain our employees.

These risks and uncertainties are not exhaustive. Other sections of the Form 10-K may include additional factors, which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about the:

- business' possible or assumed future results of operations and operating cash flows,
- business' strategies and investment policies,
- business' financing plans and the availability of short-term borrowing,
- business' competitive position,
- future acquisitions, including the consideration to be paid and the timing of consummation,
- potential growth opportunities available to our businesses,

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- recruitment and retention of our managing directors and employees,
- potential levels of compensation expense,
- business' potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts,
- likelihood of success and impact of litigation,
- expected tax rates,
- changes in interest and tax rates,
- expectations with respect to the economy, securities markets, the market for mergers, acquisitions and strategic advisory and restructuring activity, the market for asset management activity and other industry trends,
- effects of competition on our business, and
- impact of future legislation and regulation on our business.

The Company is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, the Company uses its websites to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates of assets under management (“AUM”) in various mutual funds, hedge funds and other investment products managed by Lazard Asset Management LLC (“LAM”) and its subsidiaries. Monthly updates of these funds are posted to the LAM website (www.lazardnet.com) on the third business day following the end of each month. Investors can link to Lazard Ltd, Lazard Group and their operating company websites through <http://www.lazard.com> . Our websites and the information contained therein or connected thereto shall not be deemed to be incorporated into this Form 10-Q.

Business Summary

Lazard is a preeminent financial advisory and asset management firm. We have long specialized in crafting solutions to the complex financial and strategic challenges of a diverse set of clients around the world, including corporations, governments, institutions, partnerships and individuals. Founded in 1848 in New Orleans, we currently operate from 42 cities in key business and financial centers across 27 countries throughout Europe, North America, Asia, Australia, the Middle East and Central and South America.

Our principal sources of revenue are derived from activities in the following business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (“M&A”) and other strategic matters, restructurings, capital structure, capital raising and various other financial matters, and
- Asset Management, which includes strategies for the management of equity and fixed income securities and alternative investment and private equity funds, as well as wealth management.

In addition, we record selected other activities in our Corporate segment, including management of cash, certain investments and the commercial banking activities of Lazard Group's Paris-based Lazard Frères Banque SA (“LFB”). We also allocate outstanding indebtedness to our Corporate segment.

LFB is a registered bank regulated by the Autorité de Contrôle Prudentiel. It is engaged primarily in commercial and private banking services for clients and funds managed by Lazard Frères Gestion SAS (“LFG”) and other clients, investment banking activities, including participation in underwritten offerings of securities in France, asset-liability management and limited trading in securities and foreign exchange.

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Our consolidated net revenue was derived from the following segments:

	Three Months Ended March 31,	
	2012	2011
Financial Advisory	57%	52%
Asset Management	44	52
Corporate	(1)	(4)
Total	100%	100%

We also invest our own capital from time to time, generally alongside capital of qualified institutional and individual investors in alternative investments or private equity investments, and, since 2005, we have engaged in a number of alternative investments and private equity activities, including investments through (i) the Edgewater Funds (“Edgewater”), our Chicago-based private equity firm, (ii) Lazard Australia Corporate Opportunities Fund 2, which has an opportunistic investment strategy focused on the Australian mid-market, (iii) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, (iv) Corporate Partners II Limited (“CP II”), a private equity fund targeting significant non-controlling investments in established public and private companies and (v) Lazard Senior Housing Partners LP (“Senior Housing”), which acquires companies and assets in the senior housing, extended stay and shopping center sectors. We continue to explore and discuss opportunities to expand the scope of our alternative investment and private equity activities in Europe, the U.S. and elsewhere. These opportunities could include internal growth of new funds and direct investments by us, partnerships or strategic relationships, investments with third parties or acquisitions of existing funds or management companies. Also, consistent with our obligations to LFCM Holdings LLC (“LFCM Holdings”), we may explore discrete capital markets opportunities.

Business Environment

Economic and global financial market conditions can materially affect our financial performance. As described above, our principal sources of revenue are derived from activities in our Financial Advisory and Asset Management business segments. As our Financial Advisory revenues are for the most part dependent on the successful completion of merger, acquisition, restructuring, capital raising or similar transactions, and our Asset Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and capital-raising activity as well as our Asset Management business, but may provide opportunities for our restructuring business.

Overall, global equity market indices at March 31, 2012 increased when compared to such indices at December 31, 2011. For the same period, capital-raising and M&A activity has generally declined. The announced and completed value of M&A activity decreased in the first quarter of 2012 as compared to the corresponding period in 2011. The cyclical decline in restructuring volume continued in the first quarter of 2012, as compared to the corresponding period in 2011, despite an increase in the number of corporate defaults.

In early 2012, the outlook for equity and credit markets appears healthier, interest rates remain low while corporate cash balances remain high, CEO confidence appears to be improving and, as such, companies may be better positioned to make acquisitions for future growth and investors may be increasingly interested in deploying capital for investment purposes. Uncertainty remains, however, with regard to the stability of the global financial system and a variety of other factors.

In recent years, we have expanded our geographic reach, bolstered our industry expertise and continued to build in growth areas. Companies, government bodies and investors seek independent advice with a geographic perspective, deep understanding of capital structure, informed research and knowledge of global economic conditions. We believe that our business model as an independent advisor will continue to create opportunities for us to attract new clients and key personnel. We seek to leverage the power and scale of our firm-wide global

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network to drive growth in both our Financial Advisory and Asset Management business segments. We believe that we are well positioned to benefit from opportunities that may result from regional or global increases in M&A, restructuring, capital-raising or similar transactions, as well as increases in demand for investment management and advisory services. We continue to focus on the development of our business in this environment and on a wide variety of related factors, including the generation of stable revenue growth during periods of macroeconomic volatility, the prudent management of our costs and expenses and the return of cash to our shareholders.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all potentially applicable factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See the section entitled "Risk Factors" in our Form 10-K. Furthermore, net income and revenue in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Financial Advisory

Global and Trans-Atlantic completed and announced transactions for the first quarter of 2012 decreased as compared to the first quarter of 2011, as shown in the following table, which sets forth industry statistics regarding the number and value of such transactions in the respective periods:

	Three Months Ended March 31,		% Incr / (Decr)
	2012	2011	
	(\$ in billions)		
Completed M&A Transactions:			
Global:			
Value	\$ 352	\$ 597	(41)%
Number	6,408	8,033	(20)%
Trans-Atlantic:			
Value	\$ 21	\$ 25	(16)%
Number	243	339	(28)%
Announced M&A Transactions:			
Global:			
Value	\$ 446	\$ 615	(27)%
Number	8,559	10,611	(19)%
Trans-Atlantic:			
Value	\$ 41	\$ 48	(15)%
Number	287	387	(26)%

Source: Dealogic as of April 11, 2012.

Global restructuring activity during the first quarter of 2012, as measured by the value of debt defaults, decreased from the corresponding period in 2011. However, the number of issuers defaulting increased to 20 in the first quarter of 2012, according to Moody's Investors Service, Inc., as compared to 9 in the corresponding period of 2011. Our Restructuring activities include advising companies on matters relating to debt restructurings, refinancings and other on- and off-balance sheet assignments, and our assignments are generally executed over a six- to eighteen-month period.

Our Private Fund Advisory Group, which is part of our Financial Advisory segment and is conducted in the U.S. through Lazard Frères & Co. LLC ("LFNY"), an SEC-registered broker-dealer and municipal advisor and member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking

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Board (the “MSRB”), acts as placement agent for investment funds, including investment funds that have historically received capital from certain public pension funds. In April 2009, governmental officials in New York announced a new policy banning the use of placement agents by funds seeking investment contributions from the New York State and New York City public pension funds. The use of placement agents has also been prohibited or otherwise restricted with respect to investments by public pension funds in Illinois, Ohio, California and New Mexico, and similar measures are being considered or have been implemented in other jurisdictions. On June 22, 2011, the SEC approved an amendment to its June 30, 2010 rule which, among other things, will place certain restrictions on the use of placement agents. As amended, the SEC rule will prohibit investment advisors from paying a third-party placement agent for soliciting investment advisory business from a U.S. governmental entity, unless the placement agent is (i) an SEC-registered investment advisor complying with the rule, (ii) an SEC-registered broker-dealer that is a member of FINRA and thus subject to FINRA’s forthcoming “pay-to-play” rule, or (iii) a “municipal advisor” that is registered with the SEC under Section 15B of the Securities Exchange Act of 1934, as amended, and subject to the “pay-to-play” rules that will be adopted by the MSRB. We are continuing to evaluate the potential impact of state, local and other restrictions on our Private Fund Advisory business.

Asset Management

As shown in the table below, major equity market indices at March 31, 2012 increased across all regions, when compared to such indices at December 31, 2011. However, the U.S. markets increased, while markets outside the U.S. decreased, when comparing market indices at March 31, 2012 to the corresponding equity market indices at March 31, 2011.

	Percentage Changes March 31, 2012 vs.	
	December 31,	March 31,
	2011	2011
MSCI World Index	10%	(2)%
CAC 40	8%	(14)%
DAX	18%	(1)%
FTSE 100	3%	(3)%
TOPIX 100	20%	(4)%
MSCI Emerging Market	13%	(12)%
Dow Jones Industrial Average	8%	7%
NASDAQ	19%	11%
S&P 500	12%	6%

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM. Accordingly, since market movements and foreign currency volatility impact the level of our AUM, such items will impact the level of revenues we receive from our Asset Management business. A substantial portion of our AUM is invested in equities, and market movements reflected in the changes in Lazard’s AUM during the period generally reflect the changes in global market indices. Our AUM at March 31, 2012 increased 11% versus AUM at December 31, 2011 (primarily reflecting market appreciation), while our average AUM for the first quarter of 2012 decreased 5% as compared to our average AUM for the corresponding period of 2011. The lower levels of average AUM contributed to decreased management fee revenues in the 2012 period when compared to the corresponding period in 2011.

Financial Statement Overview

Net Revenue

The majority of Lazard’s Financial Advisory net revenue is earned from the successful completion of M&A transactions, strategic advisory matters, restructuring and capital structure advisory services, capital raising and similar transactions. The main drivers of Financial Advisory net revenue are overall M&A activity, the level of corporate debt

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defaults and the environment for capital raising activities, particularly in the industries and geographic markets in which Lazard focuses. In some client engagements, often those involving financially distressed companies, revenue is earned in the form of retainers and similar fees that are contractually agreed upon with each client for each assignment and are not necessarily linked to the completion of a transaction. In addition, Lazard also earns fees from providing strategic advice to clients, with such fees not being dependent on a specific transaction, and may also earn fees in connection with public and private securities offerings and for referring opportunities to LFCM Holdings for underwriting, distribution and placement of securities. The referral fees received from LFCM Holdings are generally one-half of the revenue recorded by LFCM Holdings in respect of such activities. Significant fluctuations in Financial Advisory net revenue can occur over the course of any given year, because a significant portion of such net revenue is earned upon the successful completion of a transaction, restructuring or capital raising activity, the timing of which is uncertain and is not subject to Lazard's control.

Lazard's Asset Management segment principally includes LAM, LFG, Edgewater and Lazard Wealth Management. Asset Management net revenue is derived from fees for investment management and advisory services provided to institutional and private clients. As noted above, the main driver of Asset Management net revenue is the level of AUM, which is generally influenced by the performance of the global equity markets and, to a lesser extent, fixed income markets and Lazard's investment performance, which impacts its ability to successfully attract and retain assets. As a result, fluctuations (including timing thereof) in financial markets and client asset inflows and outflows have a direct effect on Asset Management net revenue and operating income. Asset Management fees are generally based on the level of AUM measured daily, monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations, currency fluctuations, net client asset flows or otherwise, will result in a corresponding increase or decrease in management fees. The majority of our investment advisory contracts are generally terminable at any time or on notice of 30 days or less. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationship with us, reduce the aggregate amount of AUM or shift their funds to other types of accounts with different rate structures for a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In addition, as Lazard's AUM includes significant amounts of assets that are denominated in currencies other than U.S. Dollars, changes in the value of the U.S. Dollar relative to foreign currencies will impact the value of Lazard's AUM. Fees vary with the type of assets managed and the vehicle in which they are managed, with higher fees earned on equity assets, alternative investments (such as hedge funds) and private equity investments, and lower fees earned on fixed income and cash management products.

The Company earns performance-based incentive fees on various investment products, including traditional products and alternative investment funds such as hedge funds and private equity funds.

For hedge funds, incentive fees are calculated based on a specified percentage of a fund's net appreciation, in some cases in excess of established benchmarks or thresholds. The Company records incentive fees on traditional products and hedge funds at the end of the relevant performance measurement period, when potential uncertainties regarding the ultimate realizable amounts have been determined. The incentive fee measurement period is generally an annual period (unless an account terminates during the year), and therefore such incentive fees are usually recorded in the fourth quarter of Lazard's fiscal year. These incentive fees received at the end of the measurement period are not subject to reversal or payback. Incentive fees on hedge funds generally are subject to loss carryforward provisions in which losses incurred by the hedge funds in any year are applied against certain future period net appreciation before any incentive fees can be earned.

For private equity funds, incentive fees may be earned in the form of a "carried interest" if profits arising from realized investments exceed a specified threshold. Typically, such carried interest is ultimately calculated on a whole-fund basis and, therefore, clawback of carried interests during the life of the fund can occur. As a result, incentive fees earned on our private equity funds are not recognized until potential uncertainties regarding the ultimate realizable amounts have been determined, including any potential for clawback.

Corporate segment net revenue consists primarily of investment gains and losses on the Company's "seed investments" in LAM equity and fixed income funds and principal investments in equities and alternative asset

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management funds, investments at LFB and “equity method” investments (including gains and losses on the extinguishment of debt (to the extent applicable), interest income and interest expense). Corporate net revenue also can fluctuate due to changes in the fair value of investments classified as “trading”, as well as due to changes in interest and currency exchange rates and in the levels of cash, investments and indebtedness. The Company holds no “available-for-sale” or “held-to-maturity” investments.

Although Corporate segment net revenue during the first quarter of 2012 represented (1)% of Lazard’s net revenue, total assets in the Corporate segment represented 54% of Lazard’s consolidated total assets as of March 31, 2012, which is attributable to investments in government bonds and money market funds, fixed income funds, alternative asset management funds and other securities, private equity investments, cash and assets associated with LFB.

Operating Expenses

The majority of Lazard’s operating expenses relate to compensation and benefits for managing directors and employees. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of previously granted deferred incentive compensation awards (see Note 12 of Notes to Condensed Consolidated Financial Statements) including (a) share-based incentive compensation under the Lazard Ltd 2005 Equity Incentive Plan (the “2005 Plan”) and the Lazard Ltd 2008 Incentive Compensation Plan (the “2008 Plan”) and (b) Lazard Fund Interests and (iii) a provision for discretionary or guaranteed cash bonuses and profit pools. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our operating and financial performance, staffing levels, competitive pay conditions and the nature of revenues earned, as well as the mix between current and deferred compensation.

For interim periods we use “adjusted compensation and benefits expense” and the ratio of “adjusted compensation and benefits expense” to “operating revenue,” both non-U.S. GAAP measures, for comparison of compensation and benefits expense between periods. For the calculations with respect to “adjusted compensation and benefits expense” and the ratio of “adjusted compensation and benefits expense” to “operating revenue,” see the table under “Consolidated Results of Operations” below.

We believe that “awarded compensation and benefits expense” and the ratio of “awarded compensation and benefits expense” to “operating revenue,” both non-U.S. GAAP measures, provide the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years. “Awarded compensation and benefits expense” for a given year is calculated using “adjusted compensation and benefits expense,” as modified by the following items:

- We deduct amortization expense recorded for U.S. GAAP purposes in each fiscal year associated with the vesting of deferred incentive compensation awards,
- We add (i) the grant date fair value of the deferred incentive compensation awards granted applicable to the relevant year-end compensation process (*e.g.* grant date fair value of deferred incentive awards granted in 2012, 2011 and 2010 related to the 2011, 2010 and 2009 year-end compensation processes, respectively) and (ii) investments in people (*e.g.* “sign-on” bonuses) and other special deferred incentive awards granted throughout the applicable year, with such amounts in (i) and (ii) reduced by an estimate of future forfeitures of such awards, and
- We adjust for year-end foreign exchange fluctuations.

Lazard’s operating expenses also include “non-compensation expense” (which includes costs for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and other expenses), and amortization of intangible assets related to acquisitions. Amortization of intangible assets relates primarily to the acquisition of Edgewater.

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Provision for Income Taxes

As a result of its indirect investment in Lazard Group, Lazard Ltd, through certain of its subsidiaries, is subject to U.S. federal income taxes on its portion of Lazard Group's operating income. Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group's income pertaining to the limited liability company is not subject to U.S. federal income taxes because taxes associated with such income represent obligations of the individual partners. Outside the U.S., Lazard Group operates principally through corporations and is subject to local income taxes. Income taxes shown on Lazard's consolidated statements of operations are principally related to non-U.S. entities and to New York City Unincorporated Business Tax ("UBT") attributable to Lazard's operations apportioned to New York City.

Noncontrolling Interests

Noncontrolling interests primarily relate to the amount attributable to LAZ-MD Holdings' ownership interest in the net income of Lazard Group and amounts related to Edgewater's management vehicles that the Company is deemed to control but not own. See Note 11 of Notes to Condensed Consolidated Financial Statements for information regarding the Company's noncontrolling interests.

Consolidated Results of Operations

Lazard's consolidated financial statements are presented in U.S. Dollars. Many of our non-U.S. subsidiaries have a functional currency (*i.e.*, the currency in which operational activities are primarily conducted) that is other than the U.S. Dollar, generally the currency of the country in which the subsidiaries are domiciled. Such subsidiaries' assets and liabilities are translated into U.S. Dollars using exchange rates as of the respective balance sheet date, while revenue and expenses are translated at average exchange rates during the respective periods based on the daily closing exchange rates. Adjustments that result from translating amounts from a subsidiary's functional currency are reported as a component of members'/stockholders' equity. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included in the consolidated statements of operations.

The condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Selected financial data from the Company's reported condensed consolidated results of operations is set forth below, followed by a more detailed discussion of both the consolidated and business segment results.

	Three Months Ended March 31,	
	2012	2011
	(\$ in thousands)	
Net Revenue	<u>\$486,039</u>	<u>\$438,023</u>
Operating Expenses:		
Compensation and benefits	338,317	269,999
Non-compensation	108,781	93,104
Amortization of intangible assets related to acquisitions	<u>1,118</u>	<u>1,474</u>
Total operating expenses	<u>448,216</u>	<u>364,577</u>
Operating Income	37,823	73,446
Provision for income taxes	<u>8,767</u>	<u>13,463</u>
Net Income	29,056	59,983
Less – Net Income Attributable to Noncontrolling Interests	3,504	4,976
Net Income Attributable to Lazard Ltd	<u>\$ 25,552</u>	<u>\$ 55,007</u>
Operating Income, As A % Of Net Revenue	<u>8%</u>	<u>17%</u>

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The tables below describe the components of operating revenue, adjusted compensation and benefits expense and related key ratios, which include non-U.S. GAAP measures used by the Company to manage total compensation and benefits expense. We believe such non-U.S. GAAP measures provide the most meaningful basis for comparison between present, historical and future periods, as described above.

	Three Months Ended March 31,	
	2012	2011
	(\$ in thousands)	
Operating Revenue		
Total revenue	\$506,461	\$461,341
Add (deduct):		
LFB interest expense (a)	(506)	(1,064)
Revenue related to noncontrolling interests (b)	(4,439)	(3,426)
Changes in fair value pertaining to Lazard Fund Interests (c)	(2,767)	-
Operating revenue	<u>\$498,749</u>	<u>\$456,851</u>

- (a) Interest expense incurred by LFB is reported as a charge in determining operating revenue because LFB is a commercial bank and we consider its interest expense to be a cost directly related to the revenues of its business.
- (b) Revenue related to the consolidation of noncontrolling interests is excluded because the Company has no economic interest in such amount.
- (c) Changes in the fair value of investments held in connection with Lazard Fund Interests and other similar deferred compensation arrangements are excluded because they are equally offset by the change in value of the derivative liability pertaining to such awards, which is recorded within compensation and benefits expense.

	Three Months Ended March 31,	
	2012	2011
	(\$ in thousands)	
Adjusted Compensation and Benefits Expense		
Total compensation and benefits expense	\$ 338,317	\$269,999
Deduct:		
Noncontrolling interests (a)	(1,080)	(1,078)
Changes in fair value pertaining to Lazard Fund Interests (b)	(2,767)	-
Costs related to staff reductions (c)	(21,754)	-
Adjusted compensation and benefits expense	<u>\$ 312,716</u>	<u>\$268,921</u>
Adjusted compensation and benefits expense, as a % of Operating Revenue	<u>62.7%</u>	<u>58.9%</u>

- (a) Expenses related to the consolidation of noncontrolling interests are excluded because, as is the case with operating revenue, Lazard has no economic interest in such amounts.
- (b) Changes in fair value of the derivative compensation liability recorded in connection with Lazard Fund Interests and other similar deferred compensation arrangements are excluded because such amounts are equally offset by a corresponding change in the fair value of the underlying investments excluded from operating revenue.
- (c) Severance costs and benefit payments associated with staff reductions, including the acceleration of unrecognized amortization expense of deferred incentive compensation previously granted to individuals being terminated, are excluded to enhance comparability of adjusted compensation and benefits expense relative to operating revenue between present, historical and future periods.

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Certain additional key ratios and headcount information are set forth below:

	Three Months Ended	
	March 31,	
	2012	2011
As a % of Net Revenue, by Revenue Category:		
Investment banking and other advisory fees	56%	50%
Money management fees	42	49
Interest income	1	1
Other	5	5
Interest expense	(4)	(5)
Net Revenue	<u>100%</u>	<u>100%</u>

	As Of		
	March 31,	December 31,	March 31,
	2012	2011	2011
Headcount:			
Managing Directors:			
Financial Advisory	149	140	140
Asset Management	79	71	68
Corporate	13	11	11
Other Employees:			
Business segment professionals	1,085	1,092	999
All other professionals and support staff	<u>1,204</u>	<u>1,197</u>	<u>1,136</u>
Total	<u>2,530</u>	<u>2,511</u>	<u>2,354</u>

Operating Results

The Company's quarterly revenue and profits can fluctuate materially depending on the number, size and timing of completed transactions on which it advised, as well as seasonality, the performance of equity markets and other factors. Accordingly, the revenue and profits in any particular quarter may not be indicative of future results. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

Three Months Ended March 31, 2012 versus March 31, 2011

The Company reported net income attributable to Lazard Ltd in the 2012 period of \$26 million, as compared to net income of \$55 million in the 2011 period. The changes in the Company's operating results during these periods are described below.

Net revenue in the 2012 period increased by \$48 million, or 11%, with operating revenue increasing by \$42 million, or 9%, respectively, as compared to the 2011 period. Fees from investment banking and other advisory activities increased \$53 million, or 24%, primarily reflecting the closing of several significant restructuring, M&A and sovereign and government advisory transactions during the 2012 period, as well as the strong performance of Lazard Middle Market. The number of M&A transactions with fees greater than \$1 million also increased as compared to the 2011 period. Restructuring fee revenues in the 2012 period increased \$35 million, or 97%, driven primarily by a higher number of closings and increased average fees for assignments with completion fees greater than \$1 million. Total Strategic Advisory fees in the 2012 period increased \$14 million, or 7%. Money management fees decreased \$10 million, or 5%, during the 2012 period primarily due to an \$8 billion, or 5%, decrease in average AUM, on which management fees are earned. In the aggregate, interest income, other revenue and interest expense reflected an increase in net revenue of \$5 million as compared to the corresponding period in 2011.

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Compensation and benefits expense in the 2012 period was \$338 million, as compared to \$270 million in the corresponding prior year period. Factors contributing to the increase included higher compensation costs relating to the growth in operating revenue and a \$22 million charge associated with staff reductions, representing severance costs and benefit payments, including \$7 million relating to the acceleration of unrecognized amortization expense of deferred incentive compensation previously granted to individuals being terminated, as well as increased headcount. Adjusted compensation and benefits expense (which excludes certain items that management believes allows for improved comparability between interim periods, and which is described more thoroughly above), was \$313 million in the 2012 period, an increase of \$44 million, or 16%, when compared to \$269 million in the 2011 period. The resulting ratio of adjusted compensation and benefits expense to operating revenue was 62.7% for the 2012 period, which compares to 58.9% and 62.0% for the first quarter and full year of 2011, respectively. The first quarter 2012 ratio of adjusted compensation and benefits expense to operating revenue assumed, based on current market conditions, a ratio of awarded compensation and benefits expense to operating revenue of approximately 60% for the full year of 2012, as compared to 61.7% for the full year of 2011. As described above, when analyzing compensation and benefits expense on a full year basis, we believe that awarded compensation and benefits expense provides the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years.

We currently expect that the amortization of deferred incentive compensation awards will approximate \$341 million for the full year of 2012, compared to \$289 million for the comparable 2011 period, when excluding the \$7 million charge in 2012 related to staff reductions. The increase of \$52 million is primarily related to the amortization of the 2008 plan year deferred incentive compensation awards (the "2008 grant"). The 2008 grant is the last grant with a vesting period in excess of three years. Our amortization expense is higher in 2012, compared to 2011, in part because of the overlapping vesting periods, but is expected to revert to a lower level in 2013.

Non-compensation expense in the 2012 period was \$109 million, an increase of \$16 million, or 17%, as compared to \$93 million in the corresponding period in 2011. Non-compensation expense in the first quarter of 2012 included charges totaling \$3 million associated with the staff reductions. When excluding such charges, as well as non-compensation costs relating to noncontrolling interests, non-compensation expense in the first quarter of 2012 increased \$12 million, or 13%, primarily attributable to (i) deal-related costs, specific to transactions that closed in the 2012 period, (ii) generally higher levels of business development expenses in our Financial Advisory business and (iii) higher occupancy costs in the 2012 period as a result of our amended lease and associated build-out costs of our Rockefeller Center facility. The ratio of non-compensation expense to operating revenue was 21.1% in the 2012 period versus 20.3% for the corresponding period in 2011. We currently estimate that, on a full year basis in 2012 as compared to 2011, our occupancy-related costs associated with the amended lease at our Rockefeller Center facility will increase by approximately \$11 million.

Amortization of intangible assets remained substantially unchanged as compared to the 2011 period.

Operating income in the 2012 period was \$38 million, a decrease of \$35 million, or 49%, as compared to operating income of \$73 million in the 2011 period, and, as a percentage of net revenue, was 8% as compared to 17% in the 2011 period.

The provision for income taxes was \$9 million and \$13 million for the 2012 and 2011 periods, respectively, representing effective tax rates of 23.2% and 18.3% for the respective periods.

Net income attributable to noncontrolling interests was \$4 million and \$5 million in the 2012 and 2011 periods, respectively. The decrease of \$1 million principally reflects LAZ-MD Holdings' reduced ownership interest in Lazard Group in the 2012 period, partially offset by an increase in the noncontrolling interest relating to Edgewater in the 2012 period.

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Business Segments

The following is a discussion of net revenue and operating income for the Company's business segments - Financial Advisory, Asset Management and Corporate. Each segment's operating expenses include (i) compensation and benefits expenses that are incurred directly in support of the segment and (ii) other operating expenses, which include directly incurred expenses for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourcing, and indirect support costs (including compensation and benefits expense and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Such support costs are allocated to the relevant segments based on various statistical drivers such as revenue, headcount, square footage and other factors.

Financial Advisory

The following tables summarize the reported operating results of the Financial Advisory segment:

	Three Months Ended March 31,	
	2012	2011
	(\$ in thousands)	
M&A and Strategic Advisory	\$192,611	\$163,752
Capital Markets and Other Advisory	14,370	29,536
Total Strategic Advisory	206,981	193,288
Restructuring	70,215	35,557
Net Revenue	277,196	228,845
Operating Expenses (a)	249,897	213,566
Operating Income	<u>\$ 27,299</u>	<u>\$ 15,279</u>
Operating Income, As A Percentage Of Net Revenue	<u>10%</u>	<u>7%</u>

(a) Includes indirect support costs (including compensation and benefits expense and other operating expenses related thereto).

Net revenue trends in Financial Advisory for M&A and Strategic Advisory and Restructuring are generally correlated to the volume of completed industry-wide M&A transactions and restructurings occurring subsequent to corporate debt defaults, respectively. However, deviations from this relationship can occur in any given year for a number of reasons. For instance, our results can diverge from industry-wide activity where there are material variances from the level of industry-wide M&A activity in a particular market where Lazard has significant market share, or regarding the relative number of our advisory engagements with respect to larger-sized transactions, and where we are involved in significant non-public assignments. While the M&A industry data described above on completed and announced transactions reflects decreased M&A activity in the 2012 period as compared to the corresponding period in 2011, our M&A and Strategic Advisory revenue (which includes Sovereign and Government Advisory revenue) increased 18% in the 2012 period as compared to the 2011 period.

Certain Lazard client statistics and global industry statistics are set forth below:

	Three Months Ended March 31,	
	2012	2011
Lazard Statistics:		
Number of Clients With Fees Greater Than \$1 Million:		
Total Financial Advisory	64	58
M&A and Strategic Advisory	50	39
Percentage of Financial Advisory Net Revenue from Top 10 Clients	41%	32%
Number of M&A Transactions Completed With Values Greater than \$1 billion (a)	11	12

(a) Source: Dealogic as of April 11, 2012.

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The geographical distribution of Financial Advisory net revenue is set forth below in percentage terms and is based on the Lazard offices that generate Financial Advisory net revenue, which are located in the U.S., Europe (primarily in the U.K., France, Italy, Spain and Germany) and the rest of the world (primarily in Australia) and therefore may not be reflective of the geography in which the clients are located.

	Three Months Ended	
	March 31,	
	2012	2011
United States	55%	48%
Europe	41	41
Rest of World	4	11
Total	<u>100%</u>	<u>100%</u>

The Company's managing directors and many of its professionals have significant experience, and many of them are able to use this experience to advise on M&A, strategic advisory matters and restructuring transactions, depending on clients' needs. This flexibility allows Lazard to better match its professionals with the counter-cyclical business cycles of mergers and acquisitions and restructurings. While Lazard measures revenue by practice area, Lazard does not separately measure the costs or profitability of M&A services as compared to restructuring services. Accordingly, Lazard measures performance in its Financial Advisory segment based on overall segment net revenue and operating income margins.

Financial Advisory Results of Operations

Financial Advisory's quarterly revenue and profits can fluctuate materially depending on the number, size and timing of completed transactions on which it advised, as well as seasonality and other factors. Accordingly, the revenue and profits in any particular quarter or period may not be indicative of future results. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

Three Months Ended March 31, 2012 versus March 31, 2011

Total Strategic Advisory net revenue, representing fees from M&A, Sovereign, Capital Markets, Private Funds and Other Advisory businesses, increased \$14 million, or 7%, and Restructuring revenue increased \$35 million, or 97%, as compared to the 2011 period.

M&A and Strategic Advisory revenue increased \$29 million, or 18% as compared to the 2011 period. Capital Markets and Other Advisory revenue decreased \$15 million, or 51%. The increase in M&A and Strategic Advisory revenue was principally due to a higher level of fees earned from our top 10 clients and higher average fees per M&A and Strategic Advisory transaction, which reflected the closing of several significant M&A and sovereign and government advisory transactions, as well as the strong performance of Lazard Middle Market. Our major clients, which, in the aggregate, represented a significant portion of our M&A and Strategic Advisory revenue for the first quarter of 2012, included 3b-fibreglass, 99 Cents Only Stores, Azur Pharma, Brookside Foods, European Goldfields, Hellenic Republic, ITT, Simon Property Group, Sonneborn and Western Lime.

The decrease in Capital Markets and Other Advisory revenue in the 2012 period was primarily attributable to a lower level of closings by Private Fund Advisory.

Restructuring revenue is derived from various activities including bankruptcy assignments, global debt and financing restructurings, distressed asset sales and advice on complex on- and off-balance sheet assignments. The increase in Restructuring revenue in the 2012 period was driven by a higher number of closings and increased average fees for assignments with completion fees greater than \$1 million. Notable assignments completed in the first quarter of 2012 included A&P, Eastman Kodak Company, Lehman Brothers and Spanish Broadcasting Systems.

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Operating expenses increased \$36 million, or 17%, as compared to the 2011 period. The principal contributors to the increase were increases in compensation and deal-related costs specific to transactions which closed in the 2012 period, a higher level of business development expense and higher occupancy costs in the 2012 period as a result of our amended lease and associated build-out costs of our Rockefeller Center facility.

Financial Advisory operating income in the 2012 period was \$27 million, an increase of \$12 million, or 79%, as compared to operating income of \$15 million in the 2011 period and, as a percentage of net revenue, was 10% as compared to 7% in the 2011 period.

Asset Management

The following table shows the composition of AUM for the Asset Management segment:

	As of	
	March 31, 2012	December 31, 2011
	(\$ in millions)	
AUM:		
International Equities	\$ 31,020	\$ 27,599
Global Equities	77,730	68,584
U.S. Equities	21,903	20,179
Total Equities	<u>130,653</u>	<u>116,362</u>
European and International Fixed Income	13,744	12,293
Global Fixed Income	2,349	2,350
U.S. Fixed Income	3,156	3,107
Total Fixed Income	<u>19,249</u>	<u>17,750</u>
Alternative Investments	5,296	5,349
Private Equity	1,424	1,486
Cash Management	86	92
Total AUM	<u>\$156,708</u>	<u>\$ 141,039</u>

Average AUM for the 2012 and 2011 periods is set forth below. Average AUM is generally based on an average of quarterly ending balances for the respective periods.

	Three Months Ended March 31,	
	2012	2011
	(\$ in millions)	
Average AUM	<u>\$150,315</u>	<u>\$157,894</u>

Total AUM at March 31, 2012 increased \$16 billion, or 11%, as compared to total AUM of \$141 billion at December 31, 2011, primarily due to market appreciation. Average AUM however, for the three month period ended March 31, 2012 was 5% lower than that for three month period ended March 31, 2011. International, Global and U.S. equities represented 20%, 50% and 14% of total AUM at March 31, 2012, versus 20%, 49% and 14% at December 31, 2011.

As of March 31, 2012 and December 31, 2011, approximately 90% of our AUM was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors, and, as of such dates, 10% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

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As of both March 31, 2012 and December 31, 2011, AUM denominated in foreign currencies represented approximately 61% of our total AUM. Foreign denominated AUM declines in value with the strengthening of the U.S. Dollar and increases in value as the U.S. Dollar weakens.

The following is a summary of changes in AUM for the 2012 and 2011 periods:

	Three Months Ended March 31,	
	2012	2011
	(\$ in millions)	
AUM—Beginning of Period	\$141,039	\$155,337
Net Flows (a)	(162)	695
Market and Foreign Exchange Appreciation	15,831	4,419
AUM—End of Period	<u>\$156,708</u>	<u>\$160,451</u>

(a) Includes inflows of \$6,795 and \$5,813 and outflows of \$6,957 and \$5,118 for the 2012 and 2011 periods, respectively.

During the 2012 period, both inflows and outflows were principally in Global and International Equities, with inflows resulting from increased investments in existing accounts, and outflows resulting from withdrawals in existing accounts and, to a lesser extent, accounts lost.

As of April 27, 2012, AUM was \$155.7 billion, a \$1.0 billion decrease since March 31, 2012. The change in AUM was due to market/foreign exchange depreciation of \$1.8 billion, partially offset by net inflows of \$0.8 billion. Market depreciation was approximately 1% of AUM since March 31, 2012, which was generally consistent with the decrease in global market indices during that period.

The following table summarizes the reported operating results of the Asset Management segment:

	Three Months Ended March 31,	
	2012	2011
	(\$ in thousands)	
Revenue:		
Management Fees	\$199,860	\$206,768
Incentive Fees	2,596	5,146
Other Income	12,071	14,939
Net Revenue	214,527	226,853
Operating Expenses (a)	160,501	149,204
Operating Income	<u>\$ 54,026</u>	<u>\$ 77,649</u>
Operating Income, As A Percentage of Net Revenue	<u>25%</u>	<u>34%</u>

(a) Includes indirect support costs (including compensation and benefits expense and other operating expenses related thereto).

The geographical distribution of Asset Management net revenue is set forth below in percentage terms, and is based on the Lazard offices that manage the respective AUM amounts. Such geographical distribution may not be reflective of the geography of the investment products or clients.

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	Three Months Ended March 31,	
	2012	2011
United States	62%	62%
Europe	26	28
Rest of World	12	10
Total	<u>100%</u>	<u>100%</u>

Asset Management Results of Operations

Asset Management's quarterly revenue and profits in any particular quarter or period may not be indicative of future results and may fluctuate based on the performance of the equity markets. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

Three Months Ended March 31, 2012 versus March 31, 2011

Asset Management net revenue decreased \$12 million, or 5%, as compared to the 2011 period. Management fees decreased \$7 million, or 3%, as compared to the 2011 period, driven primarily by a 5% decrease in average AUM, partially offset by a favorable change in the mix of AUM into higher margin equity products. Incentive fees, principally consisting of traditional long-only strategies, decreased \$2 million, or 50%, as compared to the 2011 period, principally due to a change in fee structure on one mandate from a quarterly to an annual performance fee basis. Other income decreased \$3 million, or 19%, as compared to the 2011 period, primarily due to a decline in commission and fee income from an unusually strong 2011 first quarter.

Operating expenses increased \$11 million, or 8%, as compared to the 2011 period, with such increase primarily due to an increase in compensation expense and higher occupancy costs in the 2012 period as a result of our amended lease and associated build-out costs of our Rockefeller Center facility.

Asset Management operating income was \$54 million, a decrease of \$24 million, or 30%, as compared to operating income of \$78 million in the 2011 period and, as a percentage of net revenue, was 25%, as compared to 34% in the 2011 period.

Corporate

The following table summarizes the reported operating results of the Corporate segment:

	Three Months Ended March 31,	
	2012	2011
	(\$ in thousands)	
Interest Income	\$ 630	\$ 1,584
Interest Expense	(20,422)	(22,727)
Net Interest (Expense)	(19,792)	(21,143)
Other Revenue	14,108	3,468
Net Revenue (Expense)	(5,684)	(17,675)
Operating Expenses	37,818	1,807
Operating Loss	<u>\$ (43,502)</u>	<u>\$ (19,482)</u>

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Corporate Results of Operations

Corporate operating results in any particular quarter or period may not be indicative of future results and may fluctuate based on a variety of factors. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods.

Three Months Ended March 31, 2012 versus March 31, 2011

Net interest expense decreased \$1 million, or 6%, as compared to the 2011 period.

Other revenue increased \$11 million, or 307%, principally relating to an increase in investment gains versus the 2011 period.

Operating expenses increased \$36 million, primarily due to (i) total costs of \$25 million, relating to the charge in the three month period ended March 31, 2012 in compensation and benefits expense for staff reductions, including the acceleration of unrecognized amortization expense of deferred incentive compensation previously granted to individuals that were terminated, and in non-compensation expense for other expenses related to the staff reduction, (ii) higher occupancy costs in the 2012 period as a result of our amended lease and associated build-out costs of our Rockefeller Center facility and (iii) increased technology costs.

Cash Flows

The Company's cash flows are influenced by the timing of the receipt of Financial Advisory and Asset Management fees, the timing of distributions to shareholders, payments of incentive compensation to managing directors and employees and purchases of Class A common stock. M&A, Strategic Advisory, and Asset Management fees are generally collected within 60 days of billing, while Restructuring fee collections may extend beyond 60 days, particularly those that involve bankruptcies with court-ordered holdbacks. Fees from our Private Fund Advisory activities are generally collected over a four-year period from billing and typically include an interest component.

The Company makes cash payments for, or in respect of, a significant portion of its incentive compensation during the first three months of each calendar year with respect to the prior year's results.

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Summary of Cash Flows:

	Three Months Ended March 31,	
	2012	2011
	(\$ in millions)	
Cash Provided By (Used In):		
Operating activities:		
Net income	\$ 29.1	\$ 60.0
Noncash charges (a)	102.0	107.5
Other operating activities (b)	(213.3)	(237.2)
Net cash used in operating activities	(82.2)	(69.7)
Investing activities	(25.2)	(1.9)
Financing activities (c)	(138.7)	(132.0)
Effect of exchange rate changes	8.0	9.8
Net Decrease in Cash and Cash Equivalents	(238.1)	(193.8)
Cash and Cash Equivalents:		
Beginning of Period	1,003.8	1,209.7
End of Period	<u>\$ 765.7</u>	<u>\$1,015.9</u>

(a) Consists of the following:

Depreciation and amortization of property	\$ 7.0	\$ 5.9
Amortization of deferred expenses, stock units and interest rate hedge	93.9	100.1
Amortization of intangible assets related to acquisitions	1.1	1.5
Total	<u>\$ 102.0</u>	<u>\$ 107.5</u>

(b) Includes net changes in operating assets and liabilities.

(c) Consists primarily of purchases of shares of Class A common stock, settlements of vested restricted stock units ("RSU"s), Class A common stock dividends, distributions to noncontrolling interest holders and activity relating to borrowings.

Liquidity and Capital Resources

The Company's liquidity and capital resources are derived from operating activities, financing agreements and equity offerings.

Operating Activities

Net revenue, operating income and cash receipts fluctuate significantly between quarters. In the case of Financial Advisory, fee receipts are generally dependent upon the successful completion of client transactions, the occurrence and timing of which is irregular and not subject to Lazard's control. In the case of Asset Management, incentive fees earned on AUM are generally not earned until the end of the applicable measurement period, which is generally the fourth quarter of Lazard's fiscal year, with the respective receivable collected in the first quarter of the following year.

Liquidity is significantly impacted by cash payments for, or in respect of, incentive compensation, a significant portion of which are made during the first three months of the year. As a consequence, cash on hand generally declines in the beginning of the year and gradually builds over the remainder of the year. We also pay certain tax advances during the year on behalf of our managing directors, which serve to reduce their respective incentive compensation payments. We expect this seasonal pattern of cash flow to continue.

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Lazard's consolidated financial statements are presented in U.S. Dollars. Many of Lazard's non-U.S. subsidiaries have a functional currency (*i.e.* , the currency in which operational activities are primarily conducted) that is other than the U.S. Dollar, generally the currency of the country in which such subsidiaries are domiciled. Such subsidiaries' assets and liabilities are translated into U.S. Dollars at the respective balance sheet date exchange rates, while revenue and expenses are translated at average exchange rates during the year based on the daily closing exchange rates. Adjustments that result from translating amounts from a subsidiary's functional currency are reported as a component of members'/stockholders' equity. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included on the consolidated statements of operations.

We regularly monitor our liquidity position, including cash levels, credit lines, principal investment commitments, interest and principal payments on debt, capital expenditures, dividend payments, purchases of shares of Class A common stock and Lazard Group common membership interests and matters relating to liquidity and to compliance with regulatory net capital requirements. At March 31, 2012, Lazard had approximately \$766 million of cash, with such amount including approximately \$270 million held at Lazard's operations outside the U.S. Since Lazard provides for U.S. income taxes on substantially all of its unrepatriated foreign earnings, no material amount of additional U.S. income taxes would be recognized upon receipt of dividends or distributions of such earnings from its foreign operations.

We maintain lines of credit in excess of anticipated liquidity requirements. As of March 31, 2012, Lazard had approximately \$315 million in unused lines of credit available to it, including a \$150 million, three-year, senior revolving credit facility with a group of lenders that expires in April 2013 (the "Credit Facility") (see "—Financing Activities" below) and unused lines of credit available to LFB of approximately \$93 million (at March 31, 2012 exchange rates) and Edgewater of \$65 million. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

The Credit Facility contains customary terms and conditions, including limitations on consolidations, mergers, indebtedness and certain payments, as well as financial condition covenants relating to leverage and interest coverage ratios. Lazard Group's obligations under the Credit Facility may be accelerated upon customary events of default, including non-payment of principal or interest, breaches of covenants, cross-defaults to other material debt, a change in control and specified bankruptcy events.

Financing Activities

The table below sets forth our corporate indebtedness as of March 31, 2012 and December 31, 2011. The agreements with respect to this indebtedness are discussed in more detail in our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Form 10-K.

	Maturity	As of		Increase (Decrease)
		March 31, 2012	December 31, 2011 (\$ in millions)	
Senior Debt:				
7.125%	2015	\$ 528.5	\$ 528.5	\$ —
6.85%	2017	548.4	548.4	—
Total Senior Debt		<u>\$1,076.9</u>	<u>\$ 1,076.9</u>	<u>\$ —</u>

Lazard's annual cash flow generated from operations historically has been sufficient to enable it to meet its annual obligations. Lazard has not drawn on its Credit Facility and prior revolving credit facility since June 30, 2006. We believe that our cash flows from operating activities, along with the use of our credit lines as needed, should be sufficient for us to fund our current obligations for the next 12 months and beyond.

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As long as the lenders' commitments remain in effect, any loan pursuant to the Credit Facility remains outstanding and unpaid or any other amount is owing to the lending bank group, the Credit Facility includes financial condition covenants that require that Lazard Group not permit (i) its Consolidated Leverage Ratio (as defined in the Credit Facility) for the 12-month period ending on the last day of any fiscal quarter to be greater than 4.00 to 1.00 or (ii) its Consolidated Interest Coverage Ratio (as defined in the Credit Facility) for the 12-month period ending on the last day of any fiscal quarter to be less than 3.00 to 1.00. For the 12-month period ended March 31, 2012 Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 2.11 to 1.00 and its Consolidated Interest Coverage Ratio being 7.53 to 1.00. In any event, no amounts were outstanding under the Credit Facility as of March 31, 2012.

In addition, the Credit Facility, indenture and supplemental indentures relating to Lazard Group's senior notes contain certain other covenants (none of which relate to financial condition), events of default and other customary provisions. At March 31, 2012, the Company was in compliance with all of these provisions. We may, to the extent required and subject to restrictions contained in our financing arrangements, use other financing sources, which may cause us to be subject to additional restrictions or covenants.

See Note 9 of Notes to Condensed Consolidated Financial Statements for additional information regarding senior debt.

Stockholders' Equity

At March 31, 2012, total stockholders' equity was \$861 million, as compared to \$867 million at December 31, 2011, including \$738 million and \$726 million attributable to Lazard Ltd on the respective dates. The net activity in stockholders' equity during the three month period ended March 31, 2012 is reflected in the table below (in millions of dollars):

Stockholders' Equity—January 1, 2012	\$867
Increase (decrease) due to:	
Net income	29
Amortization of share-based incentive compensation	86
Purchase of Class A common stock	(71)
Delivery of Class A common stock in connection with share-based incentive compensation	(26)
Class A common stock dividends	(19)
Distributions to noncontrolling interests - net	(23)
AOCI (including noncontrolling interests' portion thereof)(*)	17
Other - net	1
Stockholders' Equity—March 31, 2012	<u>\$861</u>
(*) Includes:	
Net foreign currency translation adjustments	\$ 19
Employee benefit plans and other adjustments	(2)
Total	<u>\$ 17</u>

In February 2011 and October 2011, the Board of Directors of Lazard Ltd authorized the repurchase of up to \$250 million and \$125 million, respectively, in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2012 and December 31, 2013, respectively. During the three month period ended March 31, 2012 the Company repurchased 2,378,445 shares of Class A common stock, at an aggregate cost of \$71 million (but purchased no Lazard Group common membership interests during such three month period). As of March 31, 2012, \$142 million of the current aggregate \$375 million share repurchase amount authorized as of such date remained available as follows – \$17 million of the \$250 million share repurchase amount expiring December 31, 2012, and all of the \$125 million share repurchase amount expiring December 31, 2013. Furthermore, under the terms of the 2005 Plan and the 2008 Plan, upon the vesting of RSUs,

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shares of Class A common stock may be withheld by the Company to cover estimated income taxes. On April 24, 2012, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional \$125 million in aggregate cost of Lazard Ltd Class A common stock and Lazard Group common membership interests through December 31, 2013.

During the first quarter of 2012, the Company had a written trading plan under Rule 10b5-1 of the Securities Exchange Act of 1934 in place, pursuant to which it effected stock repurchases through the open market.

In addition to the repurchases of Class A common stock described above, during the three month period ended March 31, 2012, in order, among other reasons, to help neutralize the dilutive effect of our share-based incentive compensation plans, the Company utilized \$26 million to satisfy certain employees' withholding tax obligations on vested RSUs and delivery of restricted Class A common stock in lieu of issuing 828,471 shares of Class A common stock directly by Lazard Ltd or by delivery of shares held by Lazard Group or other subsidiaries of Lazard Ltd.

See Notes 11 and 12 of Notes to Condensed Consolidated Financial Statements for additional information regarding Lazard's stockholder's equity and incentive plans, respectively.

Regulatory Capital

We actively monitor our regulatory capital base. Our principal subsidiaries are subject to regulatory requirements in their respective jurisdictions to ensure their general financial soundness and liquidity, which require, among other things, that we comply with certain minimum capital requirements, record-keeping, reporting procedures, relationships with customers, experience and training requirements for employees and certain other requirements and procedures. These regulatory requirements may restrict the flow of funds to affiliates. See Note 17 of Notes to Condensed Consolidated Financial Statements for further information. These regulations differ in the U.S., the U.K., France and other countries in which we operate. Our capital structure is designed to provide each of our subsidiaries with capital and liquidity consistent with its business and regulatory requirements. For a discussion of regulations relating to us, see "Item 1-Business—Regulation" included in the Form 10-K.

Contractual Obligations

The following table sets forth information relating to Lazard's contractual obligations as of March 31, 2012:

	Contractual Obligations Due by Period				
	Total	Less than 1 Year	1-3 Years (\$ in thousands)	3-5 Years	More than 5 Years
Senior Debt (including interest) (a)	\$1,415,236	\$ 75,218	\$150,435	\$622,452	\$ 567,131
Operating Leases (exclusive of \$167,138 of sublease income)	1,081,809	60,801	145,563	132,200	743,245
Capital Leases (including interest)	24,040	3,978	6,259	5,234	8,569
Investment Capital Funding Commitments (b)	35,883	24,969	9,754	1,160	—
Total (c)	\$2,556,968	\$164,966	\$312,011	\$761,046	\$1,318,945

(a) See Note 9 of Notes to Condensed Consolidated Financial Statements.

(b) See Note 5 of Notes to Condensed Consolidated Financial Statements.

(c) The table above excludes contingent obligations and any possible payments for uncertain tax positions given the inability to estimate the timing of the latter payments. See Notes 10, 12, 13 and 14 of Notes to Condensed Consolidated Financial Statements regarding information in connection with commitments, incentive plans, employee benefit plans and income taxes, respectively.

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Critical Accounting Policies and Estimates

Management's discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with U.S. GAAP. The preparation of Lazard's consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, Lazard evaluates its estimates, including those related to revenue recognition, compensation liabilities, income taxes, investing activities and goodwill. Lazard bases these estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Lazard believes that the critical accounting policies set forth below comprise the most significant estimates and judgments used in the preparation of its consolidated financial statements.

Revenue Recognition

Lazard generates substantially all of its net revenue from providing Financial Advisory and Asset Management services to clients. Lazard recognizes revenue when the following criteria are met:

- there is persuasive evidence of an arrangement with a client,
- the agreed-upon services have been provided,
- fees are fixed or determinable, and
- collection is probable.

The Company earns performance-based incentive fees on various investment products, including traditional products and alternative investment funds such as hedge funds and private equity funds (see "Financial Statement Overview").

If, in Lazard's judgment, collection of a fee is not probable, Lazard will not recognize revenue until the uncertainty is removed. We maintain an allowance for doubtful accounts to provide coverage for estimated losses from our receivables. We determine the adequacy of the allowance by estimating the probability of loss based on our analysis of the client's creditworthiness and specifically reserve against exposures where we determine the receivables are impaired, which may include situations where a fee is in dispute or litigation has commenced.

With respect to fees receivable from Financial Advisory activities, such receivables are generally deemed past due when they are outstanding 60 days from the date of invoice. However, some Financial Advisory transactions include specific contractual payment terms that may vary from one month to four years (as is the case for our Private Fund Advisory fees) following the invoice date or may be subject to court approval (as is the case with restructuring assignments that include bankruptcy proceedings). In such cases, receivables are deemed past due when payment is not received by the agreed-upon contractual date or the court approval date, respectively. Financial Advisory fee receivables past due in excess of 180 days are fully provided for unless there is evidence that the balance is collectible. Asset Management fees are deemed past due and fully provided for when such receivables are outstanding 12 months after the invoice date. Notwithstanding our policy for receivables past due, we specifically reserve against exposures relating to Financial Advisory and Asset Management fees where we determine receivables are impaired.

Income Taxes

As part of the process of preparing our consolidated financial statements, we estimate our income taxes for each of our tax-paying entities in each of their respective jurisdictions. In addition to estimating actual current tax liability for these jurisdictions, we also must account for the tax effects of differences between the financial

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reporting and tax reporting of items, such as deferred revenue, compensation and benefits expense, unrealized gains or losses on investments and depreciation and amortization, as well as intercompany transactions such as revenue sharing, dividends and interest expense. These temporary differences result in deferred tax assets and liabilities. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and, as discussed below, any valuation allowance recorded against our deferred tax assets.

A deferred tax asset is recognized if it is more likely than not (defined as a likelihood of greater than 50%) that a tax benefit will be accepted by a taxing authority. The measurement of deferred tax assets and liabilities is based upon currently enacted tax rates in the applicable jurisdictions. At December 31, 2011, on a consolidated basis, we recorded deferred tax assets of approximately \$1.3 billion.

Subsequent to the recognition of deferred tax assets, we also must continually assess the likelihood that such deferred tax assets will be realized. If we determine that we may not fully derive the benefit from a deferred tax asset, we consider whether it would be appropriate to apply a valuation allowance against the applicable deferred tax asset. In order to determine whether we apply a valuation allowance, we must assess whether it is more likely than not that such asset will be realized, taking into account all available information. The ultimate realization of a deferred tax asset for a particular entity depends, among other things, on the generation of taxable income by such entity in the applicable jurisdiction. Although we have been profitable on a consolidated basis for the two year period ended December 31, 2011 and the three month period ended March 31, 2012, certain of our tax-paying entities have individually experienced pre-tax losses on a cumulative three-year basis primarily due to permanent differences between net income and taxable income at such entities. Considering these losses and the other factors listed below, we have recorded a valuation allowance of approximately \$1.1 billion on our deferred tax assets as of December 31, 2011 and have not changed our assessment regarding the level of valuation allowance as of March 31, 2012.

We consider multiple possible sources of taxable income when assessing a valuation allowance against a deferred tax asset, including:

- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- taxable income in prior years; and
- tax-planning strategies.

The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available information, including the following:

- nature, frequency and severity of any recent losses,
- duration of statutory carryforward periods,
- historical experience with tax attributes expiring unused, and
- near-term and medium-term financial outlook.

The weight we give to any particular item is, in part, dependent upon the degree to which it can be objectively verified. We give greater weight to the recent results of operations of a relevant entity. Pre-tax operating losses on a three year cumulative basis or lack of sustainable profitability are considered significant evidence and will generally outweigh a projection of future taxable income.

As mentioned previously, certain of our tax-paying entities have individually experienced losses on cumulative basis over the past several years. If these entities achieve sustainable levels of profitability in the future, we believe there is a reasonable possibility that the valuation allowance recorded against our deferred tax assets at such entities could be reduced significantly. If any valuation allowance reduction were to occur, we

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would likely have a negative effective tax rate in the period in which such reduction occurs. Included in our deferred tax assets as of December 31, 2011 are approximately \$709 million related to certain basis step-ups and approximately \$137 million of net operating losses generated by the amortization of such step-up assets. Under our tax receivable agreement, Lazard Group will retain 15% of the actual cash tax savings relating to such assets and will pay 85% of such savings to the former owners of Lazard. As a result, in the event of a reduction of our valuation allowance, we also would recognize a liability relating to the portion expected to be payable under the tax receivable agreement. The creation of this liability could potentially offset a significant amount (but not all) of the income we would otherwise recognize upon a release of the valuation allowance.

If any valuation allowance reduction were to occur, for subsequent periods, our effective tax rate, with all other factors being held constant, would increase and could be significantly higher than our effective tax rate in the period immediately preceding the reduction in the valuation allowance. In such a situation, an increase in our effective tax rate would not impact the amount of cash income taxes we would pay in those periods subsequent to the release of any valuation allowance.

In addition to the discussion above regarding deferred tax assets and associated valuation allowances, other factors affect our provision for income taxes, including changes in the geographic mix of our business, the level of our annual pre-tax income, transfer pricing and intercompany transactions. In addition, our interpretation of complex tax laws may impact our recognition and measurement of current and deferred income taxes. Tax contingencies involve complex issues and often require an extended period of time to resolve. Tax contingencies that are resolved in a manner that is adverse to us could have a material adverse effect on our financial results. See “Risk Factors” and Note 19 of Notes to Consolidated Financial Statements in our Form 10-K for additional information related to income taxes.

Investments

Investments consist principally of debt securities, equities, interests in alternative asset management funds, fixed income funds and other private equity investments.

These investments are carried at either fair value on the consolidated statements of financial condition, with any increases or decreases in fair value reflected (i) in earnings, to the extent held by our broker-dealer subsidiaries or when designated as “trading” securities within our non-broker-dealer subsidiaries, and (ii) in AOCI, to the extent designated as “available-for-sale” securities until such time they are realized and reclassified to earnings, or, if designated as “held-to-maturity” securities, amortized cost on the consolidated statements of financial condition. Any declines in the fair value of “available-for-sale” and “held-to-maturity” securities that are determined to be other than temporary are charged to earnings. As of December 31, 2010 and subsequent thereto, Lazard did not own any securities designated as “available-for-sale” or “held-to-maturity”.

Gains and losses on investment positions held, which arise from sales or changes in the fair value of the investments, are not predictable and can cause periodic fluctuations in net income or, if applicable, AOCI and therefore subject Lazard to market and credit risk.

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Data relating to net investments is set forth below (in millions of dollars):

	March 31, 2012 (a)		December 31, 2011 (a)	
	\$	%	\$	%
Debt securities (b)	\$ 9	2%	\$ 37	10%
Equity securities (net of \$2 and \$4 of securities sold, not yet purchased, at March 31, 2012 and December 31, 2011, respectively) (c)	168	45	152	41
Alternative asset management funds owned (principally general partnership interests in Lazard-managed hedge funds) (d)	38	10	20	5
Private equity owned (e)	95	25	104	28
Fixed income funds (f)	33	9	31	8
Other (g)	33	9	30	8
Net investments	<u>\$ 376</u>	<u>100%</u>	<u>\$ 374</u>	<u>100%</u>
Total assets	<u>\$ 2,908</u>		<u>\$ 3,082</u>	
Net investments, as a percentage of total assets	<u>13%</u>		<u>12%</u>	

- (a) Investments above include investments held in connection with Lazard Fund Interests and other similar deferred compensation arrangements granted, with an aggregate fair value of \$31 and \$27 million at March 31, 2012 and December 31, 2011, respectively. Market risk associated with such investments is equally offset by any changes in the fair value related to the Company's obligation pertaining to such awards.
- (b) Debt securities primarily relate to Asset Management seed investments and U.S. government debt securities and, at December 31, 2011, non-U.S. government securities which matured during the first quarter of 2012.
- (c) The Company's equity securities primarily relate to seed investments in Asset Management products, which in turn invest in marketable equity securities of large-, mid- and small-cap domestic, international and global companies and include investments in public and private asset management funds managed both by LAM and third-party asset managers. Hedging strategies are employed to attempt to reduce market risk, and, in turn, the volatility to earnings.

Additional information regarding equity securities is shown below:

Percentage invested in:	March 31, 2012	December 31, 2011
Consumer	33%	38%
Financial	15	19
Energy	13	13
Industrial	12	9
Basic materials	9	9
Other	18	12
Total	<u>100%</u>	<u>100%</u>

- (d) The fair value of such interests reflects the pro-rata value of the ownership of the underlying securities in the funds. Such funds are broadly diversified and may incorporate particular strategies; however, there are no investments in funds with a single sector strategy.
- (e) Comprised of investments in private equity funds and direct private equity interests that are generally not subject to short-term market fluctuation, but may subject Lazard to market or credit risk. Private equity investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies; (ii) CP II, a private equity fund targeting significant noncontrolling investments in established public and private companies; (iii) Senior Housing, which targets

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controlling interests in companies and assets in senior housing, extended stay and shopping center sectors, and (iv) Edgewater Growth Capital Partners III, L.P., a private equity fund primarily making growth equity and buyout investments in high-quality, lower middle market companies.

- (f) Fixed income funds primarily consists of amounts seeding products of our Asset Management segment. Hedging strategies are employed to attempt to reduce market risk and, in turn, the volatility to earnings.
- (g) Represents investments (i) accounted for under the equity method of accounting and (ii) private equity and other interests that are consolidated but owned by noncontrolling interests, and therefore do not subject the Company to market or credit risk. The applicable noncontrolling interests are presented within “stockholders’ equity” on the consolidated statements of financial condition.

At March 31, 2012 and December 31, 2011, \$123 million and \$133 million, respectively, of our total investments at a fair value of \$376 million and \$374 million, respectively, or 33% and 36%, respectively, were classified as Level 3 assets. Substantially all of our Level 3 investments in both periods are priced based on a NAV or its equivalent. During the three month periods ended March 31, 2012 and 2011, gains of approximately \$8 million and \$0.3 million, respectively, were recognized in “revenue-other” on the condensed consolidated statements of operations pertaining to Level 3 investments.

For additional information regarding risks associated with our investments, see “Risk Factors—Other Business Risks—Our results of operations may be affected by market fluctuations related to positions held in our investment portfolios” in our Form 10-K.

See Notes 4 and 5 of Notes to Condensed Consolidated Financial Statements for additional information regarding investments and certain other assets and liabilities measured at fair value, including the levels of fair value within which such measurements of fair value fall .

Assets Under Management

AUM managed by LAM and LFG, which represents substantially all of the Company’s total AUM, principally consists of debt and equity instruments whose value is readily available based on quoted prices on a recognized exchange or by a broker. Accordingly, significant estimates and judgments are generally not involved in the calculation of the value of our AUM.

Goodwill

In accordance with current accounting guidance, goodwill has an indefinite life and is tested for impairment annually or more frequently if circumstances indicate impairment may have occurred. For years prior to 2011, Lazard made estimates and assumptions in order to determine the fair value of its assets and liabilities and to project future earnings using various valuation techniques. Commencing in 2011, as permitted under an amendment issued by the Financial Accounting Standards Board, the Company elected to perform a qualitative evaluation about whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in lieu of actually calculating the fair value of the reporting unit. See Note 8 of Notes to Condensed Consolidated Financial Statements for additional information regarding goodwill.

Consolidation of VIEs

The consolidated financial statements include the accounts of Lazard Group and all other entities in which it has a controlling interest. Lazard determines whether it has a controlling interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (“VIE”) under U.S. GAAP.

- **Voting Interest Entities.** Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance itself independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. Lazard is required to consolidate a voting interest entity that it maintains an ownership interest in if it holds a majority of the voting interest in such entity.

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- Variable Interest Entities. VIEs are entities that lack one or more of the characteristics of a voting interest entity. If Lazard has a variable interest, or a combination of variable interests in a VIE, it is required to analyze whether it needs to consolidate such VIE.

Lazard is involved with various entities in the normal course of business that are VIEs and holds variable interests in such VIEs. Transactions associated with these entities primarily include investment management, real estate and private equity investments. Those VIEs for which Lazard is determined to be the primary beneficiary are consolidated in accordance with the applicable accounting guidance. Those VIEs include company-sponsored venture capital investment vehicles established in connection with Lazard's compensation plans.

Risk Management

We encounter risk in the normal course of business, and therefore, in order to help manage and monitor such risks, we have designed risk management processes which consider both the nature of our business and our operating model. We are subject to varying degrees of credit and market risk, including risks related to the level of soundness of our clients, financial, governmental and other institutions and third parties, as well as operational and liquidity risks (see "—Liquidity and Capital Resources") and we monitor these risks at both an entity level and on a consolidated basis. Management within each of Lazard's operating locations is principally responsible for managing the risks within its respective businesses on a day-to-day basis.

Market and/or credit risks related to our investing activities are discussed under "Critical Accounting Policies and Estimates—Investments" above. Risks related to Lazard's other activities are presented below. Lazard has established procedures to assess credit and market risks, as well as specific interest rate and currency risk, and has established limits related to various positions.

Risks Related to Receivables

We maintain an allowance for doubtful accounts to provide coverage for probable losses from our receivables. We determine the adequacy of the allowance by estimating the probability of loss based on our analysis of the client's creditworthiness and specifically provide for exposures where we determine the receivables are impaired. At March 31, 2012, total receivables amounted to \$523 million, net of an allowance for doubtful accounts of \$21 million. As of that date, Financial Advisory and Asset Management fees, customer and related party receivables comprised 83%, 14% and 3% of total receivables, respectively. At December 31, 2011, total receivables amounted to \$504 million, net of an allowance for doubtful accounts of \$19 million. As of that date, Financial Advisory and Asset Management fees, customer and related party receivables comprised 80%, 16% and 4% of total receivables, respectively. At March 31, 2012 and December 31, 2011, the Company had receivables past due of approximately \$22 million and \$23 million, respectively. See also "Critical Accounting Policies and Estimates—Revenue Recognition" above and Note 3 of Notes to Condensed Consolidated Financial Statements for additional information regarding receivables.

LFB engages in lending activities, including commitments to extend credit. At March 31, 2012 and December 31, 2011, customer receivables included \$25 million and \$29 million of LFB loans, respectively. Such loans are closely monitored for counterparty creditworthiness to help minimize exposure. In addition, as of March 31, 2012, LFB had commitments to lend totaling \$23 million, which are fully collateralized and generally contain requirements for the counterparty to maintain a minimum collateral level.

LFB fully secures its collateralized lending and borrowing transactions with fixed income securities.

Credit Concentrations

To reduce the exposure to concentrations of credit from banking activities within LFB, the Company has established limits for corporate counterparties and monitors the exposure against such limits. At March 31, 2012, excluding inter-bank counterparties, LFB had no exposure to an individual counterparty that exceeded \$23 million, with such amount being fully collateralized.

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With respect to activities outside LFB, as of March 31, 2012, the Company's largest individual counterparty exposure was a Financial Advisory fee receivable of \$33 million, which was subsequently collected.

Risks Related to Derivatives

Lazard enters into interest rate swaps and foreign currency exchange contracts to hedge exposures to interest rates and currency exchange rates and uses equity and fixed income swap contracts to hedge a portion of its market exposure with respect to certain equity investments. At March 31, 2012 and December 31, 2011, such derivative contracts are recorded at fair value. Derivative assets amounted to \$1 million and \$7 million at March 31, 2012 and December 31, 2011, respectively, and derivative liabilities, excluding the derivative liability arising from the Company's obligation with respect to Lazard Fund Interests and other similar deferred compensation arrangements, amounted to \$6 and \$1 million at such respective dates.

In addition, LFB may take open foreign exchange positions with a view to profit, but does not sell foreign exchange options in this context, and enters into interest rate swaps, forward foreign exchange contracts and other derivative contracts to hedge exposures to interest rate and currency fluctuations. The primary market risks associated with LFB's foreign currency exchange hedging and lending activities are sensitivity to changes in the general level of interest rate and foreign exchange risk. Based on account balances as of March 31, 2012, LFB's interest rate risk as measured by a 100+/- basis point change in interest rates and its currency risk associated with its open positions, in the aggregate, as measured by a 200+/- basis point change against the U.S. Dollar, would not have a material effect on the Company's annual operating income.

Risks Related to Short-Term Investments and Corporate Indebtedness

A significant portion of the Company's indebtedness has fixed interest rates, while its cash and short-term investments generally have floating interest rates. Based on account balances as of March 31, 2012, Lazard estimates that its annual operating income relating to cash and short-term investments and corporate indebtedness would increase by approximately \$8 million in the event interest rates were to increase by 1% and decrease by approximately \$2 million if rates were to decrease by 1%.

As of March 31, 2012, the Company's cash and cash equivalents totaled approximately \$766 million. Substantially all of the Company's cash and cash equivalents were invested in highly liquid institutional money market funds (a significant majority of which were invested solely in U.S. Government or agency money market funds) or in short-term interest earning accounts at a number of leading banks throughout the world, or in short-term certificates of deposit from such banks. On a regular basis, management reviews and updates its list of approved depositor banks as well as deposit and investment thresholds.

Operational Risks

Operational risk is inherent in all our business and may, for example, manifest itself in the form of errors, breaches in the system of internal controls, business interruptions, fraud or legal actions due to operating deficiencies or noncompliance. The Company maintains a framework including policies and a system of internal controls designed to monitor and manage operational risk and provide management with timely and accurate information. Management within each of the operating companies is primarily responsible for its operational risk programs. The Company has in place business continuity and disaster recovery programs that manage its capabilities to provide services in the case of a disruption. We purchase insurance programs designed to protect the Company against accidental loss and losses which may significantly affect our financial objectives, personnel, property or our ability to continue to meet our responsibilities to our various stakeholder groups.

Recent Accounting Developments

For a discussion of recently issued accounting developments and their impact or potential impact on Lazard's consolidated financial statements, see Note 2 of Notes to Condensed Consolidated Financial Statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

Quantitative and qualitative disclosures about market risk are included under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

Item 4. Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the “Exchange Act”) as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during our most recent fiscal quarter that has materially affected, or is likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved from time to time in a number of judicial, regulatory and arbitration proceedings and inquiries concerning matters arising in connection with the conduct of our businesses, including proceedings initiated by former employees alleging wrongful termination. The Company reviews such matters on a case-by-case basis and establishes any required accrual if a loss is probable and the amount of such loss can be reasonably estimated. The Company does experience significant variation in its revenue and earnings on a quarterly basis. Accordingly, the results of any pending matter or matters could be significant when compared to the Company's earnings in any particular fiscal quarter. The Company believes, however, based on currently available information, that the results of any pending matters, in the aggregate, will not have a material effect on its business or financial condition.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 17, 2012, Lazard Ltd issued 85,196 shares of Class A common stock in reliance on Section 4(2) of the Securities Act of 1933 in connection with the exchange of 85,196 common membership interests of Lazard Group held by certain members of LAZ-MD Holdings as provided for in the Master Separation Agreement, dated as of May 10, 2005, by and among Lazard Ltd, Lazard Group, LAZ-MD Holdings and LFCM Holdings and other related documents.

Issuer Repurchases of Equity Securities

The following table sets forth information regarding Lazard's purchases of its Class A common stock on a monthly basis during the first quarter of 2012. Share repurchases are recorded on a trade date basis.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
January 1, 2012 – January 31, 2012				
Share Repurchase Program (1)	–	\$ –	–	\$ 212.1 million
Employee Transactions (2)	–	\$ –	–	\$ –
February 1, 2012 – February 29, 2012				
Share Repurchase Program (1)	1,599,507	\$29.52	1,599,507	\$ 164.9 million
Employee Transactions (2)	180,893	\$28.75	–	\$ –
March 1, 2012 – March 31, 2012				
Share Repurchase Program (1)	778,938	\$29.94	778,938	\$ 141.6 million
Employee Transactions (2)	647,578	\$30.46	–	\$ –
Total				
Share Repurchase Program (1)	2,378,445	\$29.66	2,378,445	\$ 141.6 million
Employee Transactions (2)	828,471	\$30.09	–	\$ –

(1) In February 2011 and October 2011, the Board of Directors of Lazard Ltd authorized the repurchase of up to \$250 million and \$125 million, respectively, in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2012 and December 31, 2013, respectively. The share repurchase program is used primarily to offset a portion of the shares to be issued under the 2005 Plan and the 2008 Plan. Purchases under the share repurchase program may be made in the open market or through

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privately negotiated transactions. Amounts shown in this line item exclude the shares of Class A common stock withheld by the Company to cover estimated income taxes as described below. As of March 31, 2012, \$141.6 million of the current aggregate \$375.0 million share repurchase amount authorized as of such date remained available as follows – \$16.6 million of the \$250.0 million share repurchase amount expiring December 31, 2012, and all of the \$125.0 million share repurchase amount expiring December 31, 2013. Additionally, amounts shown in this line item for the period March 1 through March 31, 2012 include repurchases made in the open market pursuant to the Company’s Rule 10b5-1 plan, which was then in effect. A Rule 10b5-1 plan allows the Company to make repurchases during periods when it would not otherwise be repurchasing (*i.e.* during internal “black-out” periods). All purchases under a Rule 10b5-1 plan must be made in accordance with a predefined plan, which must have been established when the Company was not aware of material non-public information.

- (2) Under the terms of the 2005 Plan and the 2008 Plan, upon the vesting of RSUs and delivery of restricted Class A common stock, shares of Class A common stock may be withheld by the Company to cover estimated income taxes. During the three month period ended March 31, 2012, the Company satisfied certain employees’ tax obligations in lieu of issuing (i) 802,810 shares of Class A common stock to cover estimated taxes upon the vesting of 3,270,375 RSUs and (ii) 25,661 shares of Class A common stock to cover estimated taxes upon the vesting of 119,552 shares of restricted Class A common stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

- 2.1 Master Separation Agreement, dated as of May 10, 2005, by and among the Registrant, Lazard Group LLC, LAZ-MD Holdings LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 2.2 Amendment No. 1, dated as of November 6, 2006, to the Master Separation Agreement, dated as of May 10, 2005, by and among the Registrant, Lazard Group LLC and LAZ-MD Holdings LLC (incorporated by reference to Exhibit 2.2 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on November 7, 2006).
- 2.3 Second Amendment, dated as of May 7, 2008, to the Master Separation Agreement, dated as of May 10, 2005, as amended, by and among Lazard Ltd, Lazard Group LLC and LAZ-MD Holdings LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on May 9, 2008).
- 2.4 Class B-1 and Class C Members Transaction Agreement (incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1 filed on December 17, 2004).
- 3.1 Certificate of Incorporation and Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on March 21, 2005).
- 3.2 Certificate of Incorporation in Change of Name of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on March 21, 2005).
- 3.3 Amended and Restated Bye-Laws of Lazard Ltd (incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 3.4 First Amendment to Amended and Restated Bye-Laws of Lazard Ltd (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on May 9, 2008).
- 3.5 Second Amendment to the Amended and Restated Bye-Laws of Lazard Ltd (incorporated by reference to Exhibit 3.5 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 30, 2010).
- 4.1 Form of Specimen Certificate for Class A common stock (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on April 11, 2005).
- 4.2 Indenture, dated as of May 10, 2005, by and between Lazard Group LLC and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to Lazard Group LLC's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
- 4.3 Amended and Restated Third Supplemental Indenture, dated as of May 15, 2008, by and among Lazard Group LLC and The Bank of New York, as trustee (and incorporated by reference to Exhibit 4.1 to the Registrants' Current Report on Form 8-K (Commission File No. 333-126751) filed on May 16, 2008).
- 4.4 Fourth Supplemental Indenture, dated as of June 21, 2007, between Lazard Group LLC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on June 22, 2007).
- 4.5 Form of Senior Note (included in Exhibit 4.3).

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- 10.1 Amended and Restated Stockholders' Agreement, dated as of November 6, 2006, by and among LAZ-MD Holdings LLC, the Registrant and certain members of LAZ-MD Holdings LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on November 7, 2006).
- 10.2 First Amendment, dated as of May 7, 2008, to the Amended and Restated Stockholders' Agreement dated as of November 6, 2006, between LAZ-MD Holdings LLC and Lazard Ltd (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on May 9, 2008).
- 10.3 Operating Agreement of Lazard Group LLC, dated as of May 10, 2005 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.4 Amendment No. 1 to the Operating Agreement of Lazard Group LLC, dated as of December 19, 2005 (incorporated by reference to Exhibit 3.01 to Lazard Group LLC's Current Report on Form 8-K (File No. 333-126751) filed on December 19, 2005).
- 10.5 Amendment No. 2, dated as of May 9, 2008, to the Operating Agreement of Lazard Group LLC, dated as of May 10, 2005 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on May 8, 2008).
- 10.6 Amendment No. 3, dated as of April 27, 2010, to the Operating Agreement of Lazard Group LLC, dated as of May 10, 2005 (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 30, 2010).
- 10.7 Tax Receivable Agreement, dated as of May 10, 2005, by and among Ltd Sub A, Ltd Sub B and LFCM Holdings LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.8 Employee Benefits Agreement, dated as of May 10, 2005, by and among the Registrant, Lazard Group LLC, LAZ-MD Holdings LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.9 Insurance Matters Agreement, dated as of May 10, 2005, by and between Lazard Group LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.10 License Agreement, dated as of May 10, 2005, by and among Lazard Strategic Coordination Company LLC, Lazard Frères & Co. LLC, Lazard Frères S.A.S., Lazard & Co., Holdings Limited and LFCM Holdings LLC (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.11 Administrative Services Agreement, dated as of May 10, 2005, by and among LAZ-MD Holdings LLC, LFCM Holdings LLC and Lazard Group LLC (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.12 Business Alliance Agreement, dated as of May 10, 2005, by and between Lazard Group LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.13 Amendment and Consent, dated February 9, 2009, to the Business Alliance Agreement, dated as of May 10, 2005, by and between Lazard Group LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.12 to Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).

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- 10.14 Amended and Restated Operating Agreement of Lazard Strategic Coordination Company LLC, dated as of January 1, 2002 (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.15 Lease, dated as of January 27, 1994, by and between Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.16 Amendment dated as of February 16, 2011, by and among RCPI Landmark Properties, L.L.C. (as the successor in interest to Rockefeller Center Properties), RCPI 30 Rock 22234849, L.L.C. and Lazard Group LLC (as the successor in interest to Lazard Frères & Co. LLC), to the Lease dated as of January 27, 1994, by and among Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 29, 2011).
- 10.17 Lease with an Option to Purchase, dated as of July 11, 1990, by and between Sicomibail and Finabail and SCI du 121 Boulevard Hausmann (English translation) (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.18 Occupational Lease, dated as of August 9, 2002, by and among Burford (Stratton) Nominee 1 Limited, Burford (Stratton) Nominee 2 Limited, Burford (Stratton) Limited, Lazard & Co., Limited and Lazard LLC (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.19* 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on May 2, 2005).
- 10.20* Lazard Ltd's 2008 Incentive Compensation Plan (incorporated by reference to Annex B to the Registrant's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 24, 2008).
- 10.21* 2005 Bonus Plan (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on March 21, 2005).
- 10.22* Form of Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005, applicable to, and related Schedule I for each of Michael J. Castellano and Scott D. Hoffman (incorporated by reference to Exhibit 10.26 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.23* Form of First Amendment, dated as of May 7, 2008, to Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005, for each of Michael J. Castellano and Scott D. Hoffman (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on May 9, 2008).
- 10.24* Second Amendment, dated as of February 26, 2009, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005 (as amended from time to time), for Michael J. Castellano (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.25* Second Amendment, dated as of February 23, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005 and amended as of May 7, 2008, for Scott D. Hoffman (incorporated by reference to Exhibit 10.25 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 29, 2011).
- 10.26* Form of Agreement Relating to Retention and Noncompetition and Other Covenants (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on April 11, 2005).

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- 10.27* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, by and between Lazard Group LLC and Alexander F. Stern (incorporated by reference to Exhibit 10.28 to Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.28* First Amendment, dated as of March 23, 2010, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, with Alexander F. Stern (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on March 23, 2010).
- 10.29* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 18, 2005, by and between Lazard Group LLC and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K (File No. 001-32492) filed on March 1, 2010).
- 10.30* First Amendment, dated as of March 23, 2010, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 18, 2005, with Kenneth M. Jacobs (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on March 23, 2010).
- 10.31* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, by and between Lazard Group LLC and Matthieu Bucaille (incorporated by reference to Exhibit 10.31 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 29, 2011).
- 10.32* First Amendment, dated as of April 1, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, between Lazard Group LLC and Matthieu Bucaille (incorporated by reference to Exhibit 10.32 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 29, 2011).
- 10.33* Amended and Restated Letter Agreement, effective as of January 1, 2004, between Vernon E. Jordan, Jr. and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.28 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.34* Acknowledgement Letter, dated as of November 6, 2006 from Lazard Group LLC to certain managing directors of Lazard Group LLC modifying the terms of the retention agreements of persons party to the Amended and Restated Stockholders' Agreement, dated as of November 6, 2006 (incorporated by reference to Exhibit 10.23 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on November 7, 2006).
- 10.35 Letter Agreement, dated as of March 15, 2005, from IXIS Corporate and Investment Bank to Lazard LLC and Lazard Ltd (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement (File No. 333-121407) on Form S-1/A filed on March 21, 2005).
- 10.36 Registration Rights Agreement, dated as of May 10, 2005, by and among Lazard Group Finance LLC, the Registrant, Lazard Group LLC and IXIS Corporate and Investment Bank (incorporated by reference to Exhibit 10.30 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.37* Description of Non-Executive Director Compensation (incorporated by reference to Exhibit 10.33 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q for the quarter ended June 30, 2005).
- 10.38* Form of Award Letter for Annual Grant of Deferred Stock Units to Non-Executive Directors (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on September 8, 2005).
- 10.39* Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the Lazard Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on January 26, 2006).

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- 10.40* Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.41 to Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.41* Form of Agreement evidencing a grant of Deferred Cash Award to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.42 to Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.42* Directors' Fee Deferral Unit Plan (incorporated by reference to Exhibit 10.39 to Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on May 11, 2006).
- 10.43* First Amended Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the Lazard 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.43 to Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on March 1, 2007).
- 10.44 Agreement and Plan of Merger, dated as of August 14, 2008, by and among Lazard Ltd, LAZ Sub I, Lazard Asset Management LLC and Lazard Asset Management Limited (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on August 15, 2008).
- 10.45* Letter Agreement regarding employment, dated as of April 21, 2010, between Lazard Group LLC and Gary W. Parr (incorporated by reference to Exhibit 10.53 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 30, 2010).
- 10.46* Amendment, dated as of February 27, 2012 to Letter Agreement regarding employment, dated as of April 21, 2010, between Lazard Group LLC and Gary W. Parr.
- 10.47 Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.51 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on August 4, 2011).
- 10.48 Amendment No. 1, dated as of August 12, 2010, to the Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.48 to the Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on February 29, 2011).
- 10.49 Amendment No. 2, dated as of December 17, 2010, to the Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.49 to the Registrant's Annual Report (File No. 001-32492) on Form 10-K filed on February 29, 2011).
- 10.50 Amendment No. 3, dated as of March 31, 2012, to the Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent.
- 10.51* Form of Agreement evidencing a grant of Restricted Stock under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.55 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 30, 2010).
- 10.52* Form of Agreement evidencing a grant of Lazard Fund Interests under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.55 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on April 29, 2011).
- 10.53* Form of Agreement evidencing a grant of Restricted Stock Units and Restricted Stock to Executive Officers who are or may become eligible for retirement under the 2008 Incentive Compensation Plan.

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10.54*	First Amendment, dated as of August 2, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 15, 2005, between Lazard Group LLC and Ashish Bhutani (incorporated by reference to Exhibit 10.56 to the Registrant's Quarterly Report (File No. 001-32492) on Form 10-Q filed on August 4, 2011).
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Rule 13a-14(a) Certification of Kenneth M. Jacobs.
31.2	Rule 13a-14(a) Certification of Matthieu Bucaille.
32.1	Section 1350 Certification for Kenneth M. Jacobs.
32.2	Section 1350 Certification for Matthieu Bucaille.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements 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.

Date: May 2, 2012

LAZARD LTD

By: /s/ Matthieu Bucaille
Name: Matthieu Bucaille
Title: Chief Financial Officer

By: /s/ Richard J. Hittner
Name: Richard J. Hittner
Title: Chief Accounting Officer

February 27, 2012

Mr. Gary W. Parr
Lazard Frères & Co. LLC
30 Rockefeller Plaza
New York, NY 10020

Dear Mr. Parr:

This letter (the "Amendment") will confirm our understanding regarding certain terms that will be applicable to your compensation for 2011, as well as your entitlement to awards to be granted in 2012 and 2013. Reference is hereby made to the letter agreement, dated as of April 21, 2010, between you and Lazard Group LLC ("Lazard"), which amended and restated the letter agreement, dated as of September 3, 2008, between you and Lazard regarding your employment with Lazard and which set forth your right to guaranteed annual compensation of no less than \$10,000,000 for each of 2009 through 2012, subject to certain terms and conditions (the 2010 letter agreement, the "Letter Agreement"). The parties desire to amend the Letter Agreement to reduce the portion of guaranteed annual compensation that is payable to you in cash and in the aggregate for 2011 under the Letter Agreement and to provide for the grant of equity awards in 2012 and 2013, as set forth below. All capitalized terms used in this Amendment but not otherwise defined herein will have the same meaning as defined in the Letter Agreement, and all section references are to a section of this Amendment, unless otherwise specified.

Accordingly, you and Lazard hereby agree that, notwithstanding anything to the contrary set forth in the Letter Agreement:

1. 2011 Annual Payment: Notwithstanding any provision of the Letter Agreement, the Annual Payment for calendar year 2011 will be \$7,500,000 (the "2011 Payment"). The cash portion of the 2011 Payment, including amounts paid in 2011 as salary, shall equal \$3,500,000. The remaining portion of the 2011 Payment (\$4,000,000) was granted to you in restricted stock units of Lazard Ltd (the "Company") Class A Common Stock ("Shares") (each such restricted stock unit, a "Stock Unit") on February 10, 2012 in accordance with the terms and conditions of section 1 of the Letter Agreement.
2. Grant and Vesting of Future Equity Awards.
 - a. Lazard agrees to grant you, subject to the provisions of this Amendment and to the provisions of the Company's 2008 Incentive Compensation Plan (the "Plan"): (i) 54,745 restricted Shares on February 27, 2012, which will vest on February 11, 2013, and (ii) 36,496 Stock Units on February 11, 2013, which will vest one-third on March 3, 2014 and two-thirds on March 2, 2015 (collectively, the "Special Awards"), in each case, upon the execution of an Award Agreement, which Award Agreement shall set forth substantially the same payment, vesting and other terms as apply to the Deputy Chairmen with respect to the prior year, except that (i) in the case of the restricted Shares, the dividends shall be paid in cash, subject to vesting on the same terms and conditions as the related restricted Shares, and (ii) as otherwise set forth in this section 2(a). Notwithstanding the foregoing, Lazard will not be obligated to grant you the Special Awards described in this section 2(a) if, prior to the grant date, you resign or are terminated for Cause.
 - b. In the event of a Change in Control (as defined in the Plan) prior to February 11, 2013, any Special Awards that have not been granted as of the date of such Change in Control shall automatically be granted as of the date of such Change in Control, and such Special Awards, along with any unvested but already outstanding Special Awards, shall automatically vest as of the date of such Change in Control.

c. In the event of a change in the Company's capital structure of the nature described in section 3(b) of the Plan at any time following the date hereof and prior to the grant of all of the Special Awards pursuant to section 2(a), the number of ungranted Special Awards set forth in section 2(a) shall be adjusted in the same manner as the restricted Shares or Stock Units, as applicable, then outstanding under the Plan.

d. For the avoidance of doubt, the awards referred to in this section 2 are in addition to, and shall not be credited against, your Annual Payment for calendar year 2012 under the Letter Agreement.

3. Full Force and Effect. Except as specifically set forth herein, this Amendment shall not, by implication or otherwise, alter, amend or modify in any way any terms of the Letter Agreement, and the Letter Agreement shall continue in full force and effect.
4. Governing Law; Arbitration. Section 6 of the Letter Agreement shall apply to this Amendment.
5. Entire Agreement. This Amendment, together with the Letter Agreement, contains the entire agreement between you and Lazard concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between you and Lazard with respect hereto. No provision of this Amendment may be amended unless the amendment is agreed to in writing that is duly signed by each of the parties hereto and that expressly refers to the provision being amended. No waiver by either party of any breach by the other party of any condition or provision contained in this Amendment shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by an authorized officer of Lazard or you, depending on which party is granting a waiver, and must expressly refer to the provision being waived. Following the date hereof, all references to the Letter Agreement shall be deemed to refer to the Letter Agreement as amended by this Amendment.

Please confirm your acceptance of the foregoing by executing the enclosed copy of this letter, upon which it shall become a binding agreement between us.

Very truly yours,

LAZARD GROUP LLC,

By: /s/ Scott D. Hoffman

Name: Scott D. Hoffman

Title: Managing Director and General Counsel

AGREED TO AND ACCEPTED:

/s/ Gary W. Parr

Gary W. Parr

Date: February 27, 2012

AMENDMENT NO. 3

AMENDMENT NO. 3 (this “Amendment”) dated as of March 31, 2012 among LAZARD GROUP LLC (the “Company”), the Banks executing this Amendment, each of which is a party to the Credit Agreement referred to below, and Citibank, N.A., as Administrative Agent (the “Administrative Agent”).

The Company, the Banks party thereto (including the Banks executing this Amendment) and the Administrative Agent are parties to a Credit Agreement dated as of April 29, 2010 (as amended by Amendment No. 1 dated as of August 12, 2010 and by Amendment No. 2 dated as of December 17, 2010, the “Credit Agreement”), providing, subject to the terms and conditions thereof, for extensions of credit to be made by said Banks to the Company thereunder.

The parties hereto wish now to amend the Credit Agreement in certain respects and, accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 4 below, the Credit Agreement shall be amended as follows:

2.01. References Generally. References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein” and “hereof”) shall be deemed to be references to the Credit Agreement as amended hereby.

2.02. Amendments to Section 1.1 (Defined Terms). Section 1.1 (Defined Terms) of the Credit Agreement is hereby amended by inserting the following defined term in the appropriate alphabetical order therein:

“Pension Reserve Letter Agreement”: the letter agreement dated June 30, 2009, from Holdings and Lazard & Co., Holdings Limited to the Staff Pension Trustees and the Directors’ Pension Trustees (in each case as defined therein), in respect of reserves to be retained by Lazard & Co., Holdings Limited, Lazard & Co., Limited and Lazard & Co., Services Limited for certain pension obligations, and as such letter agreement is further amended, restated, modified, supplemented or replaced from time to time, in each case with respect to the same or similar such reserves.

2.03. Amendments to Section 7.3 (Limitation on Liens). Section 7.3 of the Credit Agreement is hereby amended by:

- (i) deleting the word “and” at the end of clause 7.3(m);
- (ii) relabeling clause Section 7.3(n), “Section 7.3(o)”; and

(iii) inserting the following new clause immediately after Section 7.3(m):

(n) Liens on deposit accounts and securities accounts to secure certain pension obligations of Lazard & Co., Services Limited, provided that the aggregate amount of assets in the accounts subject to such Liens shall not exceed £15,000,000 at any one time; and

2.04. Amendments to Section 7.7 (Clauses Restricting Subsidiary Distributions). Section 7.7 of the Credit Agreement is hereby amended by deleting the word “and” directly preceding romanette (vi) and by inserting “, and (vii) restrictions and conditions imposed by the Pension Reserve Letter Agreement, provided that such restrictions and conditions are limited to distributable reserves to be retained by Lazard & Co., Holdings Limited, Lazard & Co., Limited and Lazard & Co., Services Limited with an aggregate value not in excess of £18,000,000 at any one time” after the words “assignment thereof” at the end of the paragraph.

Section 3. Representations and Warranties. The Company represents and warrants to the Administrative Agent and the Banks that after giving effect to this Amendment (a) the representations and warranties set forth in Article 4 of the Credit Agreement are true and correct in all material respects on the date hereof as if made on and as of the date hereof (or, if any representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct in all material respects as of such specific date) and (b) no Default or Event of Default has occurred and is continuing.

Section 4. Conditions Precedent. The amendments set forth in Section 2 hereof shall each become effective on the date this Amendment shall have been duly executed and delivered by the Company, the Administrative Agent and the Required Lenders.

Section 5. Costs and Expenses. The Company agrees to pay the reasonable costs and expenses of the Administrative Agent in connection with this Amendment as provided in Section 12.5(a) of the Credit Agreement.

Section 6. Miscellaneous. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and both of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

[*Remainder of the page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in New York, New York by their proper and duly authorized officers as of the date first above written.

LAZARD GROUP LLC

By: /s/ Matthieu Bucaille
Name: Matthieu Bucaille
Title: Chief Financial Officer

[Signature Page to Amendment No. 3]

CITIBANK, N.A. ,
as Administrative Agent and as a Bank

By /s/ Maureen P. Maroney
Name: Maureen P. Maroney
Title: Authorized Signatory

[Signature Page to Amendment No. 3]

STATE STREET BANK AND TRUST COMPANY ,
as a Bank

By /s/ John T. Daley
Name: John T. Daley
Title: Vice President

[Signature Page to Amendment No. 3]

THE BANK OF NEW YORK MELLON ,
as a Bank

By /s/ Thomas Caruso
Name: Thomas Caruso
Title: Managing Director

[Signature Page to Amendment No. 3]

STOCK UNIT
AND
RESTRICTED STOCK AGREEMENT

among

LAZARD LTD

and

Dated as of

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This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

STOCK UNIT AGREEMENT AND RESTRICTED STOCK AGREEMENT

STOCK UNIT AGREEMENT AND RESTRICTED STOCK AGREEMENT dated as of _____, between Lazard Ltd, a Bermuda exempted company (the "Company"), on behalf of its applicable Affiliate (as defined under the definitional rules of Section 1.01(a) below), and (the "Employee").

WITNESSETH

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

ARTICLE I

Stock Units

SECTION 1.01. Grant and Vesting of Stock Units. (a) Subject to the provisions of this Agreement and to the provisions of the Company's 2008 Incentive Compensation Plan (the "Plan") (all capitalized terms used herein, to the extent not defined, shall have the meaning set forth in the Plan), the Company, on behalf of its applicable Affiliate, hereby grants to the Employee, as of _____ (the "Grant Date"), Stock Units (the "Stock Units"), each with respect to one Share.

(b) Subject to the terms and conditions of this Agreement and to the provisions of the Plan, the Stock Units shall vest and no longer be subject to any restriction (such period during which restrictions apply to the Stock Units is the "Restriction Period") in accordance with the following schedule: _____ of the Stock Units shall vest on _____ and _____ of the Stock Units shall vest on _____. Each of _____ and _____ is referred to herein, as applicable, as the "Vesting Date".

(c) In the event that the Employee incurs a Termination of Employment during the applicable Restriction Period for any reason not set forth in Section 1.01(d) or Section 2.01(f), all unvested Stock Units shall be forfeited by the Employee effective immediately upon such Termination of Employment. For purposes of this Section 1.01(c), the Employee will be deemed to have incurred a Termination of Employment on the date that the Employee provides notice of termination to the Company, and accordingly, all unvested Stock Units shall be forfeited by the Employee immediately upon delivery of any such notice.

(d) (i) In the event that the Employee incurs a Termination of Employment during the applicable Restriction Period due to the Employee's Disability or due to a Termination of Employment by the Company other than for Cause (each, a "Qualifying Termination"), subject to Section 1.01(e) and Section 1.02, all Shares underlying the Employee's Stock Units shall be delivered to the Employee within 30 days following the date that the Employee is no longer required to perform any additional services in order to retain such Stock Units (the date that such Shares are delivered to the Employee is the "Initial Delivery Date").

Subject to approval of the Compliance Department of the Company or an Affiliate, the Employee will be permitted to dispose of 50% of the Shares (such Shares, the "Transferable Shares") delivered to the Employee pursuant to the preceding sentence immediately following the date that such Shares are delivered to the Employee. All Shares underlying the Employee's Stock Units following the Initial Delivery Date that are not Transferable Shares (such Shares, the "Remaining Shares"), will remain subject to the restrictions set forth in this Agreement until the earlier of the applicable Vesting Date and the date that the Stock Units would have become vested in accordance with Section 1.01(d)(ii) or 1.01(f) (such date, the "Final Delivery Date"). Accordingly, prior to the relevant Final Delivery Date, neither the Employee nor any of the Employee's creditors or beneficiaries will have the right to subject the Remaining Shares to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, hedge, exchange, attachment or garnishment or any similar transaction. Furthermore, for the avoidance of doubt, the Remaining Shares shall continue to be subject to the forfeiture provisions set forth in this Agreement (including, without limitation, those relating to violation of the Restrictive Covenants) until the applicable Final Delivery Date.

(ii) In the event that the Employee incurs a Termination of Employment during the applicable Restriction Period due to the Employee's death or, subject to Section 1.01(e), dies during the applicable Restriction Period subsequent to a Termination of Employment described in Section 1.01(d)(i), all Stock Units shall remain outstanding and vest and be settled within 30 days following the first to occur of (x) the applicable Vesting Date and (y) the date of death.

(e) In the event that the Employee violates any of the provisions of Appendix A, which is incorporated herein by reference, all outstanding vested or unvested Stock Units and, if applicable, all Remaining Shares, shall be forfeited and canceled.

(f) Notwithstanding the foregoing, in the event of a Change in Control, any unvested but outstanding Stock Units shall automatically vest as of the date of such Change in Control and shall be settled within 30 days following the date of such Change in Control in accordance with Section 1.02.

SECTION 1.02. Settlement of Units; Restrictions on Shares. As soon as practicable (but in no event more than 30 days) after any Stock Unit has vested and is no longer subject to the applicable Restriction Period, the Company shall, subject to Section 1.01(d) and Section 1.06, cause its applicable Affiliate to deliver to the Employee one or more unlegended, freely-transferable stock certificates or book entry credits in respect of such Shares issued upon settlement of the vested Stock Units. Notwithstanding the foregoing, (i) the Company shall be entitled to hold the Shares or cash issuable upon settlement of Stock Units that have vested until the Company shall have received from the Employee a duly executed Form W-9 or W-8, as applicable, and (ii) any certificate or book entry credit issued or entered in respect of the Remaining Shares shall be registered in the Employee's name and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to the Remaining Shares, substantially in the following form:

"The transferability of the shares of stock represented hereby is subject to the terms and conditions (including forfeiture) of the Lazard Ltd 2008 Incentive Compensation Plan and an Award Agreement, as well as the terms and conditions of applicable law. Copies of such Plan and Agreement are on file at the offices of Lazard Ltd."

The Company may require that the certificates or book entry credits evidencing title of the Remaining Shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of receiving the Remaining Shares, the Employee shall have delivered to the Company a stock power, endorsed in blank, relating to such Remaining Shares. If and when the applicable Final Delivery Date occurs with respect to the Remaining Shares, the legend set forth shall be removed from the certificates or book entry credits evidencing such Shares.

SECTION 1.03. Nontransferability of Stock Units. During the applicable Restriction Period and until such time as the Stock Units are ultimately settled as provided in Section 1.02, the Stock Units shall not be transferable by the Employee by means of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise.

SECTION 1.04. Dividends, Dividend Equivalents, Rights as a Shareholder. If the Company declares and pays ordinary quarterly cash dividends on the Common Stock during the applicable Restriction Period, the Employee's outstanding Stock Units shall be credited with additional Stock Units (determined by dividing the aggregate dividend amount that would have been paid with respect to the Stock Units if they had been actual Shares by the Fair Market Value of a Share on the dividend payment date), which additional Stock Units shall vest and be settled concurrently with the underlying Stock Units and be treated as Stock Units for all purposes of this Agreement (it being understood that the provisions of this sentence shall not apply to any extraordinary dividends or distributions). Notwithstanding the foregoing, subject to Section 1.01(d)(i) and Section 1.02 and any other applicable law or agreement, from and after the Initial Delivery Date, the Employee will have all rights and privileges of a shareholder with respect to the Shares, including the right to vote the Shares and to receive dividends and other distributions with respect thereto, provided that, any dividends that are paid on the Remaining Shares prior to the applicable Final Delivery Date (whether payable in cash or in kind) will be held until the applicable Final Delivery Date by Lazard Capital Markets LLC or any other escrow agent that is subsequently designated by the Company (the "Designated Escrow Agent"), and in the event that the Remaining Shares are forfeited in accordance with Section 1.01(e), such dividends will also be forfeited.

SECTION 1.05. Payment of Transfer Taxes, Fees and Other Expenses. The Company agrees, or will cause its applicable Affiliate, to pay any and all original issue taxes and stock transfer taxes that may be imposed on the issuance of Shares received by an Employee in connection with the Stock Units, together with any and all other fees and expenses necessarily incurred by the Company in connection therewith.

SECTION 1.06. Taxes and Withholding. No later than the date as of which an amount first becomes includible in the gross income of the Employee for federal, state, local or foreign income tax purposes with respect to any Stock Units, the Employee shall pay to the Company or its applicable Affiliate, or make arrangements satisfactory to the Company or its applicable Affiliate regarding the payment of, any federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld with respect to such amount. Except

as otherwise required by applicable law, the Company will report that the Employee will be taxed on the full value of the Shares underlying the Employee's Stock Units on the date that the Shares (including any Remaining Shares) are delivered to the Employee pursuant to Section 1.01(d), 1.01(f) or 1.02, as applicable. The obligations of the Company under this Agreement shall be conditioned on compliance by the Employee with this Section 1.06, and the Company or its applicable Affiliate shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Employee, including deducting such amount from the delivery of Shares or cash issued upon settlement of the Stock Units that gives rise to the withholding requirement. Notwithstanding the foregoing, the Company may, in its sole discretion and subject to such other terms and conditions as the Company may determine, retain some or all of the Transferable Shares and have the Company or such Affiliate either (1) remit the relevant taxes on the Employee's behalf to the appropriate taxing authorities or (2) deposit cash equal to the value of the Shares retained by the Company or an Affiliate (as reasonably determined by the Company) into the Employee's tax advance account. Prior to the Initial Delivery Date, the Company will notify the Employee of (i) how many Shares will be delivered to the Employee on the Initial Delivery Date and (ii) whether the Employee will be permitted to surrender any portion of the Transferable Shares to the Company or an Affiliate.

ARTICLE II

Restricted Shares

SECTION 2.01. Issuance and Vesting of Restricted Shares; Tax Issues. (a) Delivery of Restricted Shares. In the event that the Employee, prior to the relevant Vesting Date, meets all of the following retirement eligibility requirements: (i) minimum age fifty-six (56); (ii) minimum of five (5) years of service with the Company or its Affiliates; and (iii) actual age plus years of service with the Company or its Affiliates at least seventy (70), the provisions of this Article II shall govern. As soon as practicable (but in no event more than 10 days) after the later of (A) the date that you return a signed copy of this Agreement to the Company (which must be no later than 10 days following the date of this Agreement) and (B) the date the Employee meets such retirement eligibility requirements (the later of such dates, the "Retirement Eligibility Date"), the Company shall issue one Share for each then outstanding Stock Unit to its applicable Affiliate and cause such Affiliate to deliver to the Employee one or more stock certificates or book entry credits in respect of such Shares issued upon the Employee's eligibility to retire (such Shares, the "Restricted Shares"). The date that such Restricted Shares are issued to the Employee is hereinafter referred to as the "Retirement Eligibility Issue Date". The Restricted Shares issued pursuant to this Section 2.01(a) will be in satisfaction of all then outstanding Stock Units granted pursuant to this Agreement, and following the Retirement Eligibility Issue, such Stock Units will no longer be outstanding.

(b) Tax Reporting. Except as otherwise required by applicable law, the Company will report that the Employee will be taxed on the full value of all Restricted Shares on the Retirement Eligibility Issue Date.

(c) Section 83(b) Election. The Employee agrees that the Employee will make an election to be taxed immediately on the value of all Restricted Shares (calculated without regard to the restrictions) on the Retirement Eligibility Issue Date. In order to do so, the Employee

must file an election with the Internal Revenue Service pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Treasury Regulations thereunder with respect to the Restricted Shares within 30 days following the Retirement Eligibility Date, but in no event prior to Retirement Eligibility Issue Date. The Employee agrees that such Section 83(b) election will apply to all of the Restricted Shares covered by this Agreement. The Employee further agrees that the Employee will provide a copy of such Section 83(b) election to the Company not later than ten (10) days after filing the election with the Internal Revenue Service or other governmental authority.

(d) Disposition of Shares to Pay Taxes. (i) Subject to approval of the Compliance Department of the Company or an Affiliate, the Employee will be permitted to dispose of 50% of the Restricted Shares (such Shares, the "Transferable Restricted Shares") issued to the Employee pursuant to Section 2.01(a) immediately following the Retirement Eligibility Issue Date. All Restricted Shares that are not Transferable Restricted Shares (such Shares, the "Remaining Restricted Shares"), will remain subject to the restrictions set forth in this Agreement until the relevant Restricted Share Delivery Date (as defined in Section 2.01(g) below). Accordingly, prior to the relevant Restricted Share Delivery Date, neither the Employee nor any of the Employee's creditors or beneficiaries shall have the right to subject the Remaining Restricted Shares to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, hedge, exchange, attachment or garnishment or any similar transaction. For the avoidance of doubt, the Remaining Restricted Shares shall continue to be subject to the forfeiture provisions set forth in Section 2.01(g) until the relevant Restricted Share Delivery Date.

(ii) No later than the earlier of (A) the Retirement Eligibility Issue Date and (B) the relevant Vesting Date, the Employee shall pay to the Company or its applicable Affiliate, or make arrangements satisfactory to the Company or its applicable Affiliate regarding the payment of, any federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld with respect to the Restricted Shares. The obligations of the Company under this Agreement shall be conditioned on compliance by the Employee with this Section 2.01(d)(ii), and the Company or its applicable Affiliate shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Employee. Notwithstanding the foregoing, on the Retirement Eligibility Issue Date, the Company or an Affiliate may, in the Company's sole discretion and subject to such other terms and conditions as the Company may determine, retain some or all of the Transferable Restricted Shares and have the Company or such Affiliate either (1) remit the relevant taxes on the Employee's behalf to the appropriate taxing authorities or (2) deposit cash equal to the value of the Shares retained by the Company or an Affiliate (as reasonably determined by the Company) into the Employee's tax advance account. Prior to the Retirement Eligibility Issue Date, the Company will notify the Employee of (x) how many Restricted Shares will be delivered to the Employee on the Retirement Eligibility Issue Date and (y) if the Company or an Affiliate will retain any portion of the Transferable Restricted Shares.

(e) Vesting of Remaining Restricted Shares. Subject to the terms and conditions of this Agreement, the Remaining Restricted Shares shall vest and such Shares shall no longer be subject to any restriction on the relevant Vesting Date.

(f) Retirement. On and after the Retirement Eligibility Date, the Employee will be permitted to retire from the Company and its Subsidiaries and, subject to the restrictions set forth in this Agreement, the Remaining Restricted Shares issued pursuant to Section 2.01(a) will continue to vest following retirement.

(g) Forfeiture of Remaining Restricted Shares. In the event that the Employee violates any of the provisions of Appendix A, which is incorporated herein by reference, all outstanding vested or unvested Restricted Shares shall be forfeited and canceled. Notwithstanding that certain Restrictive Covenants in Appendix A apply for only a limited period following Termination of Employment, in the event that the Employee's employment with the Company terminates by reason of retirement in accordance with Section 2.01(f) above, the Employee will forfeit any outstanding Remaining Restricted Shares that were issued pursuant to Section 2.01(a) if the Employee does not comply with all Restrictive Covenants in Appendix A until the earlier of the relevant Vesting Date and the date the Remaining Restricted Shares otherwise become vested in accordance with Section 2.01(h) (such date, the "Restricted Share Delivery Date"). Furthermore, in the event that the Employee incurs a Termination of Employment for Cause, the Employee will forfeit all outstanding Remaining Restricted Shares that were issued pursuant to Section 2.01(a).

(h) Accelerated Vesting Events. Notwithstanding the foregoing, in the event of a Change in Control, any unvested but outstanding Remaining Restricted Shares shall automatically vest as of the date of such Change in Control. Furthermore, in the event that the Employee dies following the Retirement Eligibility Issue Date but prior to the end of the Restriction Period, any unvested but outstanding Remaining Restricted Shares shall automatically vest as of the date of death.

SECTION 2.02. Delivery of Certificates or Book Entry Credits; Restrictions on Remaining Restricted Shares. The Remaining Restricted Shares shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate or book entry credit issued or entered in respect of the Remaining Restricted Shares shall be registered in the Employee's name and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to the Remaining Restricted Shares, substantially in the following form:

"The transferability of the shares of stock represented hereby is subject to the terms and conditions (including forfeiture) of the Lazard Ltd 2008 Incentive Compensation Plan and an Award Agreement, as well as the terms and conditions of applicable law. Copies of such Plan and Agreement are on file at the offices of Lazard Ltd."

The Employee agrees that the certificates or book entry credits evidencing title of the Remaining Restricted Shares shall be held in escrow by the Designated Escrow Agent until the relevant Restricted Share Delivery Date and that, as a condition of the Company's issuance of the Remaining Restricted Shares, the Employee shall have delivered to the Company a stock power, endorsed in blank, relating to such Remaining Restricted Shares. If and when the relevant Restricted Share Delivery Date occurs with respect to the Remaining Restricted Shares, provided that the Remaining Restricted Shares have not been forfeited pursuant to Section 2.01(g), the

legend shall be removed from the certificates or book entry credits evidencing such Shares. As soon as practicable (but in no event more than 30 days) after the relevant Restricted Share Delivery Date, the Company shall, subject to Section 2.01(d), cause the Designated Escrow Agent to transfer to the Employee one or more unlegended, freely-transferable stock certificates or book entry credits in respect of such Remaining Restricted Shares. Notwithstanding the foregoing, the Company shall be entitled to hold the Remaining Restricted Shares until the Company shall have received from the Employee a duly executed Form W-9 or W-8, as applicable.

SECTION 2.03. Nontransferability of Remaining Restricted Shares. All Remaining Restricted Shares shall remain subject to the restrictions set forth in this Agreement, including the forfeiture provisions set forth in Section 2.01(g), until the relevant Restricted Share Delivery Date. Prior to the relevant Restricted Share Delivery Date, the Remaining Restricted Shares shall not be transferable by the Employee, and neither the Employee nor its creditors shall have the right to subject the Remaining Restricted Shares to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, hedge, exchange, attachment or garnishment or any similar transaction.

SECTION 2.04. Dividends, Rights as a Shareholder. Subject to Section 2.01(g) and Section 2.03 and any other applicable law or agreement, from and after the Retirement Eligibility Issue Date, the Employee will have all rights and privileges of a shareholder with respect to the Restricted Shares (including the Remaining Restricted Shares), including the right to vote the Restricted Shares and to receive dividends and other distributions with respect thereto, provided that, any dividends or other distributions that are paid on the Remaining Restricted Shares prior to the relevant Restricted Share Delivery Date (whether payable in cash or in kind) will be held by the Designated Escrow Agent until the relevant Restricted Share Delivery Date. In the event that any Remaining Restricted Shares are forfeited in accordance with Section 2.01(g), all dividends and other distributions held by the Designated Escrow Agent with respect to such Remaining Restricted Shares will also be forfeited.

SECTION 2.05. Disgorgement of Tax Benefits. In the event that the Employee retires from the Company in accordance with Section 2.01(f) and, after the Employee's retirement, the Employee forfeits the Remaining Restricted Shares and the dividends held by the Designated Escrow Agent, the Employee shall disgorge to the Company any current or future tax benefit the Employee may derive from the forfeiture of any Restricted Shares at the time the Employee derives such tax benefit. The Employee agrees to use reasonable best efforts to claim any tax benefit from such forfeiture that the Company reasonably determines is available to the Employee on all relevant tax returns. Notwithstanding the foregoing, this Section 2.05 shall not apply in the event of a Qualifying Termination, a Change in Control or a Termination of Employment due to death.

SECTION 2.06. Qualifying Termination. In the event of a Qualifying Termination following the Retirement Eligibility Issue Date, the Restrictive Covenants set forth in Appendix A that apply for only a limited period following Termination of Employment shall apply for such limited period, rather than until the relevant Restricted Share Delivery Date.

ARTICLE III

General Provisions

SECTION 3.01. Effect of Agreement. Except as otherwise provided hereunder, this Agreement shall be binding upon and shall inure to the benefit of any successor or successors of the Company. The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. Nothing in this Agreement or the Plan shall confer upon the Employee any right to continue in the employ of the Company or any of its Affiliates or interfere in any way with the right of the Company or any such Affiliates to terminate the Employee's employment at any time. Until Shares are actually delivered to the Employee upon settlement of the Stock Units, the Employee shall not have any rights as a shareholder with respect to the Stock Units, except as specifically provided herein.

SECTION 3.02. Laws Applicable to Construction; Consent to Jurisdiction. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York (United States of America), without regard to principles of conflict of laws which could cause the application of the law of any jurisdiction other than the State of New York. In addition to the terms and conditions set forth in this Agreement and Appendix A, the Stock Units and Restricted Shares are subject to the terms and conditions of the Plan, which is hereby incorporated by reference. By signing this Agreement, the Employee agrees to and is bound by the Plan and the restrictive covenants set forth in Appendix A.

(b) Any controversy or claim between the Employee and the Company or its Affiliates arising out of or relating to or concerning the provisions of this Agreement or the Plan shall be finally settled by arbitration in New York City before, and in accordance with the rules then obtaining of, the Financial Industry Regulatory Authority ("FINRA") or, if FINRA declines to arbitrate the matter, the American Arbitration Association (the "AAA") in accordance with the commercial arbitration rules of the AAA.

(c) The Employee and the Company hereby irrevocably submit to the exclusive jurisdiction of any state or federal court located in the City of New York over any suit, action, or proceeding arising out of relating to or concerning this Agreement or the Plan that is not otherwise required to be arbitrated or resolved in accordance with the provisions of Section 3.02(b). This includes any suit, action or proceeding to compel arbitration or to enforce an arbitration award. The Employee and the Company acknowledge that the forum designated by this Section 3.02(c) has a reasonable relation to this Agreement, and to the Employee's relationship to the Company. Notwithstanding the foregoing, nothing herein shall preclude the Company or the Employee from bringing any action or proceeding in any other court for the purpose of enforcing the provisions of Section 3.02(a), 3.02(b) or this Section 3.02(c). The agreement of the Employee and the Company as to forum is independent of the law that may be applied in the action, and the Employee and the Company agree to such forum even if the forum may under applicable law choose to apply non-forum law. The Employee and the Company hereby waive, to the fullest extent permitted by applicable law, any objection which the Employee or the Company now or hereafter may have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding in any court referred to in this Section 3.02(c). The

Employee and the Company undertake not to commence any action arising out of or relating to or concerning this Agreement in any forum other than a forum described in this Section 3.02(c), or, to the extent applicable, Section 3.02(b). The Employee and the Company agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any such suit, action or proceeding in any such court shall be conclusive and binding upon the Employee and the Company.

SECTION 3.03. Conflicts and Interpretation. In the event of any conflict between this Agreement and the Plan, the Plan shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan.

SECTION 3.04. Amendment. Any modification, amendment or waiver to this Agreement that shall materially impair the rights of the Employee with respect to the Stock Units or the Restricted Shares shall require an instrument in writing to be signed by both parties hereto, except such a modification, amendment or waiver made to cause the Plan or the Stock Units or the Restricted Shares to comply with applicable law, tax rules, stock exchange rules or accounting rules and which is made to similarly situated employees. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

SECTION 3.05. Sections 409A and 457A of the Code. It is intended that the Stock Units and the Restricted Shares shall be exempt from Sections 409A and 457A of the Code pursuant to the “short-term deferral” rule applicable to each such section, as set forth in the regulations or other guidance published by the Internal Revenue Service thereunder.

SECTION 3.06. Headings. The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

SECTION 3.07. Counterparts. This Agreement may be executed in counterparts, which together shall constitute one and the same original.

IN WITNESS WHEREOF, as of the date first above written, the Company has caused this Agreement to be executed on behalf of its applicable Affiliate by a duly authorized officer and the Employee has hereunto set the Employee's hand.

LAZARD LTD,

by _____
Name: _____
Title: _____

Restrictive Covenants

The Employee acknowledges that the grant of the Stock Units and/or Restricted Shares pursuant to the Stock Unit and Restricted Stock Agreement (the "Agreement") confers a substantial benefit upon the Employee, and agrees to the following covenants, which are designed, among other things, to protect the interests of the Company and its Affiliates (collectively, the "Firm") in confidential and proprietary information, trade secrets, customer and employee relationships, orderly transition of responsibilities, and other legitimate business interests. The Employee acknowledges that, pursuant to Sections 1.01(e) and 2.01(g) of the Agreement, all outstanding vested or unvested Stock Units and, if applicable, all Remaining Shares or Remaining Restricted Shares, will be forfeited upon a violation by the Employee of the following covenants:

SECTION 1 Confidential Information. The Employee shall not at any time (whether prior to or following the Employee's Termination of Employment) disclose or use for the Employee's own benefit or purposes or the benefit or purposes of any other person, corporation or other business organization or entity, other than the Firm, any trade secrets, information, data, or other confidential or proprietary information relating to the customers, developments, programs, plans or business and affairs of the Firm, provided that the foregoing shall not apply to information that is not unique to the Firm or that is generally known to the industry or the public other than as a result of the Employee's breach of this covenant or as required pursuant to an order of a court, governmental agency or other authorized tribunal (provided that the Employee shall provide the Firm prior written notice of any such required disclosure). The Employee agrees that upon the Employee's Termination of Employment, the Employee or, in the event of the Employee's death, the Employee's heirs or estate at the request of the Firm, shall return to the Firm immediately all books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Firm. Without limiting the foregoing, the existence of, and any information concerning, any dispute between the Employee and the Firm shall be subject to the terms of this Section 1, except that the Employee may disclose information concerning such dispute to the arbitrator or court that is considering such dispute, and to the Employee's legal counsel, spouse or domestic partner, and tax and financial advisors (provided that such persons agree not to disclose any such information).

SECTION 2 Non-Competition. The Employee acknowledges and recognizes the highly competitive nature of the businesses of the Firm. The Employee further acknowledges that the Employee has been and shall be provided with access to sensitive and proprietary information about the clients, prospective clients, knowledge capital and business practices of the Firm, and has been and shall be provided with the opportunity to develop relationships with clients, prospective clients, consultants, employees, representatives and other agents of the Firm, and the Employee further acknowledges that such proprietary information and relationships are extremely valuable assets in which the Firm has invested and shall continue to invest substantial time, effort and expense. The Employee agrees that while employed by the Firm and thereafter until

(i) (A) three months after the Employee's date of Termination of Employment for any reason other than a termination by the Firm without Cause or (B) one month after the date of the Employee's Termination of Employment by the Firm without Cause (in either case, the date of such Termination of Employment, the "Date of Termination") or (ii) the end of any longer period during which any similar covenants would be applicable to the Employee pursuant to any other agreement between the Employee and the Firm (such period, the "Noncompete Restriction Period"), the Employee shall not, directly or indirectly, on the Employee's behalf or on behalf of any other person, firm, corporation, association or other entity, as an employee, director, advisor, partner, consultant or otherwise, provide services or perform activities for, or acquire or maintain any ownership interest in, a "Competitive Enterprise." For purposes of this Appendix, "Competitive Enterprise" shall mean a business (or business unit) that (x) engages in any activity or (y) owns or controls a significant interest in any entity that engages in any activity, that in either case, competes anywhere with any activity that is similar to an activity in which the Firm is engaged up to and including the Employee's Date of Termination. Notwithstanding anything in this Appendix, the Employee shall not be considered to be in violation of this Appendix solely by reason of owning, directly or indirectly, any stock or other securities of a Competitive Enterprise (or comparable interest, including a voting or profit participation interest, in any such Competitive Enterprise) if the Employee's interest does not exceed 5% of the outstanding capital stock of such Competitive Enterprise (or comparable interest, including a voting or profit participation interest, in such Competitive Enterprise). The Employee acknowledges that the Firm is engaged in business throughout the world. Accordingly, and in view of the nature of the Employee's position and responsibilities, the Employee agrees that the provisions of this Section 2 shall be applicable to each jurisdiction, foreign country, state, possession or territory in which the Firm may be engaged in business while the Employee is providing services to the Firm.

SECTION 3 Nonsolicitation of Clients. The Employee hereby agrees that during the Noncompete Restriction Period, the Employee shall not, in any manner, directly or indirectly, (i) Solicit a Client to transact business with a Competitive Enterprise or to reduce or refrain from doing any business with the Firm, to the extent the Employee is soliciting a Client to provide them with services the performance of which would violate Section 2 above if such services were provided by the Employee, or (ii) interfere with or damage (or attempt to interfere with or damage) any relationship between the Firm and a Client. For purposes of this Appendix, the term "Solicit" means any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, persuading, encouraging or requesting any person or entity, in any manner, to take or refrain from taking any action, and the term "Client" means any client or prospective client of the Firm to whom the Employee provided services, or for whom the Employee transacted business, or whose identity became known to the Employee in connection with the Employee's relationship with or employment by the Firm, whether or not the Firm has been engaged by such Client pursuant to a written agreement; provided that an entity which is not a client of the Firm shall be considered a "prospective client" for purposes of this sentence only if the Firm made a presentation or written proposal to such entity during the 12-month period preceding the Date of Termination or was preparing to make such a presentation or proposal at the time of the Date of Termination.

SECTION 4 No Hire of Employees. The Employee hereby agrees that while employed by the Firm and thereafter until (i) six months after the Date of the Termination of Employment for any reason or (ii) the end of any longer period during which any similar covenants would be applicable to the Employee pursuant to any other agreement between the Employee and the Firm (such period, the “No Hire Restriction Period”), the Employee shall not, directly or indirectly, for himself or on behalf of any third party at any time in any manner, Solicit, hire, or otherwise cause any employee who is at the associate level or above (including, without limitation, managing directors), officer or agent of the Firm to apply for, or accept employment with, any Competitive Enterprise, or to otherwise refrain from rendering services to the Firm or to terminate his or her relationship, contractual or otherwise, with the Firm, other than in response to a general advertisement or public solicitation not directed specifically to employees of the Firm.

SECTION 5 Nondisparagement. The Employee shall not at any time (whether prior to or following the Employee’s Termination of Employment), and shall instruct the Employee’s spouse, domestic partner, parents, and any of their lineal descendants (it being agreed that in any dispute between the parties regarding whether the Employee breached such obligation to instruct, the Firm shall bear the burden of demonstrating that the Employee breached such obligation) not to, make any comments or statements to the press, employees of the Firm, any individual or entity with whom the Firm has a business relationship or any other person, if such comment or statement is disparaging to the Firm, its reputation, any of its affiliates or any of its current or former officers, members or directors, except for truthful statements as may be required by law.

SECTION 6 Notice of Termination Required. The Employee agrees to provide a period of advance written notice to the Firm prior to the Employee’s Termination of Employment equal to (i) three months or (ii) any longer notice period required pursuant to any other agreement between the Employee and the Firm. The Employee hereby agrees that, if, during the three-month period after the Employee has provided notice of termination to the Firm or prior thereto, the Employee enters (or has entered into) a written agreement to provide services or perform activities for a Competitive Enterprise that would violate Section 2 if performed during the Noncompete Restriction Period, such action shall be deemed a violation of this Section 6.

SECTION 7 Covenants Generally. The Employee’s covenants as set forth in this Appendix are referred to herein as the “Covenants.” If any of the Covenants is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such Covenant shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining such Covenants shall not be affected thereby; *provided, however*, that if any of such Covenants is finally held to be invalid, illegal or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such Covenant shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such

provision enforceable hereunder. The Employee hereby agrees that prior to accepting employment with any other person or entity during his period of service with the Firm or during the Noncompete Restriction Period or the No Hire Restriction Period, the Employee shall provide such prospective employer with written notice of the provisions of this Appendix, with a copy of such notice delivered no later than the date of the Employee's commencement of such employment with such prospective employer, to the General Counsel of the Company. The Employee acknowledges and agrees that the terms of the Covenants: (i) are reasonable in light of all of the circumstances, (ii) are sufficiently limited to protect the legitimate interests of the Firm, (iii) impose no undue hardship on the Employee and (iv) are not injurious to the public. The Employee acknowledges and agrees that the Employee's breach of the Covenants will cause the Firm irreparable harm, which cannot be adequately compensated by money damages. The Employee further acknowledges that the Covenants and notice period requirements set forth herein shall operate independently of, and not instead of, any other restrictive covenants or notice period requirements to which the Employee is subject pursuant to other plans and agreements involving the Firm.

LAZARD LTD

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (a)

The following table sets forth the ratio of earnings to fixed charges for Lazard Ltd and its subsidiaries on a consolidated basis.

	Three Months Ended March 31, 2012	Year Ended December 31,				
		2011	2010	2009 (dollars in thousands)	2008	2007
Operating income (loss)	\$37,823	\$235,499	\$243,650	\$(182,234)	\$ 25,140	\$418,295
Add—Fixed charges	25,837	110,919	117,119	127,398	160,154	155,374
Operating income (loss) before fixed charges	\$63,660	\$346,418	\$360,769	\$ (54,836)	\$185,294	\$573,669
Fixed Charges:						
Interest (b)	\$20,422	\$ 90,126	\$ 97,709	\$ 107,890	\$139,899	\$137,110
Other (c)	5,415	20,793	19,410	19,508	20,255	18,264
Total fixed charges	\$25,837	\$110,919	\$117,119	\$ 127,398	\$160,154	\$155,374
Ratio of earnings to fixed charges	2.46	3.12	3.08(d)	—(e)	1.16(f)	3.69
Deficiency in the coverage of operating income (loss) before fixed charges to total fixed charges				\$ 182,234		

Notes (dollars in thousands):

(a) For purposes of computing the ratio of earnings to fixed charges:

- earnings for the periods presented represent income before income taxes and fixed charges, and
- fixed charges represent the interest expense and the portion of rental expense which represents an appropriate interest factor.

(b) The Company's policy is to include interest expense on unrecognized tax benefits in income tax expense. Accordingly, such interest expense is not included in the computations of the ratio of earnings to fixed charges.

(c) Other fixed charges consist of the interest factor in rentals.

(d) Operating income for the year ended December 31, 2010 is presented after giving effect to (i) a restructuring charge of \$87,108, (ii) a charge of \$24,860 relating to the amendment of Lazard's retirement policy with respect to RSU awards and (iii) benefits pursuant to the tax receivable agreement of \$8,834 relating to the aforementioned items. Excluding the impact of such items, the ratio of earnings to fixed charges would have been 3.96.

(e) Operating loss for the year ended December 31, 2009 is presented after giving effect to (i) a restructuring charge of \$62,550, (ii) the acceleration of amortization expense of \$86,514 relating to the vesting of RSUs held by Lazard's former Chairman and Chief Executive Officer as the result of his death in October 2009 and (iii) the acceleration of amortization expense of \$60,512 relating to the accelerated vesting of the unamortized portion of previously awarded deferred cash incentive awards. Excluding the impact of such items, the ratio of earnings to fixed charges would have been 1.21.

(f) On September 25, 2008, the Company, LAM and LAZ Sub I, LLC, a then newly-formed subsidiary of LFNy, completed the merger of LAZ Sub I, LLC with and into LAM (the "LAM Merger"). Prior to the LAM Merger, the common equity interests of LAM were held by LFNy, and certain other equity interests of LAM, representing contingent payments should certain specified fundamental transactions occur, were held by present and former employees of LAM. Following the LAM Merger, all equity interests of LAM are owned directly or indirectly by LFNy. Operating income for the year ended December 31, 2008 is presented after giving effect to a charge of \$199,550 relating to the LAM Merger. Excluding the impact of such charge, the ratio of earnings to fixed charges would have been 2.40.

I, Kenneth M. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 of Lazard Ltd (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 2, 2012

/s/ Kenneth M. Jacobs

Kenneth M. Jacobs
Chairman and Chief Executive Officer

I, Matthieu Bucaille, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 of Lazard Ltd (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 2, 2012

/s/ Matthieu Bucaille

Matthieu Bucaille
Chief Financial Officer

May 2, 2012
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Ltd (the "Registrant") hereby certifies that the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Kenneth M. Jacobs

Kenneth M. Jacobs
Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

May 2, 2012
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Ltd (the "Registrant") hereby certifies that the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Matthieu Bucaille

Matthieu Bucaille
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.