Lazard Ltd
Form 10-K
February 29, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

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	**98-0437848**
(State or Other Jurisdiction of Incorporation or Organization)	**(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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Class A Common Stock, par value $0.01 per share	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 x	Accelerated filer ¨
Non-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 x

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 30, 2011 was approximately $4,282,293,322.

As of January 31, 2012, there were 123,009,311 shares of the Registrant s Class A common stock (including 3,492,017 shares held by subsidiaries) and one share of the registrant s Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s proxy statement for its 2012 annual general meeting of shareholders are incorporated by reference in this Form 10-K in response to Part III Items 10, 11, 12, 13 and 14.

Table of Contents

LAZARD LTD

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

INDEX

Form 10-K Item Number		Page No.
PART I		
Item 1.	Business	1
	Executive Officers of the Registrant	14
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	32
Item 2.	Properties	32
Item 3.	Legal Proceedings	33
Item 4.	Mine Safety Disclosures	33
PART II		
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
Item 6.	Selected Financial Data	35
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	37
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	70
Item 8.	Financial Statements and Supplementary Data	71
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	135
Item 9A.	Controls and Procedures	135
Item 9B.	Other Information	135
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	136
Item 11.	Executive Compensation	136
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	136
Item 13.	Certain Relationships and Related Transactions, and Director Independence	137
Item 14.	Principal Accountant Fees and Services	137
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	138
	Index to Financial Statements and Financial Statement Schedule Items 15(a)(1) and 15(a)(2)	F-1
SIGNATURES		II-1

Table of Contents

Part I

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 December 31, 2011 of approximately 94.8% of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

Item 1. Business

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.

Principal Business Lines

We focus primarily on two business segments - Financial Advisory and Asset Management. We believe that the mix of our activities across business segments, geographic regions, industries and investment strategies helps to diversify and stabilize our revenue stream.

Financial Advisory

Lazard is a leading global independent advisor to corporations, governments, sovereigns, institutions and individual clients. We offer 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. We focus on solving our clients most complex problems, providing advice to key decision-makers, senior management, boards of directors and business owners, as well as governments and governmental agencies, in transactions that typically are of significant strategic and financial importance to them.

We continue to build our Financial Advisory business by fostering long-term, senior level relationships with existing and new clients as their independent advisor on strategic transactions. We seek to build and sustain long-term relationships with our clients rather than focusing simply on individual transactions, a practice that we believe enhances our access to senior management of major corporations and institutions around the world. We emphasize providing clients with senior level focus during all phases of transaction execution.

While we strive to earn repeat business from our clients, we operate in a highly competitive environment in which there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately negotiated and awarded. To develop new client relationships, and to develop new engagements from historical client relationships, we maintain an active dialogue with a large number of clients and potential clients, as well as with their financial and legal advisors, on an ongoing basis. We have gained a significant number of new clients each year through our business development initiatives, through recruiting additional senior investment banking professionals who bring with them client relationships and through referrals from directors, attorneys and other third parties with whom we have relationships. At the same time, we lose clients each year as a result of the sale or merger of a client, a change in a client s senior management, competition from other investment banks and other causes.

For the years ended December 31, 2011, 2010 and 2009, the Financial Advisory segment net revenue totaled $992 million, $1.120 billion and $987 million, respectively, accounting for approximately 54%, 59% and 65%, respectively, of our consolidated net revenue for such years. We earned $1 million or more from 241 clients, 255 clients and 257 clients for the years ended December 31, 2011, 2010 and 2009, respectively. For the years

ended December 31, 2011, 2010 and 2009, the ten largest fee paying clients constituted approximately 14%, 16% and 17% of our Financial Advisory segment net revenue, respectively, with no client individually having constituted more than 10% of segment net revenue during any of these years. For the years ended December 31, 2011, 2010 and 2009, the Financial Advisory segment reported operating income (loss) of $62 million, $169 million and $(12) million, respectively. Operating income in 2010 and 2009 included charges of approximately $20 million and $49 million, respectively, representing the portion of special items (as described in Management s Discussion and Analysis of Financial Condition and Results of Operations) that are applicable to the Financial Advisory segment. Excluding the impact of such special items, our Financial Advisory segment had operating income of $189 million and $37 million in the years ended December 31, 2010 and 2009, respectively. At December 31, 2011, 2010 and 2009, the Financial Advisory segment had total assets of $768 million, $799 million and $707 million, respectively.

We believe that we have been pioneers in offering financial advisory services on an international basis, with the establishment of our New York, Paris and London offices dating back to the nineteenth century. We maintain a major local presence in the U.S., the United Kingdom (the U.K.) and France, including a network of regional branch offices in the U.S. and France, as well a presence in Argentina, Australia, Belgium, Brazil, Chile, China, Colombia, Germany, India, Italy, Japan, the Netherlands, Panama, Peru, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, the United Arab Emirates and Uruguay.

Over the past several years, our Financial Advisory segment has made several business acquisitions and entered into certain other business relationships. In 2007 we acquired all of the outstanding ownership interests of Goldsmith, Agio, Helms & Lynner, LLC (GAHL), a Minneapolis-based investment bank specializing in financial advisory services to mid-sized private companies, all of the outstanding shares of Carnegie, Wylie & Company (Holdings) PTY LTD (CWC), an Australia-based financial advisory and private equity firm, now known as Lazard Holdings Pty Limited, and, along with the Company s existing financial advisory business in Australia, referred to below as Lazard Australia , and concurrently sold such investment to Lazard Group, and we entered into a joint cooperation agreement with Raiffeisen Investment AG (Raiffeisen) for merger and acquisition advisory services in Russia and the Central and Eastern European (the CEE) region. The cooperation between us and Raiffeisen, one of the CEE region s top M&A advisors, provides domestic, international and cross-border expertise within Russia and the CEE region. In 2008, we acquired a 50% interest in Merchant Bankers Asociados (MBA), an Argentina-based financial advisory services firm with offices across Central and South America and the parent company of MBA Banco de Inversiones. In 2009, we entered into a strategic alliance with a financial advisory firm in Mexico to provide global M&A advisory services for clients, both inside and outside of Mexico, who are seeking to acquire or sell assets in Mexico or have interests in other financial transactions with companies in Mexico, and to provide restructuring advisory services to clients in Mexico.

In addition to seeking business centered in the locations referred to above, we historically have focused in particular on advising clients with respect to cross-border transactions. We believe that we are particularly well known for our legacy of offering broad teams of professionals who are indigenous to their respective regions and who have long-term client relationships, capabilities and know-how in their respective regions, who will coordinate with our professionals with global sector expertise. We also believe that this positioning affords us insight around the globe into key industry, economic, government and regulatory issues and developments, which we can bring to bear on behalf of our clients.

Services Offered

We advise clients on a wide range of strategic and financial issues. When we advise clients on the potential acquisition of another company, business or certain assets, our services include evaluating potential acquisition targets, providing valuation analyses, evaluating and proposing financial and strategic alternatives and rendering, if appropriate, fairness opinions. We also may advise as to the timing, structure, financing and pricing of a proposed acquisition and assist in negotiating and closing the acquisition. In addition, we may assist in executing an acquisition by acting as a dealer-manager in transactions structured as a tender or exchange offer.

Table of Contents

When we advise clients that are contemplating the sale of certain businesses, assets or their entire company, our services include advising on the appropriate sales process for the situation, valuation issues, assisting in preparing an offering circular or other appropriate sales materials and rendering, if appropriate, fairness opinions. We also identify and contact selected qualified acquirors and assist in negotiating and closing the proposed sale. As appropriate, we also advise our clients regarding financial and strategic alternatives to a sale including recapitalizations, spin-offs, carve-outs and split-offs. Our advice includes recommendations with respect to the structure, timing and pricing of these alternatives.

For companies in financial distress, our services may include reviewing and analyzing the business, operations, properties, financial condition and prospects of the company, evaluating debt capacity, assisting in the determination of an appropriate capital structure and evaluating and recommending financial and strategic alternatives, including providing advice on dividend policy. If appropriate, we may provide financial advice and assistance in developing and seeking approval of a restructuring or reorganization plan, which may include a plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code or other similar court administered processes in non-U.S. jurisdictions. In such cases, we may assist in certain aspects of the implementation of such a plan, including advising and assisting in structuring and effecting the financial aspects of a sale or recapitalization, structuring new securities, exchange offers, other consideration or other inducements to be offered or issued, as well as assisting and participating in negotiations with affected entities or groups.

When we assist clients in connection with their capital structure, we typically review and analyze structural alternatives, assist in long-term capital planning and advise and assist with respect to rating agency discussions and relationships, among other things.

When we assist clients in raising private or public market financing, our services include originating and executing private placements of equity, debt and related securities, assisting clients in connection with securing, refinancing or restructuring bank loans, originating public underwritings of equity, debt and convertible securities and originating and executing private placements of partnership and similar interests in alternative investment funds such as leveraged buyout, mezzanine or real estate focused funds.

Since the beginning of the financial crisis that began in mid-2007, we have been at the forefront of providing independent advice to governments and governmental agencies challenged by the current troubled environment. Lazard s Sovereign Advisory Group is also highly active, advising a number of countries with respect to sovereign debt.

On May 10, 2005, Lazard Group transferred its capital markets business, which consisted of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, and fund management activities outside of France as well as other specified non-operating assets and liabilities, to LFCM Holdings LLC (LFCM Holdings), a Delaware limited liability company. We refer to these businesses, assets and liabilities as the separated businesses and these transfers collectively as the separation. In connection with the separation, we entered into a business alliance agreement dated as of May 10, 2005 by and among Lazard Group, LAZ-MD Holdings LLC (LAZ-MD Holdings), an entity owned by Lazard Group s current and former managing directors (including certain executive officers), and LFCM Holdings (the business alliance agreement), pursuant to which a subsidiary of LFCM Holdings generally underwrites and distributes U.S. securities offerings originated by our Financial Advisory business in a manner intended to be similar to our practice prior to the separation, with revenue from such offerings generally continuing to be divided evenly between Lazard Group and LFCM Holdings.

Staffing

We staff our assignments with a team of quality professionals who have appropriate product and industry expertise. We pride ourselves on, and we believe we differentiate ourselves from our competitors by, being able to offer a high level of attention from senior personnel to our clients and organizing ourselves in such a way that

Table of Contents

managing directors who are responsible for securing and maintaining client relationships also actively participate in providing related transaction execution services. Our managing directors have significant experience, and many of them are able to use this experience to advise on M&A, financings, restructurings, capital structure and other transactions or financial matters, depending on our clients needs. Many of our managing directors and senior advisors come from diverse backgrounds, such as senior executive positions at corporations and in government, law and strategic consulting, which we believe enhances our ability to offer sophisticated advice and customized solutions to our clients. As of December 31, 2011, our Financial Advisory segment had 140 managing directors and 730 other professionals (which includes directors, vice presidents, associates and analysts).

Industries Served

We seek to offer our services across most major industry groups, including, in many cases, sub-industry specialties. Our Mergers and Acquisitions managing directors and professionals are organized to provide advice in the following major industry practice areas:

- consumer,
- financial institutions,
- healthcare and life sciences,
- industrial,
- power and energy/infrastructure,
- real estate, and
- technology, media and telecommunications.

These groups are managed locally in each relevant geographic region and are coordinated globally, which allows us to bring local industry-specific knowledge to bear on behalf of our clients on a global basis. We believe that this enhances the quality of the advice that we can offer, which improves our ability to market our capabilities to clients.

In addition to our Mergers and Acquisitions and Restructuring practices, we also maintain specialties in the following distinct practice areas within our Financial Advisory segment:

- government advisory,
- capital structure and debt advisory,
- fund raising for alternative investment funds,

- private investment in public equities, or "PIPES," and

- corporate finance and other advisory services, including convertible exchange transactions, registered direct offerings and private placements.

We endeavor to coordinate the activities of the professionals in these areas with our Mergers and Acquisitions industry specialists in order to offer clients customized teams of cross-functional expertise spanning both industry and practice area expertise.

Strategy

Our focus in our Financial Advisory business is on:

- making a significant investment in our intellectual capital with the addition of senior professionals who we believe have strong client relationships and industry expertise,

4

Table of Contents

increasing our contacts with existing clients to further enhance our long-term relationships and our efforts in developing new client relationships,

developing new client relationships, including by leveraging the broad geographic footprint and strong relationships in our Asset Management business,

expanding the breadth and depth of our industry expertise and selectively adding or reinforcing practice areas, such as our Capital Structure Advisory, Debt Advisory and Sovereign Advisory Groups, to help corporations and governments in addressing the significant deleveraging that is occurring in the developed markets,

coordinating our industry specialty activities on a global basis and increasing the integration of our industry experts in Mergers and Acquisitions with our Restructuring, Capital Markets and other professionals, and

broadening our geographic presence by adding new offices, including, since the beginning of 2007, offices in Australia (Melbourne and Perth), Saudi Arabia (Riyadh), Switzerland (Zurich) and the United Arab Emirates (Dubai City), as well as new regional offices in the U.S. (Boston, Minneapolis, Charlotte and Washington DC), acquiring a 50% interest in a financial advisory firm with offices in Central and South America (Argentina, Chile, Colombia, Panama, Peru and Uruguay) and entering into a joint cooperation agreement in Eastern Europe and Russia, as well as a strategic alliance with a financial advisory firm in Mexico.

In addition to the investments made as part of this strategy, we believe that our Financial Advisory business may benefit from external market factors, including:

increasing demand for independent, unbiased financial advice, and

a potential increase in cross-border M&A and large capitalization M&A, two of our areas of historical specialization.

Going forward, our strategic emphasis in our Financial Advisory business is to leverage the investments we have made in recent years to grow our business and drive our productivity. We continue to seek to opportunistically attract outstanding individuals to our business. We routinely reassess our strategic position and may in the future seek opportunities to further enhance our competitive position. In this regard, since 2007, as described above, we have broadened our geographic footprint through acquisitions, investments and alliances.

Recapitalization and Relationship with Natixis

On May 10, 2005, we completed the equity public offering (the equity public offering) of Class A common stock of Lazard Ltd (Class A common stock or common stock), the public offering of equity security units of Lazard Ltd, the private placements under an investment agreement with IXIS Corporate & Investment Bank (IXIS or, following its merger with and into its parent, Natixis) and the private offering of the 7.125% senior notes due 2015 of Lazard Group, primarily to recapitalize Lazard Group. We refer to these financing transactions and the recapitalization, collectively, as the recapitalization. As part of the recapitalization, Lazard Group used the net proceeds from the financing transactions primarily to redeem the outstanding Lazard Group membership interests of certain of its historical partners.

Lazard Group and Natixis have in place a cooperation arrangement to place and underwrite securities in the French capital markets under a common brand, currently Lazard-Natixis, and cooperate in their respective origination, syndication, placement and other activities, whose term continues through July 8, 2012. This arrangement primarily covers French listed companies included in the Société des Bourses Francaises (SBF) 120 Index and initial public offerings with an expected resulting market capitalization of at least 500 million.

Table of Contents

Asset Management

Our Asset Management business provides investment management and advisory services to institutional clients, financial intermediaries, private clients and investment vehicles around the world. Our goal in our Asset Management business is to produce superior risk-adjusted investment returns and provide investment solutions customized for our clients. Many of our equity investment strategies share an investment philosophy that centers on fundamental security selection with a focus on the trade-off between a company s valuation and its financial productivity.

As of December 31, 2011, total assets under management (AUM) were $141 billion, of which approximately 83% was invested in equities, 12% in fixed income, 4% in alternative investments and 1% in private equity funds. As of the same date, approximately 29% of our AUM was invested in international (*i.e.*, non-U.S. and regional non-U.S.) investment strategies, 50% was invested in global investment strategies and 21% was invested in U.S. investment strategies, and our top ten clients accounted for 22% of our total AUM. Approximately 90% of our AUM as of that date 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 approximately 10% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

The charts below illustrate the mix of our AUM as of December 31, 2011, measured by broad product strategy and by office location.

For the years ended December 31, 2011, 2010 and 2009, our Asset Management segment net revenue totaled $897 million, $850 million and $602 million, respectively, accounting for approximately 49%, 45% and 39% respectively, of our consolidated net revenue for such years. For the years ended December 31, 2011, 2010 and 2009, Asset Management reported operating income of $268 million, $265 million and $97 million, respectively. Operating income in 2010 and 2009 included charges of $3 million and $8 million, respectively, representing the portion of the special items (as described in Management s Discussion and Analysis of Financial Condition and Results of Operations) that are applicable to the Asset Management segment. Excluding the impact of such special items, our Asset Management segment had operating income of $268 million and $105 million in the years ended December 31, 2010 and 2009, respectively. At December 31, 2011, 2010 and 2009, our Asset Management segment had total assets of $584 million, $687 million and $703 million, respectively.

LAM and LFG

Our largest Asset Management businesses are Lazard Asset Management LLC and its subsidiaries (LAM), with offices in New York, San Francisco, Boston, Chicago, Toronto, Montreal, London, Milan, Frankfurt, Hamburg, Tokyo, Hong Kong, Sydney, Seoul, Zurich and Manama (aggregating approximately $127 billion in total AUM as of December 31, 2011), and Lazard Frères Gestion SAS (LFG), with offices in Paris, Bordeaux, Brussels and Lyon (aggregating approximately $13 billion in total AUM as of December 31, 2011). These operations, with 63 managing directors and 327 professionals as of December 31, 2011, provide our business with both a global presence and a local identity.

Table of Contents

Primary distinguishing features of these operations include:

- a global footprint with global research, global mandates and global clients,
- a broad-based team of 259 investment professionals as of December 31, 2011 (LAM, with 228 investment professionals, including 88 focused, in-house investment analysts across all products and platforms, many of whom have substantial industry or sector specific expertise, and LFG, with 31 investment professionals, including research analysts),
- a security selection-based investment philosophy applied across products, and
- world-wide brand recognition and multi-channel distribution capabilities.

Our Investment Philosophy, Process and Research. Our investment philosophy is generally based upon a fundamental security selection approach to investing. Across many of our products, we apply three key principles to investment portfolios:

- select securities, not markets,
- evaluate the trade-off between returns and valuations, and
- manage risk.

In searching for equity investment opportunities, many of our investment professionals follow an investment process that incorporates several interconnected components that may include:

- analytical framework analysis and screening,
- accounting validation,
- fundamental analysis,
- security selection and portfolio construction, and
- risk management.

In our Asset Management business, we conduct investment research on a global basis to develop market, industry and company specific insights and evaluate investment opportunities. Our global equity analysts, located in our worldwide offices, are organized around six global industry sectors:

consumer goods,

financial services,

health care,

industrials,

power, and

technology, media and telecommunications.

Table of Contents

Investment Strategies. Our Asset Management business provides equity, fixed income, cash management and alternative investment strategies to our clients, paying close attention to our clients varying and expanding investment needs. We offer the following product platform of investment strategies:

	Global	Regional	Domestic
Equities	***Global***	***Pan-European***	***U.S.***
	Large Capitalization	Large Capitalization	Large Capitalization**
	Small Capitalization	Small Capitalization	Mid Capitalization
	Emerging Markets	Quantitative	Small/Mid Capitalization
	Thematic		Multi-Capitalization
	Convertibles**	***Eurozone***	Real Estate
	Listed Infrastructure	Large Capitalization**	
	Quantitative	Small Capitalization**	***Other***
	Emerging Markets Small Capitalization		U.K. (Large Capitalization)
	Latin American	***Continental European***	U.K. (Small Capitalization)
	Trend	Small Cap	U.K. Quantitative
	Real Estate	Multi Cap	Australia
	Multi Strategies	Eurozone (*i.e.*, Euro Bloc)	France (Large Capitalization)*
		Euro-Trend (Thematic)	France (Small Capitalization)*
			Japan**
	EAFE (Non-U.S.)		Korea
	Large Capitalization		
	Small Capitalization		
	Multi-Capitalization		
	Quantitative		
	Real Estate		
	Global Ex		
	Global Ex-U.K.		

	Global Ex-Japan		
	Global Ex-Australia		
Fixed Income and Cash Management	***Global***	***Pan-European***	***U.S.***
	Core Fixed Income	Core Fixed Income	Core Fixed Income
	High Yield	High Yield	High Yield
	Short Duration	Cash Management*	Short Duration
	Emerging Markets Fixed Income	Duration Overlay	Municipals
			Cash Management*
		Eurozone	
		Fixed Income**	***Non-U.S.***
		Cash Management*	U.K. Fixed Income
		Corporate Bonds**	
Alternative	***Global***	***Regional***	
	Fund of Hedge Funds	European Explorer (Long/Short)	
	Fund of Closed-End Funds (Long and Long/Short)	Japan (Long/Short)	
	Convertible		
	Arbitrage/Relative Value		
	Emerging Income		

All of the above strategies are offered by LAM, except for those denoted by *, which are offered exclusively by LFG. Investment strategies offered by both LAM and LFG are denoted by **.

In addition to the primary investment strategies listed above, we also provide locally customized investment solutions to our clients. In many cases, we also offer both diversified and more concentrated versions of our products. These products are generally offered on a separate account basis, as well as through pooled vehicles.

Distribution. We distribute our products through a broad array of marketing channels on a global basis. LAM s marketing, sales and client service efforts are organized through a global market delivery and service network, with distribution professionals located in cities including New York, Boston, Chicago, San Francisco,

Tampa, London, Milan, Montreal, Toronto, Frankfurt, Hamburg, Zurich, Tokyo, Sydney, Hong Kong, Manama and Seoul. We have developed a well-established presence in the institutional asset management arena, managing money for corporations, labor unions, sovereign wealth funds and public pension funds around the world. In addition, we manage assets for insurance companies, savings and trust banks, endowments, foundations and charities.

We also have become a leading firm in third-party distribution, managing mutual funds and separately managed accounts for many of the world s largest broker-dealers, insurance companies, registered advisors and other financial intermediaries. In the area of wealth management, we cater to family offices and private clients.

LFG markets and distributes its products through 28 sales professionals based in France, who directly target both individual and institutional investors.

In June 2009, the Company formed a new wealth management subsidiary, Lazard Wealth Management LLC (Lazard Wealth Management U.S.). Lazard Wealth Management U.S. provides customized investment management and financial planning services to high net worth individuals and works with investors to construct, implement and monitor an asset allocation strategy designed to meet the individual client s investment objectives, integrating tax planning, estate planning, philanthropic interests and legacy planning with investment and risk management services. Lazard Wealth Management U.S. is registered as an investment advisor with the United States Securities and Exchange Commission (the SEC). In addition, in December 2011, the Company s recently formed subsidiary, Lazard Wealth Management Europe S.à.r.l. (Lazard Wealth Management Europe), acquired BSI Spain Wealth and Asset Management, S.A. (referred to below as Lazard Wealth Management Spain) from BSI, S.A., a unit of Assicurazioni Generali S.p.A., as a platform from which to build a wealth management business and presence in Spain. Lazard Wealth Management Spain, through its two subsidiaries, which are regulated by the Comisión Nacional del Mercado de Valores, will provide high net worth clients with a full range of wealth management services. Lazard Wealth Management U.S. and Lazard Wealth Management Europe are collectively referred to as Lazard Wealth Management . As of December 31, 2011, Lazard Wealth Management had 7 managing directors and 6 professionals.

Strategy

Our strategic plan in our Asset Management business is to focus on delivering superior investment performance and client service and broadening our product offerings and distribution in selected areas in order to continue to drive improved business results. Over the past several years, in an effort to improve our Asset Management business operations and expand our Asset Management business, we have:

- focused on enhancing our investment performance,
- improved our investment management platform by adding a number of senior investment professionals (including portfolio managers and analysts),
- continued to strengthen our marketing and consultant relations capabilities, including by leveraging the broad geographic footprint and strong client relationships in our Financial Advisory business,
- expanded our product platform, including the addition of a new emerging markets debt team, a global equity team and a global real estate investment team, and
- continued to expand the geographic reach of our Asset Management business, including through opening offices in Hong Kong and Bahrain.

We believe that our Asset Management business has long maintained an outstanding team of portfolio managers and global research analysts. We intend to maintain and supplement our intellectual capital to achieve our goals. We routinely reassess our strategic position and may in the future seek acquisitions or other transactions, including the opportunistic hiring of new employees, in order to further enhance our competitive position. In this regard, in September 2011, LAM acquired the assets of Grubb & Ellis Alesco Global Advisors,

LLC (Alesco). Alesco is an investment advisor located in San Mateo, California, focusing on real estate securities and managing three registered mutual funds. We also believe that our specific investment strategies, global reach, unique brand identity and access to multiple distribution channels may allow us to expand into new investment products, strategies and geographic locations. In addition, we plan to expand our participation in alternative investment activities through investments in new and successor funds, through organic growth, acquisitions or otherwise.

Alternative Investments

Lazard has a long history of making investments with its own capital, often alongside capital of qualified institutional and individual investors. These activities typically are organized in funds that make substantial or controlling investments in private or public companies, generally through privately negotiated transactions and with a view to divest within two to seven years. While potentially risky and frequently illiquid, such investments, when successful, can yield investors substantial returns on capital and generate attractive management and performance fees for the sponsor of such funds.

Since 2005, consistent with our obligations to LFCM Holdings, we have engaged in a number of alternative investments and private equity activities. In February 2009 the business alliance agreement with LFCM Holdings was amended to remove certain restrictions on the Company engaging in private equity businesses in North America and to reduce the price of our option to acquire the fund management activities of Lazard Alternative Investments Holdings LLC (LAI) in North America. In that regard, on July 15, 2009, the Company established a private equity business with The Edgewater Funds (Edgewater), a Chicago-based private equity firm, through the acquisition of Edgewater s management vehicles. The acquisition was structured as a purchase by Lazard of interests in a holding company that owns interests in the general partner and management company entities of the current Edgewater private equity funds (the Edgewater Acquisition) (see Note 9 of Notes to Consolidated Financial Statements). As of December 31, 2011, Edgewater employed 10 professionals and had approximately $1 billion of AUM and unfunded fee-earning commitments. Lazard Australia operates our private equity business in Australia, which, as of December 31, 2011, employed 6 professionals and had approximately $350 million of AUM and unfunded fee-earning commitments.

LFCM Holdings operates the alternative investment business (including private equity activities) transferred to it in the separation. Pursuant to the business alliance agreement with LFCM Holdings, we are entitled to receive all or a portion of the payments from incentive distributions attributable to capital that we have invested in funds managed or formed by LAI (net of compensation payable to investment professionals who manage these funds). In addition, pursuant to the business alliance agreement, we retained an option to acquire the North American and European fund management activities of LAI and have the right to participate in the oversight of LFCM Holdings funds and to consent to certain actions. On December 15, 2009, Lazard Group exercised its option to acquire the European fund management activities of LAI. While the remaining option to purchase the North American fund management activities is currently exercisable at any time prior to May 10, 2014, during the fourth quarter of 2011, the Company determined that it was unlikely to exercise such option (see Note 21 of Notes to Consolidated Financial Statements).

We will continue to abide by our obligations with respect to transferred funds. Also, consistent with our obligations to LFCM Holdings, we may explore discrete capital markets opportunities. See Note 21 of Notes to Consolidated Financial Statements for additional information regarding alternative investments, including certain matters with respect to Corporate Partners II Limited (CP II).

Employees

We believe that our people are our most important asset, and it is their reputation, talent, integrity and dedication that underpin our success. As of December 31, 2011, we employed 2,511 people, which included 140 managing directors and 730 other professionals in our Financial Advisory segment and 71 managing directors and 349 other professionals in our Asset Management segment. We strive to maintain a work environment that

fosters professionalism, excellence, diversity and cooperation among our employees worldwide. We generally utilize an evaluation process at the end of each year to measure performance, determine compensation and provide guidance on opportunities for improved performance. Generally, our employees are not subject to any collective bargaining agreements, except that our employees in certain of our European offices, including France and Italy, are covered by national, industry-wide collective bargaining agreements. We believe that we have good relations with our employees.

Competition

The financial services industry, and all of the businesses in which we compete, are intensely competitive, and we expect them to remain so. Our competitors are other investment banking and financial advisory firms, broker-dealers, commercial and universal banks, insurance companies, investment management firms, hedge fund management firms, alternative investment firms and other financial institutions. We compete with some of our competitors globally and with others on a regional, product or niche basis. We compete on the basis of a number of factors, including quality of people, transaction execution skills, investment track record, quality of client service, individual and institutional client relationships, absence of conflicts, range of products and services, innovation, brand recognition and business reputation.

While our competitors vary by country in our Mergers and Acquisitions practice, we believe our primary competitors in securing M&A advisory engagements are Bank of America Merrill Lynch, Barclays, Citigroup, Credit Suisse, Deutsche Bank AG, Evercore Partners, Goldman Sachs & Co., Greenhill & Co., JPMorgan Chase, Mediobanca, Morgan Stanley, Rothschild and UBS. In our Restructuring practice, our primary competitors are The Blackstone Group, Evercore Partners, Greenhill & Co., Houlihan Lokey, Miller Buckfire, Moelis & Company and Rothschild.

We believe that our primary global competitors in our Asset Management business include, in the case of LAM, Aberdeen and Schroders, Alliance Bernstein, Capital Management & Research, Fidelity, Franklin Templeton, Invesco, JP Morgan Asset Management, Lord Abbett and Mondrian Investment Partners, and, in the case of LFG, private banks with offices in France as well as large institutional banks and fund managers. We face competition in private equity both in the pursuit of outside investors for our private equity funds and the acquisition of investments in attractive portfolio companies. We compete with hundreds of other funds, many of which are subsidiaries of or otherwise affiliated with large financial service providers.

Competition is also intense in each of our businesses for the attraction and retention of qualified employees, and we compete on the level and nature of compensation and equity-based incentives for key employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. This trend was amplified in connection with the unprecedented disruption and volatility in the financial markets during the past several years, and, as a result, a number of financial services companies have merged, been acquired or have fundamentally changed their respective business models, including, in certain cases, becoming bank holding companies or commercial banks. Many of these firms have the ability to offer a wider range of products than we offer, including loans, deposit taking, insurance and brokerage services. Many of these firms also offer more extensive asset management and investment banking services, which may enhance their competitive position. They also may have the ability to support investment banking and securities products with commercial banking, insurance and other financial services revenue in an effort to gain market share, which could result in pricing pressure in our businesses. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors, and, in certain instances, has afforded them access to government funds.

Table of Contents

Regulation

Our businesses, as well as the financial services industry generally, are subject to extensive regulation throughout the world. As a matter of public policy, regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our stockholders or creditors. Many of our affiliates that participate in securities markets are subject to comprehensive regulations that include some form of minimum capital requirements and customer protection rules. In the U.S., certain of our subsidiaries are subject to such regulations promulgated by the SEC or Financial Industry Regulatory Authority (FINRA) (formerly the NASD) or the Municipal Securities Rulemakers Board (the MSRB). Standards, requirements and rules implemented throughout the European Union are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under the SEC and FINRA rules. European Union directives also permit local regulation in each jurisdiction, including those in which we operate, to be more restrictive than the requirements of such European Union-wide directives. These sometimes burdensome local requirements can result in certain competitive disadvantages to us.

In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. FINRA is a voluntary, self-regulatory body composed of members, such as our broker-dealer subsidiaries, that have agreed to abide by FINRA s rules and regulations. The MSRB is also a voluntary, self-regulatory body, composed of members, including municipal advisors , that have agreed to abide by the MSRB s rules and regulations. The SEC, FINRA, MSRB and non-U.S. regulatory organizations may examine the activities of, and may expel, fine and otherwise discipline us and our employees. The laws, rules and regulations comprising this framework of regulation and the interpretation and enforcement of existing laws, rules and regulations are constantly changing, particularly in light of the extraordinary disruption and volatility in the global financial markets experienced in recent years. The effect of any such changes cannot be predicted and may impact the manner of operation and profitability of our company.

Our principal U.S. broker-dealer subsidiary, Lazard Frères & Co. LLC (LFNY), through which we conduct most of our U.S. Financial Advisory business, is currently registered as a broker-dealer with the SEC and FINRA, and as a broker-dealer in all 50 U.S. states, the District of Columbia and Puerto Rico. As such, LFNY is subject to regulations governing effectively every aspect of the securities business, including minimum capital requirements, record-keeping and reporting procedures, relationships with customers, experience and training requirements for certain employees, and business procedures with firms that are not members of certain regulatory bodies. LFNY is also currently registered with the SEC and the MSRB as a municipal advisor, a new registration category that includes placement agents that solicit investments from public pension funds on behalf of investments funds. The MSRB has adopted, and is in the process of adopting, additional rules to govern municipal advisors, including pay-to-play rules and rules regarding professional standards, and LFNY is subject to those rules. Lazard Asset Management Securities LLC, a subsidiary of LAM, is registered as a broker-dealer with the SEC and FINRA and in all 50 U.S. states, the District of Columbia and Puerto Rico. Lazard Middle Market LLC, a subsidiary of GAHL, is registered as a broker-dealer with the SEC and FINRA, and as a broker-dealer in various U.S. states and territories.

Certain U.K. subsidiaries of Lazard Group, including Lazard & Co., Limited, Lazard Fund Managers Limited and Lazard Asset Management Limited, which we refer to in this Annual Report on Form 10-K (this Form 10-K) as the U.K. subsidiaries, are regulated by the Financial Services Authority. We also have other subsidiaries that are registered as broker-dealers (or have similar non-U.S. registration in various jurisdictions).

Compagnie Financière Lazard Frères SAS (CFLF), our French subsidiary 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, our Paris-based banking affiliate, Lazard Frères Banque SA (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.

Our business is also subject to regulation by non-U.S. governmental and regulatory bodies and self-regulatory authorities in other countries where we operate.

Our U.S. broker-dealer subsidiaries, including LFNY, are subject to the SEC s uniform net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the net capital rules of FINRA, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiaries. The uniform net capital rule sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if it would result in net capital falling below FINRA s requirements. In addition, our broker-dealer subsidiaries are subject to certain notification requirements related to withdrawals of excess net capital. Our broker-dealer subsidiaries are also subject to regulations, including the USA PATRIOT Act of 2001, which impose obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures. Failure to comply with these requirements may result in monetary, regulatory and, in certain cases, criminal penalties.

Certain of our Asset Management subsidiaries are registered as investment advisors with the SEC. As registered investment advisors, each is subject to the requirements of the Investment Advisers Act and the SEC s regulations thereunder. Such requirements relate to, among other things, the relationship between an advisor and its advisory clients, as well as general anti-fraud prohibitions. LAM serves as an advisor to several mutual funds which are registered under the Investment Company Act. The Investment Company Act regulates, among other things, the relationship between a mutual fund and its investment advisor (and other service providers) and prohibits or severely restricts principal transactions between an advisor and its advisory clients, imposes record- keeping and reporting requirements, disclosure requirements, limitations on trades where a single broker acts as the agent for both the buyer and seller (known as agency cross), and limitations on affiliated transactions and joint transactions. Lazard Asset Management Securities LLC, a subsidiary of LAM, serves as the underwriter or distributor for mutual funds and hedge funds managed by LAM, and as an introducing broker to Lazard Capital Markets LLC for unmanaged accounts of LAM s private clients.

In addition, the Japanese Ministry of Finance and the Financial Supervisory Agency, the Korean Financial Supervisory Commission, the Australian Securities & Investments Commission and German banking authorities, among others, regulate various of our operating entities and also have capital standards and other requirements comparable to the rules of the SEC.

Regulators are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion or other disciplining of a broker-dealer or its directors, officers or employees.

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. See Risk Factors Other Business Risks Extensive regulation of our

businesses limits our activities and results in ongoing exposure to the potential for significant penalties, including fines or limitations on our ability to conduct our businesses.

Over the last several years, global financial markets experienced extraordinary disruption and volatility. As a result, the U.S. and other governments have taken actions, and may continue to take further actions, in response to this disruption and volatility, including expanding current or enacting new standards, requirements and rules that may be applicable to us and our subsidiaries. The effect of any such expanded or new standards, requirements and rules is uncertain and could have adverse consequences to our business and results of operations.

Executive Officers of the Registrant

Set forth below are the name, age, present title, principal occupation and certain biographical information for each of our executive officers as of February 22, 2012, all of whom have been appointed by, and serve at the pleasure of, our board of directors.

Kenneth M. Jacobs, 53

Mr. Jacobs has served as Chairman of the Board of Directors and Chief Executive Officer of Lazard Ltd and Lazard Group since November 2009. Mr. Jacobs has served as a Managing Director of Lazard since 1991 and had been a Deputy Chairman of Lazard from January 2002 until November 2009. Mr. Jacobs also served as Chief Executive Officer of Lazard North America from January 2002 until November 2009. Mr. Jacobs initially joined Lazard in 1988. Mr. Jacobs is a member of the Board of Trustees of the University of Chicago and the Brookings Institution.

Matthieu Bucaille, 52

Mr. Bucaille has served as Chief Financial Officer of Lazard Ltd and Lazard Group since April 1, 2011. Mr. Bucaille has served as a Managing Director of Lazard since 1998 and as the Deputy Chief Executive Officer of LFB in Paris since October 2009. Mr. Bucaille joined Lazard in 1989 from the First Boston Corporation in New York.

Ashish Bhutani, 51

Mr. Bhutani has served as a member of the Board of Directors of Lazard Ltd and Lazard Group since March 2010. Mr. Bhutani is a Vice Chairman and a Managing Director of Lazard and has been the Chief Executive Officer of LAM since March 2004. Mr. Bhutani previously served as Head of New Products and Strategic Planning for LAM from June 2003 to March 2004. Prior to joining Lazard, he was Co-Chief Executive Officer, North America, of Dresdner Kleinwort Wasserstein from 2001 to the end of 2002, and was a member of its Global Corporate and Markets Board, and a member of its Global Executive Committee. Mr. Bhutani worked at Wasserstein Perella Group (the predecessor to Dresdner Kleinwort Wasserstein) from 1989 to 2001, serving as Deputy Chairman of Wasserstein Perella Group and Chief Executive Officer of Wasserstein Perella Securities from 1994 to 2001. Mr. Bhutani began his career at Salomon Brothers in 1985, where he was a Vice President in Fixed Income. Mr. Bhutani is a member of the Board of Directors of four registered investment companies, which are part of the Lazard fund complex.

Scott D. Hoffman, 49

Mr. Hoffman has served as General Counsel of Lazard Ltd since May 2005. Mr. Hoffman has served as a Managing Director of Lazard Group since January 1999 and General Counsel of Lazard Group since January 2001. Mr. Hoffman previously served as Vice President and Assistant General Counsel from February 1994 to December 1997 and as a Director from January 1998 to December 1998. Prior to joining Lazard, Mr. Hoffman was an attorney at Cravath, Swaine & Moore LLP. Mr. Hoffman is a member of the Board of Trustees of the New York University School of Law.

Alexander F. Stern, 45

Mr. Stern has served as Chief Operating Officer of Lazard Ltd and Lazard Group since November 2008. He has served as a Managing Director since January 2002 and as the Firm s Global Head of Strategy since February 2006. Mr. Stern previously served as a Vice President in Lazard s Financial Advisory business from January 1998 to December 2000 and as a Director from January 2001 to December 2001. Mr. Stern initially joined Lazard in 1994 and previously held various positions with Patricof & Co. Ventures and IBM.

Where You Can Find Additional Information

Lazard Ltd files current, annual and quarterly reports, proxy statements and other information required by the Exchange Act with the SEC. You may read and copy any document the company files at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The Company s SEC filings are also available to the public from the SEC s internet site at *http://www.sec.gov.* Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A.

Our public internet site is *http://www.lazard.com.* and the investor relations SEC filings section of our public internet site is located at *http://www.lazard.com/InvestorRelations/SEC-Filings.aspx.* We will make available free of charge, on or through the investor relations section of our internet site, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website, and available in print upon request of any shareholder to the Investor Relations Department, are charters for the Company s Audit Committee, Compensation Committee and Nominating & Governance Committee. Copies of these charters and our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees are also posted on our website in the Corporate Governance section.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this Form 10-K, including our consolidated financial statements and related notes. The following risks comprise material risks of which we are aware. If any of the events or developments described below actually occurred, our business, financial condition or results of operations would likely suffer.

Risks Relating to the Financial Services Industry and Financial Markets

In recent years, the U.S. and global capital markets and the economy experienced periods of significant deterioration and volatility, which has had negative repercussions on the global economy, and any continued deterioration and volatility could present challenges for our business.

In recent years, certain adverse financial developments have impacted the U.S. and global capital markets. These developments included a general slowing of economic growth both in the U.S. and globally, periods of substantial volatility in equity securities markets and volatility and tightening of liquidity in credit markets. In addition, concerns over high unemployment levels, declining business and consumer confidence, volatile energy costs, geopolitical issues and a weak real estate market in the U.S. and elsewhere have contributed to increased volatility and diminished expectations for the economy and the markets going forward. Significant levels of volatility in the equity securities markets and credit markets continue at the present time. In addition, investor concerns about the financial health of certain European countries and financial institutions caused market disruptions in 2010 and 2011 and may continue to cause disruption in future periods. If significant levels of market disruption and volatility continue, or if current conditions materially worsen, our business may be adversely affected, which may have a material impact on our business and results of operations.

The full extent of the effects of governmental economic and regulatory involvement in the wake of disruption and volatility in global financial markets remains uncertain.

As a result of market volatility and disruption in recent years, the U.S. and other governments have taken unprecedented steps to try to stabilize the financial system, including investing in financial institutions and taking certain regulatory actions. The full extent of the effects of these actions and legislative and regulatory initiatives (including the Dodd-Frank Act) effected in connection with, and as a result of, such extraordinary disruption and volatility is uncertain, both as to the financial capital markets and participants in general, and as to us in particular.

The level of soundness of third parties, including our clients, as well as financial, governmental and other institutions, could adversely affect us.

We have exposure to many different industries, institutions, products and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be fully realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us.

Our share price may decline due to the large number of our common shares eligible for future sale and for exchange.

As of December 31, 2011, our authorized and unissued shares of Class A common stock include (i) approximately 6.8 million shares of our common stock underlying the outstanding LAZ-MD Holdings exchangeable membership interests and (ii) approximately 20.8 million and approximately 141 thousand shares of our common stock underlying the restricted stock units (RSUs) and deferred stock units (DSUs), respectively, that have been granted pursuant to Lazard Ltd s 2005 Equity Incentive Plan (the 2005 Plan) and 2008 Incentive Compensation Plan (the 2008 Plan). RSUs generally require future service, among other requirements, as a condition for the delivery of the underlying shares of our 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. In addition, as of December 31, 2011, approximately 1.1 million shares of our common stock are issuable in connection with the Edgewater Acquisition, which shares will be issued only if certain performance thresholds for the next two Edgewater funds are met.

We have generally withheld a portion of the Class A common stock issued to our executive officers and employees upon vesting of RSUs or delivery of restricted stock to permit the payment of tax liabilities. In addition, we have historically repurchased in the open market and through privately negotiated transactions a significant number of shares of our common stock. If we were to cease to or were unable to repurchase shares of our common stock, the number of shares outstanding would increase over time, diluting the ownership of our existing stockholders. Furthermore, we cannot predict whether, when and how many shares of our common stock will be sold into the market and the effect, if any, that the possibility of market sales of shares of our common stock, the actual sale of such shares or the availability of such shares will have on the market price of our common stock or our ability to raise capital through the issuance of equity securities from time to time.

Other Business Risks

Our ability to retain our managing directors and other key professional employees is critical to the success of our business, including maintaining compensation levels at an appropriate level of costs, and failure to do so may materially adversely affect our results of operations and financial position.

Our people are our most important resource. We must retain the services of our managing directors and other key professional employees, and strategically recruit and hire new talented employees, to obtain and successfully execute the advisory and asset management engagements that generate substantially all our revenue.

Table of Contents

Lazard Group has experienced several significant events in recent years. In general, our industry continues to experience change and exerts competitive pressures for retaining top talent, which makes it more difficult for us to retain professionals. If any of our managing directors and other key professional employees were to join an existing competitor, form a competing company or otherwise leave us, some of our clients could choose to use the services of that competitor or some other competitor instead of our services. The employment arrangements, non-competition agreements and retention agreements we have or will enter into with our managing directors and other key professional employees may not prevent our managing directors and other key professional employees from resigning from practice or competing against us. In addition, these arrangements and agreements have a limited duration and will expire after a certain period of time. We continue to be subject to intense competition in the financial services industry regarding the recruitment and retention of key professionals, and have experienced departures from and added to our professional ranks as a result. Certain changes to our employee compensation arrangements, such as changes to the composition between cash and deferred compensation, may result in increased compensation and benefits expense in a particular year. Our compensation levels, results of operations and financial position may be significantly affected by many factors, including general economic and market conditions, our operating and financial performance, staffing levels and competitive pay conditions.

Difficult market conditions can adversely affect our business in many ways, including by reducing the volume of the transactions involving our Financial Advisory business and reducing the value or performance of the assets we manage in our Asset Management business, which, in each case, could materially reduce our revenue or income and adversely affect our financial position.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. The financial environment in the U.S. and globally has been volatile during recent years. Unfavorable economic and market conditions can adversely affect our financial performance in both the Financial Advisory and Asset Management businesses.

For example, revenue generated by our Financial Advisory business is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and value of M&A transactions may decrease, thereby reducing the demand for our Financial Advisory services and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the volume or value of M&A transactions. In addition, our profitability would be adversely affected due to our fixed costs and the possibility that we would be unable to scale back other costs within a timeframe sufficient to offset any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors, including possible increases in interest rates, inflation, corporate or sovereign defaults, terrorism or political uncertainty.

Within our Financial Advisory business, we have typically seen that, during periods of economic strength and growth, our Mergers and Acquisitions practice historically has been more active and our Restructuring practice has been less active. Conversely, during periods of economic weakness and slowdown, we typically have seen that our Restructuring practice has been more active and our Mergers and Acquisitions practice has been less active. As a result, our revenue from our Restructuring practice has tended to correlate negatively to our revenue from our Mergers and Acquisitions practice over the course of business cycles. These trends are cyclical in nature and subject to periodic reversal. However, these trends do not cancel out the impact of economic conditions in our Financial Advisory business, which may be adversely affected by a downturn in economic conditions leading to decreased Mergers and Acquisitions practice activity, notwithstanding improvements in our Restructuring practice. Moreover, revenue improvements in our Mergers and Acquisitions practice in strong economic conditions could be offset in whole or in part by any related revenue declines in our Restructuring practice. While we generally have experienced a counter-cyclical relationship between our Mergers and Acquisitions practice and our Restructuring practice, this relationship may not continue in the future.

Our Asset Management business also would be expected to generate lower revenue in a market or general economic downturn. Under our Asset Management business arrangements, investment advisory fees we receive

typically are based on the market value of AUM. Accordingly, a decline in the prices of securities, such as that which occurred on a global basis in 2008, or in specific geographic markets or sectors that constitute a significant portion of our AUM (*e.g.*, our emerging markets strategies), would be expected to cause our revenue and income to decline by causing:

- the value of our AUM to decrease, which would result in lower investment advisory fees,
- some of our clients to withdraw funds from our Asset Management business due to the uncertainty or volatility in the market, or in favor of investments they perceive as offering greater opportunity or lower risk, which would also result in lower investment advisory fees,
- some of our clients or prospective clients to hesitate in allocating assets to our Asset Management business due to the uncertainty or volatility in the market, which would also result in lower investment advisory fees, or
- negative absolute performance returns for some accounts which have performance-based incentive fees, which would result in a reduction of revenue from such fees.

If our Asset Management revenue declines without a commensurate reduction in our expenses, our net income would be reduced. In addition, in the event of a market downturn, our alternative investment and private equity practices also may be impacted by a difficult fund raising environment and reduced exit opportunities in which to realize the value of their investments. Fluctuations in foreign currency exchange rates may also affect the levels of our AUM and our investment advisory fees. See Fluctuations in foreign currency exchange rates could reduce our stockholders equity and net income or negatively impact the portfolios of our Asset Management clients and may affect the levels of our AUM below.

A majority of our revenue is derived from Financial Advisory fees, which are not long-term contracted sources of revenue and are subject to intense competition, and declines in our Financial Advisory engagements could have a material adverse effect on our financial condition and results of operations.

We historically have earned a substantial portion of our revenue from advisory fees paid to us by our Financial Advisory clients, which usually are payable upon the successful completion of a particular transaction or restructuring. For example, for the year ended December 31, 2011, Financial Advisory services accounted for approximately 54% of our consolidated net revenue. We expect that we will continue to rely on Financial Advisory fees for a substantial portion of our revenue for the foreseeable future, and a decline in our advisory engagements or the market for advisory services would adversely affect our business, financial condition and results of operations.

In addition, we operate in a highly competitive environment where typically there are no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately awarded and negotiated. Furthermore, many businesses do not routinely engage in transactions requiring our services and, as a consequence, our fee paying engagements with many clients are not likely to be predictable. We also lose clients each year as a result of the sale or merger of a client, a change in a client s senior management, competition from other financial advisors and financial institutions and other causes. As a result, our engagements with clients are constantly changing and our Financial Advisory fees could decline quickly due to the factors discussed above.

There will not be a consistent pattern in our financial results from period to period, which may make it difficult for us to achieve steady earnings growth on a quarterly basis.

We experience significant fluctuations in quarterly revenue and profits. These fluctuations generally can be attributed to the fact that we earn a significant portion of our Financial Advisory revenue upon the successful completion of a transaction or a restructuring, the timing of which is uncertain and is not subject to our control. In addition, our Asset Management revenue is particularly sensitive to fluctuations in our AUM. Asset Management fees are often based on AUM as of the end of a quarter or month. As a result, a reduction in assets at the end of a quarter or month (as a result of market depreciation, withdrawals or otherwise) will result in a

decrease in management fees. Similarly, timing of flows, contributions and withdrawals are often out of our control and may be inconsistent from quarter to quarter. As a result of quarterly fluctuations, it may be difficult for us to achieve steady earnings growth on a quarterly basis.

In many cases, we are paid for advisory engagements only upon the successful consummation of the underlying transaction or restructuring. As a result, our Financial Advisory business is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, a client could delay or terminate an acquisition transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board of directors or stockholder approval, failure to secure necessary financing, adverse market conditions or because the target s business is experiencing unexpected operating or financial problems. Anticipated bidders for assets of a client during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness, for example, due to a failure to reach agreement with its principal creditors. In addition, a bankruptcy court may deny our right to collect a success or completion fee. In these circumstances, other than in engagements where we receive monthly retainers, we often do not receive any advisory fees other than the reimbursement of certain expenses despite the fact that we devote resources to these transactions. Accordingly, the failure of one or more transactions to close either as anticipated or at all could materially adversely affect our business, financial condition or results of operations. For more information, see Management s Discussion and Analysis of Financial Condition and Results of Operations.

If the number of debt defaults, bankruptcies or other factors affecting demand for our Restructuring services declines, our Restructuring practice s revenue could suffer.

We provide various restructuring and restructuring-related advice to companies in financial distress or to their creditors or other stakeholders. Historically, the fees from restructuring related services have been a significant part of our Financial Advisory revenue. A number of factors could affect demand for these advisory services, including improving general economic conditions, the availability and cost of debt and equity financing and changes to laws, rules and regulations, including deregulation or privatization of particular industries and those that protect creditors.

We could lose clients and suffer a decline in our Asset Management revenue and earnings if the investments we choose in our Asset Management business perform poorly or if we lose key employees, regardless of overall trends in the prices of securities.

Investment performance affects our AUM relating to existing clients and is one of the most important factors in retaining clients and competing for new Asset Management business. Poor investment performance could impair our revenue and growth because:

- existing clients might withdraw funds from our Asset Management business in favor of better performing products, which would result in lower investment advisory fees,
- our incentive fees, which provide us with a set percentage of returns on some alternative investment and private equity funds and other accounts, would decline,
- third-party financial intermediaries, rating services, advisors or consultants may rate our products poorly, which may result in client withdrawals and reduced asset flows, or
- firms with which we have strategic alliances may terminate such relationships with us, and future strategic alliances may be unavailable.

If key employees were to leave our Asset Management business, whether to join a competitor or otherwise, we may suffer a decline in revenue or earnings and suffer an adverse effect on our financial position. Loss of key employees may occur due to perceived opportunity for promotion, increased compensation, work environment or other individual reasons, some of which may be beyond our control.

Our investment style in our Asset Management business may underperform other investment approaches, which may result in significant client or asset departures, or a reduction in AUM.

Even when securities prices are rising generally, performance can be affected by investment style. Many of the equity investment strategies in our Asset Management business share a common investment orientation towards fundamental security selection. We believe this style tends to outperform the market in some market environments and underperform it in others. In particular, a prolonged growth environment may cause certain investment strategies to go out of favor with some clients, advisors, consultants or third-party intermediaries. In combination with poor performance relative to peers, changes in personnel, extensive periods in particular market environments or other difficulties, the underperformance of our investment style may result in significant client or asset departures or a reduction in AUM.

Because many of our Asset Management clients can remove the assets we manage on short notice, we may experience unexpected declines in revenue and profitability.

Our investment advisory contracts are generally terminable upon very short notice. 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. Poor performance relative to other investment management firms tends to result in decreased investments in our investment products, increased redemptions of our investment products, and the loss of institutional or individual accounts or strategic alliances. In addition, the ability to terminate relationships may allow clients to renegotiate for lower fees paid for asset management services.

In addition, in the U.S., as required by the Investment Company Act, each of our investment advisory contracts with the mutual funds we advise or subadvise automatically terminates upon its assignment. Each of our other investment advisory contracts subject to the provisions of the Investment Advisers Act provide, as required by the act, that the contract may not be assigned without the consent of the customer. A sale of a sufficiently large block of shares of our voting securities or other transactions could be deemed an assignment in certain circumstances. An assignment, actual or constructive, would trigger these termination provisions and could adversely affect our ability to continue managing client accounts.

Access to clients through intermediaries is important to our Asset Management business, and reductions in referrals from such intermediaries or poor reviews of our products or our organization by such intermediaries could materially reduce our revenue and impair our ability to attract new clients.

Our ability to market our Asset Management services relies in part on receiving mandates from the client base of national and regional securities firms, banks, insurance companies, defined contribution plan administrators, investment consultants and other intermediaries. To an increasing extent, our Asset Management business uses referrals from accountants, lawyers, financial planners and other professional advisors. The inability to have this access could materially adversely affect our Asset Management business. In addition, many of these intermediaries review and evaluate our products and our organization. Poor reviews or evaluations of either the particular product or of us may result in client withdrawals or an inability to attract new assets through such intermediaries.

Our historical investment activities involve increased levels of investments in relatively high-risk, illiquid assets, and we may lose some or all of the principal amount that we invest in these activities or fail to realize any profits from these activities for a considerable period of time.

During July 2009, the Company established a private equity business with Edgewater. We may expand our participation in alternative investment activities through investments in new and successor funds, including funds managed by Lazard Australia.

The revenue from this business is derived primarily from management fees, which are calculated as a percentage of committed capital or invested capital depending on the stage of each respective fund, transaction and advisory fees and incentive fees, which are earned if investments are profitable over a specified threshold. Our ability to form new alternative investment funds is subject to a number of uncertainties, including past performance of our funds, market or economic conditions, competition from other fund managers and the ability to negotiate terms with major investors.

Furthermore, we have made, and in the future may make, principal investments in public or private companies or in alternative investments (including private equity funds and special purpose acquisition companies) established by us or by LFCM Holdings, and continue to hold principal investments directly or through several funds managed by LFCM Holdings, Edgewater and Lazard Australia. Making principal investments is risky, and we may lose some or all of the principal amount of our investments. Certain of these types of investments may be in relatively high-risk, illiquid assets. Because it may take several years before attractive alternative investment opportunities are identified, some or all of the capital committed by us to these funds is likely to be invested in government securities, other short-term, highly rated debt securities and money market funds that traditionally have offered investors relatively lower returns. In addition, these investments may be adjusted for accounting purposes to fair value at the end of each quarter, and our allocable share of any such gains or losses will affect our revenue, even though such fair value fluctuations may have no cash impact, which could increase the volatility of our earnings. It takes a substantial period of time to identify attractive alternative investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value of an investment through resale. Even if an alternative investment proves to be profitable, it may be several years or longer before any profits can be realized in cash or other proceeds.

Our results of operations may be affected by market fluctuations related to positions held in our investment portfolios.

We invest capital in various types of equity and debt securities in order to seed LAM equity and alternative investment funds, and for general corporate purposes. Such investments are subject to market fluctuations due to changes in the market prices of securities, interest rates or other market factors, such as liquidity. While we may seek to hedge the market risk for some of these investments, the hedge may not be effective or the investments may not be able to be hedged. These investments are adjusted for accounting purposes to fair value at the end of each quarter regardless of our intended holding period, with such gains or losses reflected in revenue, and therefore may increase the volatility of our earnings, even though such gains or losses may not be realized.

We face strong competition from financial services firms, many of whom have the ability to offer clients a wider range of products and services than we can offer, which could lead to pricing pressures that could materially adversely affect our revenue and profitability.

The financial services industry is intensely competitive, and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our advice, employees and transaction execution, our products and services, innovation, reputation and price. We have experienced intense fee competition in some of our businesses in recent years, and we believe that we may experience pricing pressures in these and other areas in the future as some of our competitors seek to obtain increased market share by reducing fees.

We face increased competition due to a trend toward consolidation. In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. This trend was amplified in connection with the unprecedented disruption and volatility in the financial markets during the past several years and, as a result, a number of financial services companies have merged, been acquired or have fundamentally changed their respective business models. Many of these firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They may also have the ability to support

investment banking, including financial advisory services, with commercial banking, insurance and other financial services in an effort to gain market share, which could result in pricing pressure in our businesses.

The financial services industry, and all of the businesses in which we compete, are intensely competitive.

The financial services industry, and all of the businesses in which we compete, are intensely competitive, and we expect them to remain so. In particular, a number of factors increase the competitive risks of our Asset Management business:

- a number of our competitors have more experience, greater financial and other resources and more personnel than we do;
- there are relatively few barriers to entry impeding the launch of new asset management firms, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major banks and other financial institutions, have resulted in increased competition;
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us in order to compete in our lines of business; and
- certain of our asset management products are newly established and relatively small.

This competitive pressure could adversely affect our ability to make successful investments, retain our personnel and increase AUM, any of which would adversely impact our revenue and earnings.

An inability to access the debt and equity capital markets as a result of our debt obligations, credit ratings or other factors could impair our liquidity, increase our borrowing costs or otherwise adversely affect our competitive position or results of operations.

As of December 31, 2011, Lazard Group and its subsidiaries had approximately $1.1 billion in debt (including capital lease obligations) outstanding, of which $529 million and $548 million relate to Lazard Group senior notes that mature in 2015 and 2017, respectively. This debt has certain mandated payment obligations, which may constrain our ability to operate our business. In addition, in the future we may need to incur debt or issue equity in order to fund our working capital requirements or refinance existing indebtedness, as well as to make acquisitions and other investments. The amount of our debt obligations may impair our ability to raise debt or issue equity for financing purposes. Our access to funds also may be impaired if regulatory authorities take significant action against us, or if we discover that any of our employees had engaged in serious unauthorized or illegal activity. In addition, our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place us on credit watch with negative implications at any time. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

We may pursue acquisitions, joint ventures or cooperation agreements that may result in additional risks and uncertainties in our business and could present unforeseen integration obstacles or costs.

We routinely assess our strategic position and may in the future seek acquisitions or other transactions to further enhance our competitive position. We have in the past pursued joint ventures and other transactions aimed at expanding the geography and scope of our operations. During 2007, we acquired all of the outstanding ownership interests of GAHL and CWC, we entered into a joint cooperation agreement with Raiffeisen and we entered into a shareholders agreement to acquire a 50% interest in MBA. During 2009, we established a private equity business with Edgewater. During 2011, we acquired the assets of Alesco. We expect to continue to explore acquisitions and partnership or strategic alliance opportunities that we believe to be attractive.

Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management, difficulty with integrating personnel and financial and other systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations. Our clients may react unfavorably to our acquisition and joint venture strategy, we may not realize any anticipated benefits from acquisitions, we may be exposed to additional liabilities of any acquired business or joint venture and we may not be able to renew on similar terms (or at all) previously successful joint ventures or similar arrangements, any of which could materially adversely affect our revenue and results of operations.

Employee misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry generally, and we run the risk that employee misconduct could occur in our business as well. For example, misconduct by employees could involve the improper use or disclosure of confidential information, which could result in legal action, regulatory sanctions and serious reputational or financial harm. Our Financial Advisory business often requires that we deal with client confidences of great significance to our clients, improper use of which may harm our clients or our relationships with our clients. Any breach of our clients confidences as a result of employee misconduct may impair our ability to attract and retain Financial Advisory clients and may subject us to liability. Similarly, in our Asset Management business, we have authority over client assets, and we may, from time to time, have custody of such assets. In addition, we often have discretion to trade client assets on the client s behalf and must do so acting in the best interests of the client. As a result, we are subject to a number of obligations and standards, and the violation of those obligations or standards may adversely affect our clients and us. It is difficult to detect and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases.

The financial services industry faces substantial litigation and regulatory risks, and we may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or for other reasons.

As a financial services firm, we depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. Moreover, our role as advisor to our clients on important transactions involves complex analysis and the exercise of professional judgment, including, if appropriate, rendering fairness opinions in connection with mergers and other transactions.

In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial advisors has been increasing. Our Financial Advisory activities may subject us to the risk of significant legal actions by our clients and third parties, including our clients stockholders, under securities or other laws for allegations relating to materially false or misleading statements made in connection with securities and other transactions and potential liability for the fairness opinions and other advice provided to participants in corporate transactions. In our Asset Management business, we make investment decisions on behalf of our clients which could result in substantial losses. This also may subject us to the risk of legal actions alleging negligence, misconduct, breach of fiduciary duty or breach of contract. Our Financial Advisory engagements typically include broad indemnities from our clients and provisions designed to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be adhered to in all cases. We also are subject to claims arising from disputes with employees for alleged discrimination or harassment, among other things. These risks often may be difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time. As a result, we may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously harm our business.

Other operational risks may disrupt our businesses, result in regulatory action against us or limit our growth.

Our business is dependent on communications and information systems, including those of our vendors. Any failure or interruption of these systems, whether caused by fire, other natural disaster, power or telecommunications failure, act of terrorism or war or otherwise, could materially adversely affect our operating results. Although back-up systems are in place, our back-up procedures and capabilities in the event of a failure or interruption may not be adequate.

Particularly in our Asset Management business, we rely heavily on our financial, accounting, trading, compliance and other data processing systems, and those of our third party vendors or service providers who support these functions. We expect that we will need to review whether to continue to upgrade and expand the capabilities of these systems in the future to avoid disruption of, or constraints on, our operations. However, if any of these systems do not operate properly or are disabled, including for reasons beyond our control, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. The inability of our systems (or those of our vendors or service providers) to accommodate an increasing volume of transactions also could constrain our ability to expand our businesses.

In addition, if we were to experience a local or regional disaster or other business continuity problem, such as a pandemic or other man-made or natural disaster, our continued success will depend, in part, on the availability of our personnel and office facilities and the proper functioning of our computer, telecommunications, transaction processing and other related systems and operations, as well as those of third parties on whom we rely. Such events could lead us to experience operational challenges, and our inability to successfully recover could materially disrupt our businesses and cause material financial loss, regulatory actions, reputational harm or legal liability.

Extensive regulation of our businesses limits our activities and results in ongoing exposure to the potential for significant penalties, including fines or limitations on our ability to conduct our businesses.

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer from registration or membership. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. In addition, the regulatory environment in which we operate is subject to modifications and further regulation. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly monitor and react to these changes.

In recent years, the U.S. and global financial markets experienced periods of extraordinary disruption and volatility. As a result, the U.S. and other governments have taken actions, and may continue to take further actions, in response to this disruption and volatility, including expanding current or enacting new standards, requirements and rules that may be applicable to us and our subsidiaries. The effect of any such expanded or new standards, requirements and rules is uncertain and could have adverse consequences to our business and results of

operations. For example, in July 2010, the Dodd-Frank Act was signed into law, bringing sweeping changes in the regulation of financial institutions. It will take several years for all of the rules under the Dodd-Frank Act to be written and become effective, and the final scope and interpretations of those rules, and their impact on our business, will not be fully known for some time, but could have implications for the manner in which we conduct our business and, consequently, its profitability. While we currently are in the process of examining the potential impact of the Dodd-Frank Act and related regulations, we are not able to predict the ultimate effect on us. In addition, several states and municipalities in the United States have recently adopted pay-to-play rules, which could limit our ability to charge fees in connection with certain of our Private Fund Advisory engagements, and could therefore affect the profitability of that portion of our business.

The regulatory environment in which our clients operate may also impact our business. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of M&A activity and changes in state laws may limit investment activities of state pension plans.

For asset management businesses in general, there have been a number of highly publicized cases involving fraud or other misconduct by employees of asset management firms, as well as industry-wide regulatory inquiries. These cases and inquiries have resulted in increased scrutiny in the industry and may result in new rules and regulations for mutual funds, hedge funds and their investment managers. This regulatory scrutiny and these rulemaking initiatives may result in an increase in operational and compliance costs or the risk of assessment of significant fines or penalties against our Asset Management business, and may otherwise limit our ability to engage in certain activities.

Financial services firms are subject to numerous conflicts of interest or perceived conflicts. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and regularly seek to review and update our policies, controls and procedures. However, these policies and procedures may result in increased costs, additional operational personnel and increased regulatory risk. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

Specific regulatory changes also may have a direct impact on the revenue of our Asset Management business. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. For example, the use of soft dollars, where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, is periodically reexamined and may in the future be limited or modified. Although a substantial portion of the research relied on by our Asset Management business in the investment decision-making process is generated internally by our investment analysts, external research, including external research paid for with soft dollars, is important to the process. This external research generally is used for information gathering or verification purposes, and includes broker-provided research, as well as third-party provided databases and research services. For the year ended December 31, 2011, our Asset Management business obtained research and other services through third-party soft dollar arrangements, the total cost of which we estimate to be approximately $19 million. If the use of soft dollars is limited, we may have to bear some of these costs. In addition, new regulations regarding the management of hedge funds and the use of certain investment products may impact our Asset Management business and result in increased costs. For example, many regulators around the world adopted disclosure and reporting requirements relating to the hedge fund businesses or other businesses. In addition, legislators around the world are exploring regulatory changes and additional oversight of the financial industry generally. The impact of these proposed changes on us are uncertain. These regulatory changes and other proposed or potential changes may result in an increase in costs or a reduction of revenue associated with our Asset Management business.

See Business Regulation for a further discussion of the regulatory environment in which we conduct our businesses.

Table of Contents

Fluctuations in foreign currency exchange rates could reduce our stockholders equity and net income or negatively impact the portfolios of our Asset Management clients and may affect the levels of our AUM.

We are exposed to fluctuations in foreign currencies. Our financial statements are denominated in U.S. Dollars and, for the year ended December 31, 2011, we received approximately 41% of our consolidated net revenue in other currencies, predominantly in euros and British pounds. In addition, we pay a significant amount of our expenses in such other currencies. The exchange rates of these currencies versus the U.S. Dollar affects the carrying value of our assets and liabilities as well as our net income. We do not generally hedge such foreign currency exchange rate exposure arising in our subsidiaries outside of the U.S. Fluctuations in foreign currency exchange rates may also make period to period comparisons of our results of operations difficult.

Foreign currency fluctuations also can impact the portfolios of our Asset Management clients. Client portfolios are invested in securities across the globe, although most portfolios are in a single base currency. Foreign currency fluctuations can adversely impact investment performance for a client s portfolio. In addition, foreign currency fluctuations may affect the levels of our AUM. As our AUM include significant assets that are denominated in currencies other than U.S. dollars, an increase in the value of the U.S. Dollar relative to non-U.S. currencies may result in a decrease in the dollar value of our AUM, which, in turn, would result in lower U.S. Dollar-denominated revenue in our Asset Management business. While this risk may be limited by foreign currency hedging, some risks cannot be hedged and our hedging activity may not be successful. Poor performance may result in decreased AUM, including as a result of withdrawal of client assets or a decrease in new assets being raised in the relevant product.

See Note 15 of Notes to Consolidated Financial Statements for additional information regarding the impact on stockholders equity from currency translation adjustments.

Lazard Ltd is a holding company and, accordingly, depends upon distributions from Lazard Group to pay dividends and taxes and other expenses.

Lazard Ltd is a holding company and has no independent means of generating significant revenue. We control Lazard Group through our indirect control of both of the managing members of Lazard Group. Our wholly-owned subsidiaries incur income taxes on their proportionate share of any net taxable income of Lazard Group in their respective tax jurisdictions. We intend to continue to cause Lazard Group to make distributions to its members, including our wholly-owned subsidiaries, in an amount sufficient to cover all applicable taxes payable by us and dividends, if any, declared by us. To the extent that our subsidiaries need funds to pay taxes on their share of Lazard Group s net taxable income, or if Lazard Ltd needs funds for any other purpose, and Lazard Group is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition or results of operations.

Lazard Group is a holding company and therefore depends on its subsidiaries to make distributions to Lazard Group to enable it to service its obligations under its indebtedness.

Lazard Group depends on its subsidiaries, which conduct the operations of the businesses, for dividends and other payments to generate the funds necessary to meet its financial obligations, including payments of principal and interest on its indebtedness. However, none of Lazard Group s subsidiaries is obligated to make funds available to it for servicing such financial obligations. In addition, legal and contractual restrictions in agreements governing current and future indebtedness, as well as financial conditions, minimum regulatory net capital and similar requirements and operating requirements of Lazard Group s subsidiaries, currently limit and may, in the future, limit Lazard Group s ability to obtain cash from its subsidiaries. The earnings from, or other available assets of, Lazard Group s subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable Lazard Group to make payments with respect to its financial obligations when such payments are due. In addition, even if such earnings were sufficient, the agreements governing the current and future

Table of Contents

indebtedness of Lazard Group s subsidiaries and regulatory requirements with respect to our broker-dealer and other regulated subsidiaries may not permit such subsidiaries to provide Lazard Group with sufficient dividends, distributions or loans to fund its financial obligations, when due.

We may become subject to taxes in Bermuda after March 28, 2016, which may have a material adverse effect on our results of operations.

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, as amended, has given us an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or any of our operations, shares, debentures or other obligations until March 28, 2016, except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda. Given the limited duration of the Bermuda Minister of Finance s assurance, we may be subject to Bermuda tax after March 28, 2016.

In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our consolidated financial statements.

Our effective tax rate is based upon the application of currently applicable income tax laws, regulations and treaties, current judicial and administrative authorities interpreting those income tax laws, regulations and treaties, and upon our non-U.S. subsidiaries ability to qualify for benefits under those treaties, and that a portion of their income is not subject to U.S. tax as effectively connected income. Moreover, those income tax laws, regulations and treaties, and the administrative and judicial authorities interpreting them, are subject to change at any time, and any such change may be retroactive.

Our effective tax rate is based upon our non-U.S. subsidiaries qualifying for treaty benefits, including reduced withholding tax rates, among other things. The eligibility of our non-U.S. subsidiaries for treaty benefits generally depends upon, among other things, at least 50% of the principal class of shares in such subsidiaries being ultimately owned by U.S. citizens and persons who are qualified residents for purposes of the treaty. It is possible that this requirement may not be met, and even if it is met, we may not be able to document that fact to the satisfaction of the U.S. Internal Revenue Service (IRS). If our non-U.S. subsidiaries are not treated as eligible for treaty benefits, such subsidiaries will be subject to additional U.S. taxes, including branch profits tax on their effectively connected earnings and profits (as determined for U.S. federal income tax purposes) at a rate of 30% rather than a treaty rate of 5%.

The inability, for any reason, to achieve and maintain an overall income tax rate approximately equal to the rate used in preparing our consolidated financial statements could materially adversely affect our business and our results of operations and could materially adversely affect our financial statements.

Tax authorities may challenge our tax computations and classifications and our transfer pricing methods, and their application.

Our tax returns are subject to audit by federal, local and foreign tax authorities. These authorities may successfully challenge certain tax positions or deductions taken by our subsidiaries. For example, tax authorities may contest intercompany allocations of fee income, management charges or interest charges among affiliates in different tax jurisdictions. While we believe that we have provided the appropriate required reserves (see Note 2 of Notes to Consolidated Financial Statements), it is possible that the tax authorities will disagree with all, or a portion, of the tax benefits claimed. If they were to successfully challenge our positions, it could result in significant additional tax costs or payments to LFCM Holdings under the tax receivable agreement.

Table of Contents

Outcome of future U.S. tax legislation is unknown at the present time.

On February 13, 2012, the Executive Branch presented its 2013 budget proposals to Congress. The budget proposals included several potential revenue generating proposals, including proposals to (i) limit the deduction of certain related party interest and (ii) defer the deduction of interest attributable to foreign source income of foreign subsidiaries. Each of these proposals would be effective only for taxable years beginning after December 31, 2012. In addition, other members of Congress have proposed legislation that, if enacted, would reclassify certain types of publicly-traded entities as U.S. corporations for tax purposes if the management and control of such entities occurs primarily within the U.S.

We are currently unable to predict the ultimate outcome of any of these proposals. If enacted in their current form, however, some of these proposals may increase Lazard s effective tax rate during future periods.

Our subsidiaries will be required to pay LFCM Holdings most of the benefit relating to any additional tax depreciation or amortization deductions our subsidiaries may claim as a result of the tax basis step-up our subsidiaries receive in connection with the Company s equity public offering and related transactions.

In connection with our various secondary offerings, LAZ-MD Holdings exchangeable interests were, in effect, partially exchanged for shares of our common stock. Additional exchanges are scheduled to take place in the future. The redemption and the exchanges may result in increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries interest in Lazard Group that otherwise would not have been available. These increases in tax basis may reduce the amount of tax that our subsidiaries would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

Our subsidiaries entered into a tax receivable agreement with LFCM Holdings that provides for the payment by our subsidiaries to LFCM Holdings of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. We expect to benefit from the remaining 15% of cash savings realized. Our subsidiaries have the right to terminate the tax receivable agreement at any time for an amount based on an agreed value of certain payments remaining to be made under the tax receivable agreement at such time. While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the timing of exchanges, the extent to which such exchanges are taxable, the allocation of the step-up among the Lazard Group assets, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries interest in Lazard Group, during the 24-year term of the tax receivable agreement, the payments that our subsidiaries may make to LFCM Holdings could be substantial. As of December 31, 2011, the aggregate increase in tax basis attributable to our subsidiaries interest in Lazard Group was approximately $2.9 billion. The aggregate amount, including those interests not yet exchanged, would have been approximately $3.1 billion as of that date (based on the then closing price per share of our common stock on the NYSE of $26.11), including the increase in tax basis associated with the redemption and recapitalization in 2005. The potential future increase in tax basis will depend on the Lazard common stock price at the time of exchange. The cash savings that our subsidiaries would actually realize as a result of this increase in tax basis likely would be significantly less than this amount multiplied by our statutory tax rate due to a number of factors, including insufficient taxable income to absorb the increase in tax basis, the allocation of the increase in tax basis to foreign or non-amortizable assets, the impact of the increase in the tax basis on our ability to use foreign tax credits and the rules relating to the amortization of intangible assets. Our ability to achieve benefits from any such increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

In addition, if the IRS successfully challenges the tax basis increase, under certain circumstances, our subsidiaries could make payments to LFCM Holdings under the tax receivable agreement in excess of our subsidiaries cash tax savings.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business.

We have documented and tested our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors regarding our internal control over financial reporting. We are in compliance with Section 404 of the Sarbanes-Oxley Act as of December 31, 2011. However, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to maintain an effective internal control environment could have a material adverse effect on our business.

LAZ-MD Holdings, Lazard Group, LFCM Holdings and Lazard Ltd entered into various arrangements, including the master separation agreement, which contain cross-indemnification obligations of LAZ-MD Holdings, Lazard Group, LFCM Holdings and Lazard Ltd, that any party may be unable to satisfy.

The master separation agreement that Lazard Ltd entered into with Lazard Group, LAZ-MD Holdings and LFCM Holdings provides, among other things, that LFCM Holdings generally will indemnify Lazard Ltd, Lazard Group and LAZ-MD Holdings for losses that we incur arising out of, or relating to, the separated businesses and the businesses conducted by LFCM Holdings and losses that Lazard Ltd, Lazard Group or LAZ-MD Holdings incur arising out of, or relating to, LFCM Holdings breach of the master separation agreement. In addition, LAZ-MD Holdings generally will indemnify Lazard Ltd, Lazard Group and LFCM Holdings for losses that they incur arising out of, or relating to, LAZ-MD Holdings breach of the master separation agreement. Our ability to collect under the indemnities from LAZ-MD Holdings or LFCM Holdings depends on their financial position. For example, persons may seek to hold us responsible for liabilities assumed by LAZ-MD Holdings or LFCM Holdings or, as a result of the use of the Lazard name by subsidiaries of LFCM Holdings, for certain actions of LFCM Holdings or its subsidiaries. If these liabilities are significant and we are held liable for them, we may not be able to recover any or all of the amount of those losses from LAZ-MD Holdings or LFCM Holdings should either be financially unable to perform under their indemnification obligations.

In addition, Lazard Group generally will indemnify LFCM Holdings and LAZ-MD Holdings for liabilities related to Lazard Group s businesses and Lazard Group will indemnify LFCM Holdings and LAZ-MD Holdings for losses that they incur to the extent arising out of, or relating to, Lazard Group s or Lazard Ltd s breach of the master separation agreement. Several of the ancillary agreements that Lazard Group entered into together with the master separation agreement also provide for separate indemnification arrangements. For example, under the administrative services agreement, Lazard Group provides a range of services to LFCM Holdings, including information technology, general office and building services and financing and accounting services, and LFCM Holdings will generally indemnify Lazard Group for liabilities that Lazard Group incurs arising from the provision of these services absent Lazard Group s intentional misconduct. Lazard Group may face claims for indemnification from LFCM Holdings and LAZ-MD Holdings under these provisions regarding matters for which Lazard Group has agreed to indemnify them. If these liabilities are significant, Lazard Group may be required to make substantial payments, which could materially adversely affect our results of operations. Also, in connection with the CP II MgmtCo Spin-Off (as defined in Note 21 of Notes to Consolidated Financial Statements), the subsidiary of LFCM Holdings that manages CP II MgmtCo (CP II MgmtCo) has generally agreed to indemnify us against certain losses related to CP II that arise after the date of closing of the CP II MgmtCo Spin-Off. However, should persons seek to hold us responsible for liabilities assumed by CP II

MgmtCo, we may not be able to recover any or all of the amount of our losses from CP II MgmtCo if CP II MgmtCo is financially unable to perform under its indemnification obligations.

We may have potential business conflicts of interest with LAZ-MD Holdings and LFCM Holdings with respect to our past and ongoing relationships that could harm our business operations.

Pursuant to the LAZ-MD Holdings amended and restated stockholders agreement, LAZ-MD Holdings will vote the single share of Lazard Ltd Class B common stock, which, as of December 31, 2011, represented approximately 5.2% of Lazard Ltd s voting power, as directed by its individual members who are party to that agreement. In addition, several employees of Lazard provide services to LFCM Holdings. Conflicts of interest may arise between LFCM Holdings and us in a number of areas relating to our past and ongoing relationships, including:

- labor, tax, employee benefits, indemnification and other matters arising from the separation,
- intellectual property matters,
- business combinations involving us,
- business operations or business opportunities of LFCM Holdings or us that would compete with the other party s business opportunities, including investment banking by us and the management of alternative investment funds by LFCM Holdings, particularly as some of our managing directors provide services to LFCM Holdings,
- the terms of the master separation agreement and related ancillary agreements, including the operation of the alternative investment fund management business and Lazard Group s option to purchase the business,
- the nature, quality and pricing of administrative services to be provided by us, and
- the provision of services by certain of our managing directors to LFCM Holdings.

In addition, the administrative services agreement commits us to provide a range of services to LFCM Holdings and LAZ-MD Holdings, which could require the expenditure of significant amounts of time by our management. Our agreements with LAZ-MD Holdings and LFCM Holdings may be amended upon agreement of the parties to those agreements. We may not be able to resolve any potential conflicts and, even if we do, the resolution may be less favorable to us than if we were dealing with a different party.

The use of the Lazard brand name by subsidiaries of LFCM Holdings may expose us to reputational harm that could affect our operations and adversely affect our financial position should these subsidiaries take actions that damage the brand name.

The Lazard brand name has over 160 years of heritage, connoting, we believe, world-class professional advice, independence and global capabilities with deeply rooted, local know-how. LFCM Holdings operates as a separate legal entity, and Lazard Group licensed to subsidiaries of LFCM Holdings that operate the separated businesses the use of the Lazard brand name for certain specified purposes, including in connection with alternative investment fund management and capital markets activities. As these subsidiaries of LFCM Holdings historically have and will continue to use the Lazard brand name, and because we no longer control these entities, there is a risk of reputational harm to us if these subsidiaries have, or in the future were to, among other things, engage in poor business practices, experience adverse results or otherwise damage the reputational value of the Lazard brand name. These risks could expose us to liability and also may adversely affect our revenue and our business prospects.

30

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Business, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-K 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 c 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. In particular, you should consider the numerous risks and uncertainties outlined in 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 this 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-K 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,

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,

Table of Contents

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 AUM in various mutual funds, hedge funds and other investment products managed by 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-K.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC staff 180 days or more before the end of the year relating to our periodic or current reports under the Exchange Act.

Item 2. Properties

The following table lists the properties used for the entire Lazard organization as of December 31, 2011, including properties used by the separated businesses. As a general matter, one or both of our Financial Advisory and Asset Management segments (as well as our Corporate segment) uses the following properties. We license and sublease to affiliates of LFCM Holdings certain office space, including office space that is used by the separated businesses. This includes subleasing or licensing 33,715 square feet principally relating to our lease in New York City located at 30 Rockefeller Plaza to affiliates of LFCM Holdings. Additionally, our New York, London and other offices sublease 37,481, 55,676 and 23,045 square feet, respectively, to third parties. We remain fully liable for the subleased space to the extent that affiliates of LFCM Holdings, or the third parties, fail to perform their obligations under the subleases for any reason.

Location	Square Footage	Offices
New York City	384,428 square feet of leased space	Principal office located at 30 Rockefeller Plaza.
Other North America	157,156 square feet of leased space	Boston, Charlotte, Chicago, Houston, Los Angeles, Minneapolis, Montreal, San Francisco and Washington D.C.
Paris	170,644 square feet of owned and leased space	Principal office located at 121 Boulevard Haussmann.
London	86,695 square feet of leased space	Principal office located at 50 Stratton Street.
Other Europe		

	123,900 square feet of leased space	Amsterdam, Bordeaux, Brussels, Frankfurt, Hamburg, Lyon, Madrid, Milan, Stockholm and Zurich.
Asia, Australia and Other	79,114 square feet of leased space	Beijing, Dubai City, Hong Kong, Manama, Melbourne, Mumbai, Perth, Riyadh, Seoul, Singapore, Sydney and Tokyo.

Table of Contents

Item 3. Legal Proceedings

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.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on The New York Stock Exchange under the symbol LAZ. There is no publicly traded market for our Class B common stock, which is held by LAZ-MD Holdings. The following table sets forth, for the fiscal quarters indicated, the high and low sales prices per share of our Class A common stock, as reported in the consolidated transaction reporting system, and the quarterly dividends declared during 2011 and 2010.

Price Range of Our Common Stock

	Sales Price		Dividends per Share of Common Stock
	High	Low	
2011			
Fourth quarter	$ 31.15	$ 19.04	$ 0.16
Third quarter	$ 37.99	$ 20.90	$ 0.16
Second quarter	$ 43.54	$ 35.30	$ 0.16
First quarter	$ 46.54	$ 39.09	$ 0.125
2010			
Fourth quarter	$ 39.78	$ 34.38	$ 0.125
Third quarter	$ 36.95	$ 25.70	$ 0.125
Second quarter	$ 40.00	$ 26.30	$ 0.125
First quarter	$ 41.25	$ 33.31	$ 0.125

As of February 10, 2012, there were approximately 47 holders of record of our Class A common stock. This does not include the number of shareholders that hold shares in street-name through banks or broker-dealers.

On February 10, 2012, the last reported sales price for our Class A common stock on the New York Stock Exchange was $27.39 per share.

On January 25, 2012, the Board of Directors of Lazard Ltd declared a quarterly dividend of $0.16 per share on our Class A common stock, payable on February 24, 2012 to stockholders of record on February 6, 2012.

On February 6, 2012, we announced our plan to increase the quarterly dividend on our Class A common stock to $0.20 per share in April 2012.

Share Repurchases in the Fourth Quarter of 2011

The following table sets forth information regarding Lazard s purchases of its Class A common stock on a monthly basis during the fourth quarter of 2011. Share repurchases are recorded on a trade date basis.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2011 October 31, 2011				
Share Repurchase Program (1)	1,217,109	$ 25.86	1,217,109	$ 226.9 million

Employee Transactions (2)	72,084	$ 28.46			
November 1, 2011 November 30, 2011					
Share Repurchase Program (1)	393,964	$ 25.07	393,964	$	217.0 million
Employee Transactions (2)	17,298	$ 27.77			
December 1, 2011 December 31, 2011					
Share Repurchase Program (1)	205,200	$ 23.70	205,200	$	212.1 million
Employee Transactions (2)	29,765	$ 27.90			
Total					
Share Repurchase Program (1)	1,816,273	$ 25.45	1,816,273	$	212.1 million
Employee Transactions (2)	119,147	$ 28.22			

(1) As disclosed in more detail in Note 15 of Notes to Consolidated Financial Statements, in January 2010, the Board of Directors of Lazard Ltd authorized, on a cumulative basis, the repurchase of up to $200 million in aggregate cost of Lazard Ltd Class A common stock and Lazard Group common membership interests through December 31, 2011. In addition, in February 2011 and October 2011, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional $250 million and $125 million, respectively, in aggregate cost of Lazard Ltd 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 privately negotiated transactions. Amounts shown in this line item include repurchases of both Class A common stock and Lazard Group common membership interests, and exclude the shares of Class A common stock withheld by the Company to cover estimated income taxes as described below.

(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 December 31, 2011, the Company satisfied certain employees tax obligations in lieu of issuing 50,763 shares of Class A common stock to cover estimated taxes upon the vesting of 205,643 RSUs. In addition, the number of shares purchased during October 2011 include 68,384 shares withheld by the Company in connection with the satisfaction of certain employee s tax obligations relating to the shares delivered in connection with the LAM Merger.

Equity Compensation Plan Information

See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters Equity Compensation Plan Information.

Other Matters

On November 28, 2011, Lazard Ltd issued 138,159 shares of Class A common stock in reliance on Section 4(2) of the Securities Act of 1933 in connection with the exchange of 138,159 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.

Item 6. Selected Financial Data

The following table sets forth the selected consolidated financial data for the Company for all years presented.

The consolidated statements of financial condition and operations data as of and for each of the years in the five-year period ended December 31, 2011 have been derived from Lazard Ltd s consolidated financial statements. The audited consolidated statements of financial condition as of December 31, 2011 and 2010 and audited consolidated statements of operations for each of the years in the three year period ended December 31, 2011 are included elsewhere in this Form 10-K. The audited consolidated statements of financial condition as of December 31, 2009, 2008 and 2007, and the audited consolidated statements of operations for the years ended December 31, 2008 and 2007, are not included in this Form 10-K. Historical results are not necessarily indicative of results for any future period.

The selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and the Company s consolidated financial statements and related notes included elsewhere in this Form 10-K.

Table of Contents

Selected Consolidated Financial Data

	As Of Or For The Year Ended December 31,				
	2011	2010	2009	2008	2007
	(dollars in thousands, except for per share amounts)				
Consolidated Statements of Operations Data					
Net Revenue:					
Financial Advisory (a)	$ 992,107	$ 1,119,867	$ 986,820	$ 1,022,913	$ 1,240,177
Asset Management (b)	897,401	849,662	601,652	614,781	724,751
Corporate (c)	(59,996)	(64,161)	(57,954)	(80,487)	(47,239)
Net Revenue	1,829,512	1,905,368	1,530,518	1,557,207	1,917,689
Compensation and Benefits (d)	1,168,945	1,194,168	1,309,240	1,128,253	1,123,068
Other Operating Expenses (e)	425,068	467,550	403,512	403,814	376,326
Total Operating Expenses	1,594,013	1,661,718	1,712,752	1,532,067	1,499,394
Operating Income (Loss)	$ 235,499	$ 243,650	$ (182,234)	$ 25,140	$ 418,295
Net Income (Loss)	$ 190,559	$ 194,423	$ (188,245)	$ (239)	$ 337,679
Net Income (Loss) Attributable to Lazard Ltd	$ 174,917	$ 174,979	$ (130,242)	$ 3,138	$ 155,042
Net Income (Loss) Per Share of Class A Common Stock:					
Basic	$1.48	$1.68	$(1.68)	$ 0.06	$ 3.04
Diluted	$1.36	$1.36	$(1.68)	$ 0.06	$ 2.79
Dividends Declared Per Share of Class A Common Stock	$0.605	$0.50	$ 0.45	$ 0.40	$ 0.36
Consolidated Statements of Financial Condition Data					
Total Assets	$ 3,081,936	$ 3,422,532	$ 3,147,762	$ 2,862,931	$ 3,840,413
Total Debt (f)	$ 1,096,934	$ 1,249,753	$ 1,261,478	$ 1,264,575	$ 1,764,622
Total Lazard Ltd Stockholders Equity	$ 726,143	$ 652,398	$ 355,391	$ 250,580	$ 70,339
Total Stockholders Equity	$ 866,856	$ 796,117	$ 523,097	$ 311,752	$ 123,114
Other Data					
Assets Under Management:					
As of December 31	$ 141,039,000	$ 155,337,000	$ 129,543,000	$ 91,109,000	$ 141,413,000
Average During Year	$ 152,072,000	$ 137,381,000	$ 103,988,000	$ 122,828,000	$ 130,827,000
Total Headcount, As of December 31	2,511	2,332	2,294	2,434	2,458

***Notes (in thousands of dollars)*:**

(a) Financial Advisory net revenue consists of the following:

	For The Year Ended December 31,				
	2011	2010	2009	2008	2007
M&A and Strategic Advisory	$ 700,539	$ 714,059	$ 526,225	$ 814,660	$ 969,409
Capital Markets and Other Advisory	93,825	111,933	83,885	88,970	143,593
Total Strategic Advisory	794,364	825,992	610,110	903,630	1,113,002
Restructuring	197,743	293,875	376,710	119,283	

					127,175
Financial Advisory Net Revenue	$ 992,107	$ 1,119,867	$ 986,820	$ 1,022,913	$ 1,240,177

(b) Asset Management net revenue consists of the following:

	For The Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Management Fees	$ 818,038	$ 715,885	$ 486,810	$ 568,436	$ 595,725
Incentive Fees	26,245	86,298	74,795	34,961	67,032
Other Income	53,118	47,479	40,047	11,384	61,994
Asset Management Net Revenue	$ 897,401	$ 849,662	$ 601,652	$ 614,781	$ 724,751

(c) Corporate includes interest expense (net of interest income), investment income (losses) from certain investments and net revenue earned by LFB through its money market desk and commercial banking operations, as well as any gains or losses from the extinguishment of debt.

(d) Includes (i) in 2010, $24,860 relating to the acceleration of amortization expense pertaining to the amendment of Lazard s retirement policy with respect to RSU awards; (ii) in 2009, charges of $86,514 related to the acceleration of amortization expense 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 $60,512 related to the accelerated vesting of the then unamortized portion of previously awarded deferred cash incentive awards; and (iii) in 2008, $197,550 relating to the compensation portion of the LAM Merger charge.

(e) Includes (i) in 2010, restructuring expense of $87,108 related to the restructuring plan announced in the first quarter of 2010 and (ii) in 2009, restructuring expense of $62,550 related to the restructuring plan announced in the first quarter of 2009.

(f) Represents the aggregate amount reflected in the Company s consolidated statements of financial condition relating to senior debt, capital lease obligations and subordinated debt.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Lazard Ltd s consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K (this Form 10-K). This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled Risk Factors and elsewhere in this Form 10-K.

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.

Our consolidated net revenue was derived from the following segments:

	Year Ended December 31,		
	2011	2010	2009
Financial Advisory	54%	59%	65%
Asset Management	49	45	39
Corporate	(3)	(4)	(4)
Total	100%	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 (see Note 9 of Notes to Consolidated Financial Statements), (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 assets under management (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, equity market indices at December 31, 2011 reflected little change in the U.S., and declined outside the U.S., when compared to such indices at December 31, 2010, with periods of significant volatility during the year. For the same period, capital-raising and M&A activity were uneven due to economic uncertainty caused by concerns over the scope and depth of the sovereign debt situation in Europe, the U.S. debt ceiling and related rating agency downgrade issues and continuing high U.S. unemployment, among other factors. The announced value of M&A activity increased modestly when compared to 2010. Restructuring activity continued at low levels, reflecting a cyclical decline in restructuring activity and a decrease in the number of corporate defaults.

Entering 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 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 this 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

As shown in the following table, during 2011 the value and number of completed and announced M&A transactions increased as compared to 2010, despite the overall decline in the value of both announced and completed transactions during the second half of 2011 versus the corresponding prior year period.

	Year Ended December 31,		
	2011	2010	% Incr / (Decr)
	($ in billions)		
Completed M&A Transactions:			
Global:			
Value	$ 2,819	$ 2,481	14%
Number	43,599	41,416	5%
Trans-Atlantic:			
Value	$ 236	$ 190	24%
Number	1,694	1,499	13%
Announced M&A Transactions:			
Global:			
Value	$ 2,819	$ 2,735	3%
Number	44,435	41,838	6%
Trans-Atlantic:			
Value	$ 214	$ 201	6%
Number	1,726	1,503	15%

Source: Dealogic as of January 16, 2012.
We continue to believe that we are relatively well positioned as our clients refinance, restructure and reposition their asset portfolios for growth.

Global restructuring activity during 2011 decreased from 2010 levels driven by a cyclical decline, resulting in a decelerating pace of corporate debt defaults. According to Moody s Investors Service, Inc., during 2011 a total of 36 issuers defaulted, as compared to 61 in 2010. While the number and value of corporate defaults for 2011 are significantly lower as compared to 2010, we expect that our Restructuring business will remain active. Our Restructuring activities include advising companies on matters relating to debt restructurings, refinancings and other on- and off-balance sheet assignments. Our Restructuring 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 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.

Table of Contents

Asset Management

As shown in the table below, major equity market indices at December 31, 2011 were mixed in the U.S., but declined outside the U.S., when compared to such indices at December 31, 2010. Global market indices at December 31, 2010 increased in most markets versus the corresponding indices at December 31, 2009.

	Percentage Changes December 31,	
	2011 vs. 2010	**2010 vs. 2009**
MSCI World Index	(8)%	10%
CAC 40	(17)%	(3)%
DAX	(15)%	16%
FTSE 100	(6)%	9%
TOPIX 100	(24)%	(1)%
MSCI Emerging Market	(20)%	16%
Dow Jones Industrial Average	6%	11%
NASDAQ	(2)%	17%
S&P 500	0%	13%

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 corresponded to the changes in global market indices. Our AUM at December 31, 2011 decreased 9% versus AUM at December 31, 2010 (primarily due to market and foreign exchange depreciation), while our average AUM for 2011 increased 11% as compared to our average AUM in 2010. The higher levels of average AUM contributed to increased management fee revenues 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 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 Lazard Asset Management LLC (together with its subsidiaries, LAM), LFG, Edgewater (commencing July 15, 2009) 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 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.

Table of Contents

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 management funds, investments at LFB and equity method investments (including gains and losses on the extinguishment of debt, interest income and interest expense). Corporate net revenue also can fluctuate due to changes in the fair value of investments classified as trading , and with respect to available-for-sale investments, when realized, or, with respect to available-for-sale and held-to-maturity investments, when a decline is determined to be other than temporary, as well as due to changes in interest and currency exchange rates and in the levels of cash, investments and indebtedness. During the fourth quarter of 2010, all of LFB s remaining corporate debt portfolio that had been previously designated as available-for-sale was sold, with net realized losses on a pre-tax basis reclassified from accumulated other comprehensive income (loss), net of tax (AOCI) to investment gains (losses) . For the years ended December 31, 2010 and 2009, the Company recorded net investment gains of $13 million and $29 million, respectively, in AOCI. As of December 31, 2010 and subsequent thereto, the Company held no available-for-sale or held-to-maturity investments.

Although Corporate segment net revenue during 2011 represented (3)% of Lazard s net revenue, total assets in the Corporate segment represented 56% of Lazard s consolidated total assets as of December 31, 2011, 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, 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 (see Note 16 of Notes to Consolidated Financial Statements) and (iii) a provision for discretionary or guaranteed 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.

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.

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 awarded compensation and benefits expense and related ratios to operating revenue, see the table under Consolidated Results of Operations below.

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), the provision (benefit) pursuant to the tax receivable agreement with LFCM Holdings, amortization of intangible assets related to acquisitions and, in 2010 and 2009, restructuring expense. Amortization of intangible assets relates primarily to the acquisition of Edgewater. Restructuring expense relates to certain staff reductions and realignment of personnel in the first quarters of 2010 and 2009, and includes severance and related benefits expense, the acceleration of unrecognized expense pertaining to restricted stock unit awards denominated in shares of Lazard Ltd Class A common stock (RSUs) previously granted to individuals who were terminated and certain other costs related to these initiatives.

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.

Table of Contents

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, amounts related to Edgewater, and various LAM-related general partnership interests (GPs) in limited partnerships held directly by certain of our LAM managing directors and investment companies which are deemed to be controlled by the Company. See Note 15 of Notes to 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.

During 2010 and 2009, the Company reported certain credits (charges) (the 2010 special items and the 2009 special items , respectively, and collectively, the 2010 and 2009 special items) that significantly impacted operating results for the applicable years. We believe that the impact of the 2010 and 2009 special items should be considered when comparing the results of the years in providing the most meaningful comparison between present, historical and future periods. The impact of such special items on the Company s consolidated statements of operations (described in more detail in Notes 16 and 18 of Notes to Consolidated Financial Statements) is reflected in the table below.

	Year Ended December 31,	
	2010	2009
	($ in thousands)	
Compensation	($24,860)(a)	($147,026)(c)
Restructuring	(87,108)(b)	(62,550)(d)
(Provision) Benefit Pursuant To Tax Receivable Agreement	8,834	(e)
Impact On Operating Income (Loss)	(103,134)	(209,576)
(Provision) Benefit For Income Taxes	7,043	8,967
Noncontrolling Interest Benefit	24,388	57,890
Impact On Net Income (Loss) Attributable To Lazard Ltd	($71,703)	($142,719)

(a) Accelerated amortization expense recognized in the first quarter of 2010 in connection with the vesting of share-based incentive compensation awards related to the amendment of the Company s retirement policy.
(b) Provision relating to the restructuring plan announced in the first quarter of 2010.
(c) Consists of acceleration of amortization expense of (i) $86,514 in connection with the vesting of share-based incentive awards held by Lazard s former Chairman and Chief Executive Officer as a result of his death in October 2009 and (ii) $60,512 related to the unamortized portion of previously awarded deferred cash incentive awards (no portion of which relates to Lazard s former Chairman and Chief Executive Officer).
(d) Provision relating to the restructuring plan announced in the first quarter of 2009.
(e) There was no benefit pursuant to the tax receivable agreement relating to the 2009 special items.

Table of Contents

The 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 consolidated results of operations is set forth below, followed by a more detailed discussion of both consolidated and business segment results.

	Year Ended December 31,		
	2011	2010 ($ in thousands)	2009
Net Revenue	$ 1,829,512	$ 1,905,368	$ 1,530,518
Operating Expenses:			
Compensation and benefits	1,168,945	1,194,168	1,309,240
Non-compensation	412,724	370,214	337,230
Amortization of intangible assets related to acquisitions	11,915	7,867	4,990
Restructuring		87,108	62,550
Provision (benefit) pursuant to tax receivable agreement	429	2,361	(1,258)
Total operating expenses	1,594,013	1,661,718	1,712,752
Operating Income (Loss)	235,499	243,650	(182,234)
Provision for income taxes	44,940	49,227	6,011
Net Income (Loss)	190,559	194,423	(188,245)
Less Net Income (Loss) Attributable to Noncontrolling Interests	15,642	19,444	(58,003)
Net Income (Loss) Attributable to Lazard Ltd	$ 174,917	$ 174,979	$ (130,242)
Operating Income (Loss), As A % Of Net Revenue	13%	13%	(12)%

The tables below describe the components of operating revenue, adjusted and awarded 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.

	Year Ended December 31,		
	2011	2010 ($ in thousands)	2009
Operating revenue			
Total revenue	$ 1,919,638	$ 2,003,077	$ 1,638,408
Add (deduct):			
LFB interest expense (a)	(3,926)	(8,277)	(13,815)
Revenue related to noncontrolling interests (b)	(16,696)	(16,277)	(6,965)
Gain on the repurchase of subordinated promissory note (c)	(18,171)		
Changes in fair value pertaining to Lazard Fund Interests (d)	3,024		
Operating revenue	$ 1,883,869	$ 1,978,523	$ 1,617,628

(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 from operating revenue because the Company has no economic interest in such amount.

(c) Gain on the repurchase of the Company s subordinated promissory note is excluded from operating revenue because of the non-operating nature of such transaction.

(d) Changes in the fair value of investments held in connection with Lazard Fund Interests and other similar deferred compensation arrangements are excluded from operating revenue 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.

Table of Contents

	Year Ended December 31,		
	2011	2010	2009
	($ in thousands)		
Compensation and benefits expense			
Total compensation and benefits expense	$ 1,168,945	$ 1,194,168	$ 1,309,240
Deduct:			
2010 and 2009 special items		(24,860)	(147,026)
Noncontrolling interests (a)	(3,740)	(3,098)	(1,657)
Changes in fair value pertaining to Lazard Fund Interests (b)	3,024		
Adjusted compensation and benefits expense	1,168,229	1,166,210	1,160,557
Deduct Amortization of incentive compensation awards	(289,366)	(240,533)	(333,374)
Total adjusted cash compensation and benefits expense (c)	878,863	925,677	827,183
Add:			
Year-end deferred incentive compensation awards (d)	280,560	292,744	239,288
Sign-on and other special incentive awards (e)	39,950	27,255	39,225
Deduct Adjustment for estimated forfeitures (f)	(32,051)	(32,000)	(27,851)
Other adjustments (g)	(4,620)	3,291	5,587
Awarded compensation and benefits expense	$ 1,162,702	$ 1,216,967	$ 1,083,432
Adjusted compensation and benefits expense, as a % of Operating Revenue	62.0%	58.9%	71.7%
Awarded compensation and benefits expense, as a % of Operating Revenue	61.7%	61.5%	67.0%

(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 from compensation and benefits expense because such amounts are equally offset by a corresponding change in the fair value of the underlying investments excluded from operating revenue.

(c) Includes base salaries and benefits of $506,490, $453,193 and $422,614 for 2011, 2010 and 2009, respectively, and cash incentive compensation of $372,373, $472,484 and $404,569 for the respective years.

(d) Grant date fair value of 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).

(e) Represents deferred incentive compensation awards that are granted outside the year-end compensation process, and includes investments in people (*e.g.* sign-on bonuses).

(f) An estimate, based on historical experience and future expectations, for future forfeitures of the deferred portion of such awards in order to present awarded compensation and benefits expense on a similar basis to that under U.S. GAAP, which also considers estimated forfeitures.

(g) Represents an adjustment to the year-end foreign exchange spot rate from the full year average rate for year- end incentive compensation awards.

Table of Contents

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

	Year Ended December 31,		
	2011	2010	2009
As a % of Net Revenue, by Revenue Category:			
Investment banking and other advisory fees	53%	58%	62%
Money management fees	47	43	37
Interest income	1	1	2
Other	4	3	6
Interest expense	(5)	(5)	(7)
Net Revenue	100%	100%	100%

See Note 23 of Notes to Consolidated Financial Statements for additional financial information on a geographic basis.

	As Of December 31,		
	2011	2010	2009
Headcount:			
Managing Directors:			
Financial Advisory	140	129	150
Asset Management	71	64	56
Corporate	11	9	7
Other Employees:			
Business segment professionals	1,092	999	990
All other professionals and support staff	1,197	1,131	1,091
Total	2,511	2,332	2,294

Operating Results

As reflected in the table above, the 2010 and 2009 special items had a significant impact on the Company s reported operating results for the respective years. Lazard management believes that comparisons between years are most meaningful after excluding the impact of such items.

Year Ended December 31, 2011 versus December 31, 2010

The Company reported net income attributable to Lazard Ltd in both 2011 and 2010 of $175 million. The Company s results in 2010 were significantly impacted by the 2010 special items, which served to decrease net income attributable to Lazard Ltd by $72 million. Accordingly, excluding the after-tax impact of the 2010 special items, net income attributable to Lazard Ltd in 2011 decreased $72 million, or 29%, as compared to 2010. The changes in the Company s operating results during these years are described below.

Net revenue decreased by $76 million, or 4%, with operating revenue decreasing by $95 million, or 5%. Fees from investment banking and other advisory activities decreased $135 million, or 12%, reflecting the continued cyclical decline in restructuring activity and the number of corporate debt defaults, as well as a slowdown in overall M&A activity. Restructuring fee revenues in 2011 declined by $96 million, or 33%. M&A and Strategic Advisory fees in 2011 decreased $14 million, or 2%. Money management fees, including incentive fees, increased $47 million, or 6%, primarily due to a $102 million, or 14%, increase in money management fees principally reflecting a $15 billion, or 11%, increase in average

AUM for 2011 and a favorable change in the mix of AUM into higher margin equity products, partially offset by a $60 million, or 70%, decline in incentive fees earned. Interest income decreased $6 million, or 30%, due primarily to a shift in asset allocation at LFB (with a corresponding decrease in interest expense). Other revenue increased $11 million, or 17%, primarily due to the

pre-tax gain of $18 million related to the repurchase of the Company s subordinated promissory note, partially offset by a $7 million aggregate decrease in net referral fees for underwriting, foreign exchange gains and commission revenue and net investment losses in 2011 (including losses of $3 million related to our purchase of investments underlying Lazard Fund Interests, which are equally offset by a corresponding reduction in compensation and benefits expense) as compared to net investment gains in 2010. Interest expense decreased $8 million, or 8%, principally reflecting the repurchase of our subordinated promissory note in the third quarter of 2011, as well as reduced interest expense on interest rate swap hedges on investments that were sold in 2010.

Compensation and benefits expense in 2011 was $1.169 billion, as compared to $1.194 billion in 2010. The decrease of $25 million in 2011 was principally due to the costs associated with the 2010 special item included in compensation and benefits expense in 2010. Adjusted compensation and benefits expense (which excludes certain items that management believes allows for improved comparability between years and which is described more thoroughly above) was $1.168 billion in 2011, substantially unchanged when compared to $1.166 billion in 2010. The resulting ratios of adjusted compensation and benefits expense to operating revenue were 62.0% and 58.9% for 2011 and 2010, respectively. The increase in the 2011 ratio reflects increases in base salaries of $53 million, or 11%, and amortization expense for deferred incentive compensation of $49 million, or 20%, which in the aggregate were offset by a decrease in cash incentive compensation of $100 million, or 21%. 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. Awarded compensation and benefits expense in 2011 of $1.163 billion decreased $54 million, or 4.5%, when compared to $1.217 billion for 2010, roughly in line with the 4.8% decline in operating revenue, despite significant investments in new hires in both of our businesses. The resulting ratio of awarded compensation and benefits expense to operating revenue was substantially unchanged when comparing 2011 to 2010 at 61.7% and 61.5%, respectively. The grant date fair value of year-end deferred incentive compensation awards for 2011 was $281 million, representing a 4% decrease compared to 2010.

In 2012, we currently anticipate a further increase in amortization expense for deferred incentive compensation of approximately $41 million. While the value of deferred incentive compensation award grants related to the 2011 and 2010 compensation processes were at a lower level than in previous years, the vesting periods associated with award grants related to prior years are uneven, resulting in all of the $41 million of increased amortization expense anticipated in 2012. When assuming a constant level of award grants for 2012, we currently anticipate that amortization expense will revert to a lower level in 2013. In addition, we currently expect to record a charge to compensation and benefits expense in the first quarter of 2012 in the range of $25 to $30 million related to severance costs and benefit payments and the acceleration of unrecognized amortization expense of deferred incentive compensation previously granted to individuals being terminated.

Non-compensation expense in 2011 was $413 million, an increase of $43 million, or 11%, as compared to $370 million in 2010. Non-compensation expense in the fourth quarter of 2011 included aggregate charges of $11 million relating to the Company s leased facilities in the U.K. and the write-off of the capitalized costs related to the Company s option to acquire the fund management activities of Lazard Alternative Investment Holdings LLC (LAI) (see Notes 14 and 21 of Notes to Consolidated Financial Statements). When excluding such charges, non-compensation expense increased by $32 million, or 9%, primarily reflecting (i) higher costs associated with investments in the business, including technology and related consulting, recruitment fees and, to a lesser extent, occupancy-related costs related to new and amended leases and (ii) increased costs related to a higher level of business activity, including transactional and AUM-based costs within our Asset Management business and travel expenditures in both our Financial Advisory and Asset Management businesses. The ratio of non-compensation expense to operating revenue was 21.9% in 2011 versus 18.7% for 2010. In 2012, as compared to 2011, we expect our occupancy-related costs associated with the amended lease at our Rockefeller Center facility to increase by approximately $11 million.

Amortization of intangible assets in 2011 increased by $4 million, primarily due to increased amortization relating to the Edgewater acquisition.

The provision pursuant to the tax receivable agreement in 2011 was $0.4 million, as compared to $2 million for 2010.

Operating income in 2011 was $236 million, a decrease of $8 million, or 3%, as compared to operating income of $244 million in 2010 (with such latter amount including the impact of the 2010 special items) and, as a percentage of net revenue, was 13% in both 2011 and 2010. Excluding the impact of the 2010 special items, operating income in 2011 decreased $111 million, or 32%, as compared to operating income of $347 million in 2010, and, as a percentage of net revenue, was 13%, as compared to 18%, respectively.

The provision for income taxes was $45 million and $49 million in 2011 and 2010, respectively, representing effective tax rates of 19.1% and 20.2% in 2011 and 2010, respectively. When excluding the tax impact of the 2010 special items, the income tax provision would have been $56 million in 2010, representing an effective tax rate of 16.2%.

Net income attributable to noncontrolling interests was $16 million and $19 million in 2011 and 2010, respectively. When excluding the impact of the 2010 special items, net income attributable to noncontrolling interests was $44 million in 2010. The decrease of $28 million principally reflects LAZ-MD Holdings reduced ownership interest in Lazard Group in 2011 and, to a lesser extent, a decrease in the noncontrolling interest relating to Edgewater in 2011.

Year Ended December 31, 2010 versus December 31, 2009

The Company reported net income attributable to Lazard Ltd of $175 million in 2010, as compared to a net loss of $130 million in 2009. The Company s results in these years were adversely affected by the 2010 and the 2009 special items, which served to reduce the net income attributable to Lazard Ltd in 2010 and 2009 by $72 million and $143 million, respectively. Excluding the after-tax impact of the 2010 and 2009 special items, net income attributable to Lazard Ltd in 2010 was $247 million, an increase of $234 million as compared to 2009. The changes in the Company s operating results during these years are described below.

Net revenue in 2010 increased $375 million, or 24%, as compared to 2009, with operating revenue increasing $361 million, or 22%. Fees from investment banking and other advisory activities increased $149 million, or 16%, including increases of $188 million, or 36%, in M&A and Strategic Advisory fees, as well as higher Capital Markets and Other Advisory fees, primarily from our Private Fund Advisory Group business, with the latter due to an increase in the value and number of fund closings, which in the aggregate was partially offset by a $83 million, or 22%, decline in Restructuring fee revenues reflecting a reduction in restructuring activity as the economy improved and the number of corporate debt defaults declined. Money management fees, including incentive fees, increased $249 million, or 44%, primarily due to a $33 billion, or 32%, increase in average AUM for 2010, the result of market appreciation and net inflows during 2010, a favorable change in the mix of AUM into higher margin equity products and higher incentive fees earned in 2010. Interest income decreased $8 million, or 28%, due primarily to the lower interest rate environment. Other revenue decreased $25 million, or 28%, primarily due to a $17 million, or 59%, decline in underwriting referral fees as a result of a lower level of equity capital markets transactions, and foreign exchange losses, as compared to gains in 2009. Other revenue in 2010 included investment gains of $19 million, as compared to gains of $20 million in 2009. The investment gains in 2010 are net of realized losses of $14 million in connection with the sale in the fourth quarter of LFB s portfolio, while the gains in 2009 are net of a $13 million write-off of the Company s investment in warrants of Sapphire Industrials Corp. (Sapphire), a special purpose acquisition company sponsored by Lazard. Interest expense decreased $10 million, or 9%, due to the lower interest rate environment and reduced levels of LFB s customer deposits.

Compensation and benefits expense in 2010 was $1.194 billion, as compared to $1.309 billion in 2009. When excluding the 2010 and 2009 special items, compensation and benefits expense in 2010 increased $7 million, or 1%, which includes an increase in base salaries, the provision for discretionary compensation and

profit pools directly related to the increase in operating revenue and was partially offset by a reduction in the amortization of share-based and deferred cash incentive awards. The ratios of adjusted compensation and benefits expense to operating revenue were 58.9% and 71.7% for 2010 and 2009, respectively. Awarded compensation and benefits expense in 2010 of $1.217 billion increased $134 million, or 12%, when compared to the $1.083 billion for 2009, a slower rate than the 22% growth in operating revenue. The increase in awarded compensation and benefits expense reflected a $98 million, or 12%, increase in cash compensation and benefits expense in 2010 and a $41 million, or 15%, increase in the grant date fair value of total deferred incentive compensation awards. The resulting ratios of awarded compensation and benefits expense to operating revenue were 61.5% and 67.0% for 2010 and 2009, respectively.

Non-compensation expense in 2010 was $370 million, an increase of $33 million, or 10%, as compared to $337 million in 2009. Factors contributing to this increase included higher spending on travel and other business development activities, technology and fund administration expenses related to a higher level of business activity and AUM. The ratio of non-compensation expense to operating revenue was 18.7% in 2010 versus 20.8% in 2009.

Amortization of intangible assets in 2010 increased $3 million, primarily due to the Edgewater acquisition in July 2009.

In the first quarters of 2010 and 2009, the Company announced plans to reduce certain staff and realign personnel. As a result, the 2010 and 2009 special items include restructuring charges of $87 million and $63 million, respectively, in connection with severance and benefit payments, the acceleration of unrecognized expense pertaining to share-based incentive compensation previously granted to individuals who were terminated and certain other costs related to the restructuring initiatives.

The provision pursuant to the tax receivable agreement for 2010 was $2 million as compared to a benefit of $1 million for 2009. When excluding the impact of the 2010 special items, the provision in 2010 would have been $11 million, with the increase due to a higher level of taxable income in 2010, with a corresponding increase in the level of tax savings attributable to the amortization of tax basis increases.

Operating income for 2010 was $244 million, as compared to an operating loss of $182 million in the prior year (with such amounts including the impact of the 2010 and 2009 special items) and, as a percentage of net revenue, was 13% in 2010, as compared to (12)% in 2009. Excluding the impact of the 2010 and 2009 special items, operating income in 2010 was $347 million, an increase of $319 million, as compared to operating income of $27 million in 2009, and, as a percentage of net revenue, was 18%, as compared to 2%, respectively.

The provision for income taxes was $49 million and $6 million in 2010 and 2009, respectively, representing effective tax rates of 20.2% and (3.3)% in 2010 and 2009, respectively. When excluding the tax benefits relating to the 2010 and 2009 special items, the income tax provision would have been $56 million in 2010, as compared to $15 million in 2009, representing effective tax rates of 16.2% and 54.8% in 2010 and 2009, respectively. The reduction in the effective tax rate in 2010 was primarily due to a change in the geographic mix of operating income between the respective years.

Net income (loss) attributable to noncontrolling interests in 2010 was $19 million, as compared to $(58) million in 2009, an increase of $77 million as compared to 2009. When excluding the impact of the 2010 and 2009 special items, net income attributable to noncontrolling interests was $44 million in 2010, an increase of $44 million as compared to 2009, with such increase primarily reflecting LAZ-MD Holdings ownership interest in the increased net income of Lazard Group, partially offset by a decrease in its ownership interest.

Table of Contents

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 headcount, square footage and other factors.

Financial Advisory

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

	Year Ended December 31,		
	2011	**2010**	**2009**
		($ in thousands)	
M&A and Strategic Advisory	$ 700,539	$ 714,059	$ 526,225
Capital Markets and Other Advisory	93,825	111,933	83,885
Total Strategic Advisory	794,364	825,992	610,110
Restructuring	197,743	293,875	376,710
Net Revenue	992,107	1,119,867	986,820
Operating Expenses (b)	929,688	950,968(a)	998,727(a)
Operating Income (Loss)	$ 62,419	$ 168,899	$ (11,907)
Operating Income (Loss), As A Percentage Of Net Revenue	6%	15%	(1)%

(a) Includes $19,571 and $48,533, representing the portion of the 2010 and 2009 special items, respectively, attributable to the Financial Advisory segment.
(b) 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. Certain Lazard client statistics and global industry statistics are set forth below:

	Year Ended December 31,		
	2011	2010	2009
Lazard Statistics:			
Number of Clients With Fees Greater Than $1 Million:			
Total Financial Advisory	241	255	257
M&A and Strategic Advisory	166	170	148
Percentage of Total Financial Advisory Revenue from Top 10 Clients (a)	14%	16%	17%
Number of M&A Transactions Completed With Values Greater than $1 billion (b)	57	39	40

(a) There were no individual clients that constituted more than 10% of our Financial Advisory segment net revenue in the years ended December 31, 2011, 2010 or 2009.
(b) Source: Dealogic as of January 16, 2012.

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.

	Year Ended December 31,		
	2011	2010	2009
United States	55%	58%	51%
Europe	38	37	43
Rest of World	7	5	6
Total	100%	100%	100%

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

As reflected in the table of operating results of the Financial Advisory segment above, the portion of the 2010 and 2009 special items attributable to the Financial Advisory segment had a significant impact on the segment s reported operating results for the respective years. Lazard management believes that comparisons between years are most meaningful after excluding the impact of such items.

Table of Contents

Year Ended December 31, 2011 versus December 31, 2010

Total Strategic Advisory net revenue in 2011, representing fees from M&A, Sovereign, Capital Markets, Private Funds and Other Advisory businesses, decreased $32 million, or 4%, and Restructuring revenue declined $96 million, or 33%, as compared to 2010.

M&A and Strategic Advisory revenue in 2011 decreased $14 million, or 2%. Capital Markets and Other Advisory revenue in 2011 decreased $18 million, or 16%. The decrease in M&A and Strategic Advisory revenue in 2011 was principally due to a general slowdown in activity and resulted in lower average fees per M&A and Strategic Advisory transaction. Our major clients, which in the aggregate represented 25% of our M&A and Strategic Advisory revenue for the year, included Atria Senior Living Group, Clayton Dubilier & Rice, IBM, Landis + Gyr, Parmalat Spa, Progress Energy, Qwest Communications International, Royalty Pharmaceuticals, Smurfit Stone Container and Weather Investments.

The decrease in Capital Markets and Other Advisory revenue in 2011 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 decline in Restructuring revenue was in turn driven by a cyclical decline in global restructuring activity, resulting in a lower number of active assignments in 2011, as compared to the prior year, and a corresponding decrease in completion fees. Notable assignments completed in 2011 included Energy Alloys, Nortel Networks, Station Casinos and Westgate Resorts.

Operating expenses decreased $21 million, or 2%, as compared to 2010. Excluding the impact of the 2010 special item attributable to the Financial Advisory segment, operating expenses were substantially unchanged when compared to 2010. Declines in compensation and benefits expense in 2011 were offset by higher costs principally related to travel and recruiting expenses.

Financial Advisory operating income in 2011 was $62 million, a decrease of $107 million, as compared to operating income of $169 million in 2010 (with such latter amount including the impact of the 2010 special item) and, as a percentage of net revenue, was 6% as compared to 15% in 2010. Excluding the impact of the 2010 special item, operating income in 2011 decreased $126 million, as compared to operating income of $188 million in 2010.

Year Ended December 31, 2010 versus December 31, 2009

Total Strategic Advisory net revenue, representing fees from M&A, Sovereign, Capital Markets, Private Funds and Other Advisory businesses, increased $216 million, or 35%, and Restructuring revenue declined $83 million, or 22%, as compared to 2009.

M&A and Strategic Advisory revenue increased $188 million, or 36%. Capital Markets and Other Advisory revenue increased $28 million, or 33%. The increase in M&A and Strategic Advisory revenue in 2010 was principally due to higher average fees per M&A and Strategic Advisory assignment. Our major clients, which in the aggregate represented 25% of our M&A and Strategic Advisory revenue for the year, included 3G Capital, Abraxis Bioscience, Coca-Cola Enterprises, Continental Airlines, Côte d Ivoire, Kraft Foods, Marken, Newcrest Mining, Ocarina Trust, Royal Bank of Scotland Group and SSL International.

The increase in Capital Markets and Other Advisory revenue in 2010 primarily reflected increased revenue in our Private Fund Advisory Group, resulting from an increase in the number and value of fund closings, and was partially offset by decreases in underwriting referral fees from public offerings.

The decrease in Restructuring revenue was principally driven by a significant decline in retainer fees due to a decline in the number of active assignments in 2010 as compared to the prior year. Notable assignments completed in 2010 included Alliance Bank Joint Stock Company, BTA Bank JSC, Evraz Group, Extended Stay Hotels and LNR Property.

Table of Contents

Operating expenses decreased $48 million, or 5%, as compared to 2009. Excluding the impact of the 2010 and 2009 special items attributable to the Financial Advisory segment, operating expenses decreased $19 million, or 2%. The principal contributor to the decrease was a decline in the amortization of share-based and deferred cash incentive compensation awards, which was partially offset by a higher provision for discretionary compensation related to the increase in operating revenue, as well as higher costs related to travel, other business development and technology expenses.

Financial Advisory operating income in 2010 was $169 million, an increase of $181 million, as compared to an operating loss of $12 million in 2009 (with such amounts including the impact of the 2010 and 2009 special items) and, as a percentage of net revenue, was 15% as compared to (1)% in 2009. Excluding the impact of the 2010 and 2009 special items, operating income in 2010 was $188 million, an increase of $151 million, as compared to operating income of $37 million in 2009, and as a percentage of net revenue, was 17%, as compared to 4% in 2009.

Asset Management

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

	As of December 31,		
	2011	2010	2009
	($ in millions)		
AUM:			
International Equities	$ 27,599	$ 32,037	$ 32,268
Global Equities	68,584	77,965	58,332
U.S. Equities	20,179	21,298	16,003
Total Equities	116,362	131,300	106,603
European and International Fixed Income	12,293	12,249	13,763
Global Fixed Income	2,350	1,705	1,794
U.S. Fixed Income	3,107	3,190	2,499
Total Fixed Income	17,750	17,144	18,056
Alternative Investments	5,349	5,524	3,936
Private Equity	1,486	1,294	839
Cash Management	92	75	109
Total AUM	$ 141,039	$ 155,337	$ 129,543

Average AUM for the years ended December 31, 2011, 2010 and 2009 is set forth below. Average AUM is based on an average of quarterly ending balances for the respective years.

	Years Ended December 31,		
	2011	2010	2009
	($ in millions)		
Average AUM	$ 152,072	$ 137,381	$ 103,988

Total AUM at December 31, 2011 decreased $14 billion, or 9%, as compared to total AUM of $155 billion at December 31, 2010, primarily due to market depreciation and, to a lesser extent, the negative impact of the stronger U.S. Dollar versus foreign currencies. However, average AUM for the year ended December 31, 2011 was 11% higher than that for 2010. International, Global and U.S. equities represented 20%, 49% and 14% of total AUM at December 31, 2011, versus 21%, 50% and 14% at December 31, 2010.

Total AUM at December 31, 2010 increased $26 billion, or 20%, as compared to total AUM of $129 billion at December 31, 2009, primarily the result of market appreciation (which was generally consistent with the

Table of Contents

industry as a whole) and net inflows occurring during 2010. Average AUM for the year ended December 31, 2010 was 32% higher than the average AUM for 2009. International, Global and U.S. equities represented 21%, 50% and 14% of total AUM at December 31, 2010, respectively, versus 25%, 45% and 12% of total AUM at December 31, 2009, respectively.

As of December 31, 2011 and December 31, 2010, 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.

As of December 31, 2011, AUM denominated in foreign currencies represented approximately 61% of our total AUM, as compared to 63% at December 31, 2010. 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 years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	**2010**	**2009**
		($ in millions)	
AUM Beginning of Year	$ 155,337	$ 129,543	$ 91,109
Net Flows (a)	(1,048)	9,346	10,253
Acquisitions/(Dispositions) (b)			(831)
Market and Foreign Exchange Appreciation (Depreciation)	(13,250)	16,448	29,012
AUM End of Year	$ 141,039	$ 155,337	$ 129,543

(a) Includes inflows of $27,597, $35,028 and $30,984 and outflows of $28,645, $25,682 and $20,731 for the years ended December 31, 2011, 2010 and 2009, respectively.

(b) Includes AUM and unfunded fee-earnings commitments related to the Edgewater Acquisition, offset by the disposition of private equity AUM related to the sale of Fonds Partenaires Gestion SA, our former private equity business in France.

During the year ended December 31, 2011, inflows were principally in Global Equities and resulted from increased investments in existing accounts, as well as new accounts gained. Outflows in 2011 occurred primarily in Global and International Equities and, to a lesser extent, International and U.S. Fixed Income products.

During the year ended December 31, 2010, inflows were principally in Global Equities and resulted from increased investments in existing accounts, as well as new accounts gained. Outflows in 2010 occurred primarily in Global and International Equities and certain Fixed Income products.

As of February 17, 2012, AUM was $155.7 billion, a $14.7 billion increase since December 31, 2011. The change in AUM was due to market/foreign exchange appreciation of $14.6 billion and net inflows of $0.1 billion. Market appreciation was approximately 10% of AUM since December 31, 2011, which was generally consistent with the increase in global market indices during that period.

Table of Contents

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

	Year Ended December 31,		
	2011	2010	2009
	($ in thousands)		
Revenue:			
Management Fees	$ 818,038	$ 715,885	$ 486,810
Incentive Fees	26,245	86,298	74,795
Other Income	53,118	47,479	40,047
Net Revenue	897,401	849,662	601,652
Operating Expenses (b)	628,945	584,348(a)	504,452(a)
Operating Income	$ 268,456	$ 265,314	$ 97,200
Operating Income, As A Percentage of Net Revenue	30%	31%	16%

(a) Includes $2,902 and $7,508 representing the portion of the 2010 and 2009 special items attributable to the Asset Management segment.
(b) Includes indirect support costs (including compensation and benefits expense and other operating expenses related thereto).
Our top ten clients accounted for 22%, 22% and 23% of our total AUM at December 31, 2011, 2010 and 2009, respectively, and there were no individual clients that constituted more than 10% of our Asset Management segment net revenue during any of the years ended December 31, 2011, 2010 and 2009.

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.

	Year Ended December 31,		
	2011	2010	2009
United States	60%	59%	53%
Europe	29	31	36
Rest of World	11	10	11
Total	100%	100%	100%

Asset Management Results of Operations

As reflected in the table of operating results of the Asset Management segment above, the portion of the 2010 and 2009 special items attributable to the Asset Management segment impacted the segment s reported operating results for the respective years. Lazard management believes that comparisons between years are most meaningful after excluding the impact of such items.

Year Ended December 31, 2011 versus December 31, 2010

Asset Management net revenue in 2011 increased $48 million, or 6%, as compared to 2010. Management fees increased $102 million, or 14%, as compared to 2010, driven primarily by an 11% increase in average AUM, as well as a favorable change in the mix of AUM into higher margin equity products. Incentive fees, consisting of traditional long-only and alternative investment strategies, decreased $60 million, or 70%, as compared to 2010, principally due to difficult market conditions. Other income increased $6 million, or 12%, as compared to 2010, primarily

due to increased interest, commission and custody fee income.

Operating expenses in 2011 increased $45 million, or 8%, as compared to 2010. Excluding the impact of the 2010 special item attributable to the Asset Management segment, operating expenses increased $47 million, or 8%. The principal contributors to the increase were higher fees for fund administration and outsourced services and increased business development expenses for travel and market related data due to the increased level of business activity, transactions and average AUM and higher compensation expense.

Asset Management operating income in 2011 was $268 million, an increase of $3 million, as compared to operating income of $265 million in 2010 (with such latter amount including the impact of the 2010 special item) and, as a percentage of net revenue, was 30%, as compared to 31% in 2010. Excluding the impact of the 2010 special item, operating income in 2011 was substantially unchanged from 2010.

Year Ended December 31, 2010 versus December 31, 2009

Asset Management net revenue increased $248 million, or 41%, as compared to 2009. Management fees increased $229 million, or 47%, as compared to 2009, driven by a 32% increase in average AUM, as well as a favorable change in the mix of AUM into higher margin equity products. Incentive fees, consisting of traditional long-only and alternative investment strategies, increased $12 million, or 15%, as compared to 2009. Other revenue increased $7 million, or 19%, as compared to 2009, primarily due to increased investment and commission income.

Operating expenses increased $80 million, or 16%, as compared to 2009. Excluding the impact of the 2010 and 2009 special items attributable to the Asset Management segment, operating expenses increased $85 million, or 17%, primarily due to a higher provision for discretionary compensation and profit pools related to the increase in operating revenue, as well as higher fees for outsourced services related to AUM growth and an increase in the amortization of intangible assets relating to the Edgewater acquisition.

Asset Management operating income was $265 million, an increase of $168 million, as compared to $97 million in 2009 (with such amounts including the impact of the 2010 and 2009 special items) and, as a percentage of net revenue, was 31%, as compared to 16% in 2009. Excluding the impact of the 2010 and 2009 special items, operating income in 2010 was $268 million, an increase of $164 million, as compared to operating income of $104 million in 2009, and, as a percentage of net revenue, was 32%, as compared to 17% in 2009.

Corporate

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

	Year Ended December 31,		
	2011	2010	2009
	($ in thousands)		
Interest Income	$ 6,319	$ 15,705	$ 23,367
Interest Expense	(87,981)	(95,756)	(103,131)
Net Interest (Expense)	(81,662)	(80,051)	(79,764)
Other Revenue	21,666	15,890	21,810
Net Revenue (Expense)	(59,996)	(64,161)	(57,954)
Operating Expenses	35,380	126,402(a)	209,573(a)
Operating Loss	$ (95,376)	$ (190,563)	$ (267,527)

(a) Includes expenses of $80,661 and $153,535 representing the portion of the 2010 and 2009 special items, respectively, attributable to the Corporate segment.

Table of Contents

Corporate Results of Operations

As reflected in the table of operating results of the Corporate segment above, the 2010 and 2009 special items had a significant impact on the segment s reported operating results for the respective years. Lazard management believes that comparisons between years are most meaningful after excluding the impact of such items.

Year Ended December 31, 2011 versus December 31, 2010

Net interest expense increased $2 million, or 2%, as compared to 2010.

Other revenue in 2011 increased $6 million, or 36%, and includes a pre-tax gain of $18 million related to Company s repurchase of its subordinated promissory note, partially offset by investment losses of $12 million.

Operating expenses in 2011 decreased $91 million, principally related to the net impact of the 2010 special items recorded in the Corporate segment. When excluding the 2010 special items, operating expenses in 2011 decreased $10 million, or 23%, primarily due to lower compensation, lower expenses related to secondary offerings in 2010 and a lower provision related to the tax receivable agreement. Such decreases were partially offset by expenses in the fourth quarter of 2011 related to the U.K. lease write-off and the write-off of the capitalized costs related to our option to acquire the fund management activities of LAI.

Year Ended December 31, 2010 versus December 31, 2009

Net interest expense was relatively unchanged as compared to 2009. Other revenue declined $6 million, or 27%, compared to 2009, reflecting foreign exchange losses in 2010 as compared to gains in 2009, and lower investment income. Investment income in 2010 includes realized losses of $14 million in connection with the fourth quarter sale of LFB s portfolio, as compared to the $13 million write-off in 2009 of the Company s investment in warrants of Sapphire (see Note 5 of Notes to Consolidated Financial Statements).

Operating expenses decreased $83 million, or 40%, the principal portion of which related to the net impact of the 2010 and 2009 special items recorded in the Corporate segment. When excluding the impact of the 2010 and 2009 special items, operating expenses declined $10 million, or 18%, principally due to a decline in the amortization of share-based and deferred cash incentive compensation awards, which was partially offset by a higher provision in 2010 in discretionary compensation related to the increase in the Company s operating revenue.

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 and, in 2011, repurchases of debt. 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 Group 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.

Table of Contents

Summary of Cash Flows:

	Year Ended December 31, 2011	2010
	($ in millions)	
Cash Provided By (Used In):		
Operating activities:		
Net income	$ 190.6	$ 194.4
Noncash charges (a)	325.8	364.2
Other operating activities (b)	(118.6)	(389.7)
Net cash provided by operating activities	397.8	168.9
Investing activities (c)	(45.3)	411.7
Financing activities (d)	(552.4)	(277.9)
Effect of exchange rate changes	(6.0)	(10.3)
Net (Decrease) Increase in Cash and Cash Equivalents	(205.9)	292.4
Cash and Cash Equivalents:		
Beginning of Year	1,209.7	917.3
End of Year	$ 1,003.8	$ 1,209.7

(a) Consists of the following:

	2011	2010
Depreciation and amortization of property	$ 24.6	$ 22.7
Amortization of deferred expenses, stock units and interest rate hedge	300.3	316.2
Investment losses (including other-than-temporary impairment losses)		8.9
Deferred tax provision	7.2	8.1
Amortization of intangible assets related to acquisitions	11.9	7.9
(Gains) losses on extinguishment of debt	(18.2)	0.4
Total	$ 325.8	$ 364.2

(b) Includes net changes in operating assets and liabilities, including, in 2011, outflows of approximately $90 million associated with the obligation under the 2008 LAM Merger transaction and approximately $57 million in aggregate for LAM seed and private equity investments.

(c) In 2010, consists primarily of activity relating to proceeds from sales and maturities of available-for-sale securities and the distribution received relating to our equity method investment in Sapphire.

(d) Consists primarily of purchases of shares of Class A common stock and common membership interests from LAZ-MD Holdings, settlements of vested RSUs, Class A common stock dividends and distributions to noncontrolling interest holders and activity relating to borrowings, including, in 2011, the repurchase of the Company s 3.25% subordinated promissory note.

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.

Table of Contents

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.

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 December 31, 2011, Lazard had approximately $1.0 billion of cash, with such amount including approximately $351 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 December 31, 2011, Lazard had approximately $312 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 matures in April 2013 (the Credit Facility) (see Financing Activities below) and unused lines of credit available to LFB of approximately $91 million (at December 31, 2011 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.

Table of Contents

Financing Activities

The table below sets forth our corporate indebtedness as of December 31, 2011 and December 31, 2010. The agreements with respect to this indebtedness are discussed in more detail in our consolidated financial statements and related notes included elsewhere in this Form 10-K.

	Maturity Date	As of December 31, 2011	2010 ($ in millions)	Increase (Decrease)
Senior Debt:				
7.125%	2015	$ 528.5	$ 528.5	$
6.85%	2017	548.4	548.4	
Subordinated Debt (a):				
3.25%			150.0	(150.0)
Total Senior and Subordinated Debt		$ 1,076.9	$ 1,226.9	$ (150.0)

(a) On July 22, 2011, the Company repurchased its outstanding $150 million, 3.25% subordinated promissory note, at a cost, excluding accrued interest, of $131.8 million. Such repurchase resulted in a pre-tax gain of $18.2 million.

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.

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 December 31, 2011 Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 1.87 to 1.00 and its Consolidated Interest Coverage Ratio being 7.90 to 1.00. In any event, no amounts were outstanding under the Credit Facility as of December 31, 2011.

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 December 31, 2011, 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 13 of Notes to Consolidated Financial Statements for additional information regarding senior and subordinated debt.