

Lazard Ltd
Form 10-Q
October 28, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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

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(Exact name of registrant as specified in its charter)

Bermuda
(State or Other Jurisdiction of Incorporation
or Organization)

98-0437848
(I.R.S. Employer Identification No.)

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

As of October 20, 2014, there were 129,766,091 shares of the Registrant's Class A common stock outstanding (including 7,602,792 shares held by subsidiaries).

Table of Contents

TABLE OF CONTENTS

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 September 30, 2014 of all of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	1
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	43
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	79
<u>Item 4. Controls and Procedures</u>	79
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	80
<u>Item 1A. Risk Factors</u>	80
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	80
<u>Item 3. Defaults Upon Senior Securities</u>	81
<u>Item 4. Mine Safety Disclosures</u>	81
<u>Item 5. Other Information</u>	81
<u>Item 6. Exhibits</u>	82
<u>Signatures</u>	88

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

	Page
<u>Condensed Consolidated Statements of Financial Condition as of September 30, 2014 and December 31, 2013</u>	2
<u>Condensed Consolidated Statements of Operations for the three month and nine month periods ended September 30, 2014 and 2013</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the three month and nine month periods ended September 30, 2014 and 2013</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2014 and 2013</u>	6
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine month periods ended September 30, 2014 and 2013</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	9

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****SEPTEMBER 30, 2014 AND DECEMBER 31, 2013****(UNAUDITED)****(dollars in thousands, except for per share data)**

	September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 820,584	\$ 841,482
Deposits with banks and short-term investments	240,728	244,879
Cash deposited with clearing organizations and other segregated cash	44,710	62,046
Receivables (net of allowance for doubtful accounts of \$29,859 and \$28,777 at September 30, 2014 and December 31, 2013, respectively):		
Fees	429,477	452,535
Customers and other	77,908	52,220
Related parties	530	7,920
	507,915	512,675
Investments	549,922	478,105
Property (net of accumulated amortization and depreciation of \$257,512 and \$253,930 at September 30, 2014 and December 31, 2013, respectively)	227,359	248,796
Goodwill and other intangible assets (net of accumulated amortization of \$51,325 and \$45,379 at September 30, 2014 and December 31, 2013, respectively)	356,254	363,877
Other assets	295,418	259,277
Total Assets	\$ 3,042,890	\$ 3,011,137

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****SEPTEMBER 30, 2014 AND DECEMBER 31, 2013****(UNAUDITED)****(dollars in thousands, except for per share data)**

	September 30, 2014	December 31, 2013
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	\$ 278,334	\$ 275,434
Accrued compensation and benefits	517,640	523,063
Senior debt	1,048,350	1,048,350
Capital lease obligations	12,889	15,834
Related party payables	11,952	5,031
Other liabilities	536,065	513,427
Total Liabilities	2,405,230	2,381,139
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 shares issued and outstanding at September 30, 2014 and December 31, 2013		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 129,766,091 and 129,056,081 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively, including shares held by subsidiaries as indicated below)	1,298	1,291
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at December 31, 2013)		
Additional paid-in-capital	657,279	737,899
Retained earnings	333,294	203,236
Accumulated other comprehensive loss, net of tax	(152,184)	(133,004)
	839,687	809,422
Class A common stock held by subsidiaries, at cost (7,602,792 and 8,317,065 shares at September 30, 2014 and December 31, 2013, respectively)	(267,117)	(249,213)
Total Lazard Ltd Stockholders Equity	572,570	560,209
Noncontrolling interests	65,090	69,789
Total Stockholders Equity	637,660	629,998
Total Liabilities and Stockholders Equity	\$ 3,042,890	\$ 3,011,137

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013****(UNAUDITED)****(dollars in thousands, except for per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUE				
Investment banking and other advisory fees	\$290,604	\$232,006	\$843,186	\$660,351
Asset management fees	276,940	241,478	805,848	707,536
Interest income	1,243	1,347	3,815	3,823
Other	12,936	25,692	60,832	61,587
Total revenue	581,723	500,523	1,713,681	1,433,297
Interest expense	15,512	20,169	47,174	60,635
Net revenue	566,211	480,354	1,666,507	1,372,662
OPERATING EXPENSES				
Compensation and benefits	338,612	301,809	1,006,101	910,679
Occupancy and equipment	29,400	27,393	86,079	96,435
Marketing and business development	19,127	17,077	59,254	60,646
Technology and information services	23,025	22,217	68,466	65,331
Professional services	11,184	12,904	32,895	32,223
Fund administration and outsourced services	17,034	14,475	48,490	43,328
Amortization of intangible assets related to acquisitions	4,020	877	5,946	2,758
Provision (benefit) pursuant to tax receivable agreement	(176)		9,064	
Other	10,273	2,484	30,340	17,609
Total operating expenses	452,499	399,236	1,346,635	1,229,009
OPERATING INCOME	113,712	81,118	319,872	143,653
Provision for income taxes	23,792	18,370	58,614	31,335
NET INCOME	89,920	62,748	261,258	112,318
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,061	2,466	6,365	5,323
NET INCOME ATTRIBUTABLE TO LAZARD LTD	\$88,859	\$60,282	\$254,893	\$106,995
ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:				
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	122,206,914	122,199,954	122,366,632	120,556,047
Diluted	133,566,684	134,242,144	133,722,776	133,174,000
NET INCOME PER SHARE OF COMMON STOCK:				

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Basic	\$0.73	\$0.49	\$2.08	\$0.89
Diluted	\$0.67	\$0.45	\$1.91	\$0.81
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$0.30	\$0.25	\$0.90	\$0.50

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013****(UNAUDITED)****(dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
NET INCOME	\$ 89,920	\$ 62,748	\$ 261,258	\$ 112,318
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Currency translation adjustments	(29,100)	12,157	(18,640)	(18,610)
Amortization of interest rate hedge		264		791
Employee benefit plans:				
Actuarial gain (loss) (net of tax (expense) benefit of \$(1,731) and \$(25) for the three months ended September 30, 2014 and 2013, respectively, and \$1,919 and \$1,686 for the nine months ended September 30, 2014 and 2013, respectively)	3,251	50	(3,695)	(2,669)
Adjustment for items reclassified to earnings (net of tax expense of \$528 and \$404 for the three months ended September 30, 2014 and 2013, respectively, and \$1,391 and \$1,206 for the nine months ended September 30, 2014 and 2013, respectively)	1,145	1,223	3,714	3,653
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(24,704)	13,694	(18,621)	(16,835)
COMPREHENSIVE INCOME	65,216	76,442	242,637	95,483
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,061	2,523	6,365	5,201
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD	\$ 64,155	\$ 73,919	\$ 236,272	\$ 90,282

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013****(UNAUDITED)****(dollars in thousands)**

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 261,258	\$ 112,318
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	26,332	25,465
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	227,896	239,357
Amortization of intangible assets related to acquisitions	5,946	2,758
(Increase) decrease in operating assets:		
Deposits with banks and short-term investments	(18,626)	25,558
Cash deposited with clearing organizations and other segregated cash	15,630	6,291
Receivables-net	(12,982)	(55,516)
Investments	(78,820)	(54,520)
Other assets	(103,778)	(81,898)
Increase (decrease) in operating liabilities:		
Deposits and other payables	34,730	14,158
Accrued compensation and benefits and other liabilities	57,836	(66,104)
Net cash provided by operating activities	415,422	167,867
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(14,161)	(54,344)
Disposals of property	1,023	5,843
Net cash used in investing activities	(13,138)	(48,501)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contributions from noncontrolling interests	1,102	805
Excess tax benefits from share-based incentive compensation	1,508	2,211
Payments for:		
Capital lease obligations	(1,738)	(2,092)
Distributions to noncontrolling interests	(9,182)	(10,228)
Purchase of Class A common stock	(192,657)	(77,934)
Class A common stock dividends	(109,592)	(60,931)
Settlement of vested share-based incentive compensation	(83,783)	(125,546)
Other financing activities	(1,754)	(165)
Net cash used in financing activities	(396,096)	(273,880)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(27,086)	(7,309)

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NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,898)	(161,823)
CASH AND CASH EQUIVALENTS January 1	841,482	850,190
CASH AND CASH EQUIVALENTS September 30	\$ 820,584	\$ 688,367

See notes to condensed consolidated financial statements.

Table of Contents

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

(UNAUDITED)

(dollars in thousands)

	January 1, 2013	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
		Shares	\$	Shares(*)	\$				Shares	\$			
Balance	7,921	\$	128,216,424	\$ 1,282	\$ 846,050	\$ 182,647	\$ (110,541)	12,802,938	\$ (349,782)	\$ 569,656	\$ 81,884	\$ 651,540	
Comprehensive income (loss):													
Net income							106,995				106,995	5,323	112,318
Other comprehensive loss - net of tax								(16,713)			(16,713)	(122)	(16,835)
Business acquisitions and related equity transactions:													
Class A common stock issuable (including related amortization)						829					829	5	834
Delivery of Class A common stock (including dividend-equivalents)						(4,994)	(179)		(170,988)	5,173			
Amortization of share-based incentive compensation						182,338					182,338	1,003	183,341
Dividend-equivalents						8,440	(8,604)				(164)	(1)	(165)
Class A common stock dividends							(60,931)				(60,931)		(60,931)
Purchase of Class A common stock									2,201,657	(77,934)	(77,934)		(77,934)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$862						(342,898)	(609)		(7,519,848)	218,819	(124,688)	4	(124,684)
Class A common stock issued in exchange for Lazard Group common membership interests			839,658	8	(8)								
Distributions to noncontrolling interests, net												(9,423)	(9,423)
Adjustments related to noncontrolling interests						3,984		(598)			3,386	(4,386)	(1,000)
	7,921		129,056,082	\$ 1,290	\$ 693,741	\$ 219,319	\$ (127,852)	7,313,759	\$ (203,724)	\$ 582,774	\$ 74,287	\$ 657,061	

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Balance September 30, 2013 \$

(*) Includes 128,216,423 and 129,056,081 shares of the Company's Class A common stock issued at January 1, 2013 and September 30, 2013, respectively, and 1 share of the Company's Class B common stock issued at each such date.

See notes to condensed consolidated financial statements.

Table of Contents

LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
	Shares	\$	Shares(*)	\$				Shares	\$			
Balance January 1, 2014	7,921	\$	129,056,082	\$ 1,291	\$ 737,899	\$ 203,236	\$ (133,004)	8,317,065	\$ (249,213)	\$ 560,209	\$ 69,789	\$ 629,998
Comprehensive income (loss):												
Net income						254,893				254,893	6,365	261,258
Other comprehensive loss - net of tax							(18,621)			(18,621)		(18,621)
Business acquisitions and related equity transactions:												
Class A common stock issuable (including related amortization)					387					387		387
Amortization of share-based incentive compensation					159,095					159,095		159,095
Dividend-equivalents					13,489	(15,243)				(1,754)		(1,754)
Class A common stock dividends						(109,592)				(109,592)		(109,592)
Purchase of Class A common stock								4,114,206	(192,657)	(192,657)		(192,657)
Delivery of Class A common stock in connection with shared-based incentive compensation and related tax benefit of \$1,409					(257,127)			(4,828,479)	174,753	(82,374)		(82,374)
Class A common stock issued in exchange for Lazard Group common membership interests			710,009	7	(7)							
Distributions to noncontrolling interests, net											(8,080)	(8,080)
Adjustments related to noncontrolling interests						3,543	(559)			2,984	(2,984)	
Balance September 30, 2014	7,921	\$	129,766,091	\$ 1,298	\$ 657,279	\$ 333,294	\$ (152,184)	7,602,792	\$ (267,117)	\$ 572,570	\$ 65,090	\$ 637,660

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(*) Includes 129,056,081 and 129,766,091 shares of the Company's Class A common stock issued at January 1, 2014 and September 30, 2014, respectively, and 1 share of the Company's Class B common stock issued at January 1, 2014.

See notes to condensed consolidated financial statements.

Table of Contents

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Lazard Ltd indirectly held 100% and approximately 99.5% of all outstanding Lazard Group common membership interests as of September 30, 2014 and December 31, 2013, respectively. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group, which is governed by an Operating Agreement dated as of May 10, 2005, as amended (the Operating Agreement). LAZ-MD Holdings LLC (LAZ-MD Holdings), an entity formerly owned by Lazard Group's current and former managing directors, held approximately 0.5% of the outstanding Lazard Group common membership interests as of December 31, 2013. Additionally, LAZ-MD Holdings was the sole owner of the one issued and outstanding share of Lazard Ltd's Class B common stock (the Class B common stock), which provided LAZ-MD Holdings with approximately 0.6% of the voting power, but no economic rights, in the Company as of December 31, 2013. In May 2014, the remaining outstanding Lazard Group common membership interests held by LAZ-MD Holdings were exchanged for shares of the Company's Class A common stock, par value \$0.01 per share (Class A common stock), and the sole issued and outstanding share of the Company's Class B common stock was automatically converted into one share of the Company's Class A common stock pursuant to the provisions of the Company's bye-laws, resulting in only one outstanding class of common stock (the Final Exchange of LAZ-MD Interests). Following the Final Exchange of LAZ-MD Interests, Lazard Group became a wholly-owned indirect subsidiary of Lazard Ltd.

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

Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (M&A) and other strategic matters, restructurings, capital structure, capital raising and various other financial matters, and

Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

In addition, we record selected other activities in our Corporate segment, including management of cash, investments and outstanding indebtedness, as well as certain commercial banking activities of Lazard Group's Paris-based subsidiary Lazard Frères Banque SA (LFB).

LFB is a registered bank regulated by the Autorité de Contrôle Prudentiel et de Résolution (ACPR). 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, and asset-liability management.

Table of Contents

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

Significant Accounting Policies

Basis of Presentation The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Ltd's Annual Report on Form 10-K for the year ended December 31, 2013 (the Form 10-K). The accompanying December 31, 2013 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. For example, discretionary compensation and benefits expense for interim periods is accrued based on the year-to-date amount of revenue earned, and an assumed annual ratio of compensation and benefits expense to revenue, with the applicable amounts adjusted for certain items. Although these estimates are based on management's knowledge of current events and actions that Lazard may undertake in the future, actual results may differ materially from the estimates.

The consolidated results of operations for the three month and nine month periods ended September 30, 2014 are not necessarily indicative of the results to be expected for any future interim or annual period.

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

The Company's policy is to consolidate entities in which it has a controlling financial interest. The Company consolidates (i) a voting interest entity (VOE) where the Company either holds a majority of the voting interest in such entity or is the general partner in such entity and the third-party investors do not have the right to replace the general partner and (ii) a variable interest entity (VIE) where the Company absorbs a majority of the expected losses, expected residual returns, or both, of such entity. When the Company does not have a controlling interest in an entity, but exerts significant influence over such entity's operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of earnings or losses of the entity. Intercompany transactions and balances have been eliminated.

Deposits with Banks and Short-Term Investments Represents LFB's short-term deposits, including with the Banque de France and amounts placed by LFB in short-term, highly liquid securities, such as French government securities, with original maturities of 90 days or less when purchased. The level of these deposits and investments may be driven by the level of LFB customer and bank-related interest-bearing time and demand deposits (which can fluctuate significantly on a daily basis) and by changes in asset allocation. The carrying value of deposits with banks and short-term investments approximates fair value due to their short-term maturities. Under the fair value hierarchy, such amounts would be categorized within Level 1 if carried at fair value.

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

For a detailed discussion about the Company's significant accounting policies, see Note 2 of Notes to Consolidated Financial Statements in our Form 10-K.

2. RECENT ACCOUNTING DEVELOPMENTS

Presentation of Unrecognized Tax Benefits In July 2013, the Financial Accounting Standards Board (the "FASB") issued guidance on the presentation of unrecognized tax benefits when net operating losses or tax credit carryforwards exist. The guidance requires that the unrecognized tax benefit, or a portion of such unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain situations, as defined in the guidance. The new presentation requirements are effective prospectively for interim and annual reporting periods beginning after December 15, 2013, with early adoption permitted. The Company elected to adopt this guidance in the fourth quarter of 2013, the impact of which did not have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers In May 2014, the FASB issued comprehensive new revenue recognition guidance. The guidance requires a company to recognize revenue when it transfers promised services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services and requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance is effective for annual and interim periods beginning after December 15, 2016 and early adoption is not permitted. The new guidance can be applied either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the new guidance.

3. RECEIVABLES

The Company's receivables represent receivables from fees, customers and other and related parties.

Receivables are stated net of an estimated allowance for doubtful accounts, for past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. Activity in the allowance for doubtful accounts for the three month and nine month periods ended September 30, 2014 and 2013 was as follows:

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2014	2013	2014	2013
Beginning Balance	\$ 29,943	\$ 24,593	\$ 28,777	\$ 23,017
Bad debt expense, net of recoveries	2,064	(198)	9,567	1,644
Charge-offs, foreign currency translation and other adjustments	(2,148)	1,765	(8,485)	1,499
Ending Balance	\$ 29,859	\$ 26,160	\$ 29,859	\$ 26,160

At September 30, 2014 and December 31, 2013, the Company had receivables past due or deemed uncollectible of \$35,086 and \$39,341, respectively.

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Of the Company's fee receivables at September 30, 2014 and December 31, 2013, \$81,531 and \$69,464, respectively, represented interest-bearing financing receivables. Based upon our historical loss experience, the

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

credit quality of the counterparties, and the lack of past due or uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

The aggregate carrying amount of our non-interest bearing receivables of \$426,384 and \$443,211 at September 30, 2014 and December 31, 2013, respectively, approximates fair value.

4. INVESTMENTS

The Company's investments and securities sold, not yet purchased, consist of the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Interest-bearing deposits	\$ 24,785	\$ 516
Debt	7,185	8,013
Equities	63,275	59,394
Funds:		
Alternative investments (a)	36,184	37,030
Debt (a)	81,099	58,769
Equity (a)	211,772	190,702
Private equity	117,104	114,193
	446,159	400,694
Equity method	8,518	9,488
Total investments	549,922	478,105
Less:		
Interest-bearing deposits	24,785	516
Equity method	8,518	9,488
Investments, at fair value	\$ 516,619	\$ 468,101
Securities sold, not yet purchased, at fair value (included in other liabilities)	\$ 8,630	\$ 4,045

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of \$8,566, \$43,779 and \$166,541, respectively, at September 30, 2014 and \$7,099, \$31,515 and \$130,481, respectively, at December 31, 2013, held in order to

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satisfy the Company's liability upon vesting of previously granted Lazard Fund Interests (LFI) and other similar deferred compensation arrangements. LFI represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds (see Notes 6 and 12 of Notes to Condensed Consolidated Financial Statements). Interest-bearing deposits mature within one year and are carried at cost that approximates fair value due to their short-term maturities.

Debt securities primarily consist of seed investments invested in debt securities held within separately managed accounts related to our Asset Management business.

Equities primarily consist of seed investments invested in marketable equity securities of large-, mid- and small-cap domestic, international and global companies held within separately managed accounts related to our Asset Management business.

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

Alternative investment funds primarily consist of interests in various Lazard-managed hedge funds and funds of funds.

Debt funds primarily consist of seed investments in funds related to our Asset Management business that invest in debt securities, and amounts related to LFI discussed above.

Equity funds primarily consist of seed investments in funds related to our Asset Management business that invest in equity securities, and amounts related to LFI discussed above.

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, (ii) Corporate Partners II Limited (CP II), a fund targeting significant noncontrolling-stake investments in established private companies, (iii) Edgewater Growth Capital Partners III, L.P. (EGCP III), a fund primarily making equity and buyout investments in middle market companies and (iv) Lazard Australia Corporate Opportunities Fund (COF2), a Lazard-managed Australian fund targeting Australian mid-market investments.

Private equity investments consolidated but not owned by Lazard relate to the economic interests that are owned by the management team and other investors in the Edgewater Funds (Edgewater) which totaled \$6,732 and \$9,787 at September 30, 2014 and December 31, 2013, respectively (see Note 10 of Notes to Condensed Consolidated Financial Statements).

During the three month and nine month periods ended September 30, 2014 and 2013, the Company reported in revenue-other on its condensed consolidated statements of operations gross unrealized investment gains and losses pertaining to trading securities as follows:

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2014	2013	2014	2013
Gross unrealized investment gains	\$	\$ 10,925	\$ 5,526	\$ 12,044
Gross unrealized investment losses	\$ 13,897	\$	\$ 5,601	\$ 3,907

5. FAIR VALUE MEASUREMENTS

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

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Lazard has the ability to access.

Level 2. Assets and liabilities whose values are based on (i) quoted prices for similar assets or liabilities in an active market, or quoted prices for identical or similar assets or liabilities in non-active markets, (ii) assets valued based on net asset value (NAV) or its equivalent redeemable at the measurement date or within the near term without redemption restrictions, or (iii) inputs other than quoted prices that are directly observable or derived principally from, or corroborated by, market data.

Table of Contents

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

Level 3. Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our own assumptions about the assumptions a market participant would use in pricing the asset or liability. Items included in Level 3 include securities or other financial assets whose trading volume and level of activity have significantly decreased when compared with normal market activity and there is no longer sufficient frequency or volume to provide pricing information on an ongoing basis, as well as assets valued based on NAV or its equivalent, but not redeemable within the near term as a result of redemption restrictions.

The Company's investments in debt securities are classified as Level 1 when their respective fair values are based on unadjusted quoted prices in active markets and are classified as Level 2 when their fair values are primarily based on prices as provided by external pricing services.

The fair value of equities is classified as Level 1 or Level 3 as follows: marketable equity securities are classified as Level 1 and are valued based on the last trade price on the primary exchange for that security as provided by external pricing services; equity securities in private companies are generally classified as Level 3.

The fair value of investments in alternative investment funds is classified as Level 2 and is valued at NAV or its equivalent, which is primarily determined based on information provided by external fund administrators. Such investments are redeemable within the near term.

The fair value of investments in debt funds is classified as Level 1 when the fair values are primarily based on the publicly reported closing price for the fund, and classified as Level 2 when the fair values are primarily based on NAV or its equivalent and are redeemable within the near term.

The fair value of investments in equity funds is classified as Level 1 or 2 as follows: publicly traded asset management funds are classified as Level 1 and are valued based on the reported closing price for the fund; and investments in asset management funds redeemable in the near term are classified as Level 2 and are valued at NAV or its equivalent, which is primarily determined based on information provided by external fund administrators.

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

The fair values of derivatives entered into by the Company are classified as Level 2 and are based on the values of the related underlying assets, indices or reference rates as follows - the fair value of forward foreign currency exchange rate contracts is a function of the spot rate and the interest rate differential of the two currencies from the trade date to settlement date; the fair value of total return swaps is based on the change in fair values of the related underlying equity security, financial instrument or index and a specified notional holding; the fair value of interest rate swaps is based on the interest rate yield curve; and the fair value of derivative liabilities related to LFI and other similar deferred compensation arrangements is based on the value of the underlying investments, adjusted for forfeitures. See Note 6 of Notes to Condensed Consolidated Financial Statements.

Where reported information regarding an investment is based on data received from external fund administrators or pricing services, the Company reviews such information and classifies the investment at the relevant level within the fair value hierarchy.

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

The following tables present the classification of investments and certain other assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013 within the fair value hierarchy:

	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Debt	\$ 1,141	\$ 6,044	\$	\$ 7,185
Equities	61,941		1,334	63,275
Funds:				
Alternative investments		36,184		36,184
Debt	81,095	4		81,099
Equity	211,729	43		211,772
Private equity			117,104	117,104
Derivatives		8,625		8,625
Total	\$ 355,906	\$ 50,900	\$ 118,438	\$ 525,244
Liabilities:				
Securities sold, not yet purchased	\$ 8,630	\$	\$	\$ 8,630
Derivatives		209,941		209,941
Total	\$ 8,630	\$ 209,941	\$	\$ 218,571

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Debt	\$ 1,681	\$ 6,332	\$	\$ 8,013
Equities	58,054		1,340	59,394
Funds:				
Alternative investments		37,030		37,030
Debt	58,765	4		58,769
Equity	190,660	42		190,702
Private equity			114,193	114,193
Derivatives		682		682
Total	\$ 309,160	\$ 44,090	\$ 115,533	\$ 468,783

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Liabilities:

Securities sold, not yet purchased	\$ 4,045	\$	\$	\$ 4,045
Derivatives		164,001		164,001
Total	\$ 4,045	\$ 164,001	\$	\$ 168,046

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

The following tables provide a summary of changes in fair value of the Company's Level 3 assets for the three month and nine month periods ended September 30, 2014 and 2013:

Three Months Ended September 30, 2014

	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	\$ 1,370	\$	\$	\$	\$ (36)	\$ 1,334
Private equity funds	116,895	2,500	7,498	(5,769)	(4,020)	117,104
Total Level 3 Assets	\$ 118,265	\$ 2,500	\$ 7,498	\$ (5,769)	\$ (4,056)	\$ 118,438

Nine Months Ended September 30, 2014

	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	\$ 1,340	\$ 14	\$	\$	\$ (20)	\$ 1,334
Private equity funds	114,193	9,336	8,709	(10,854)	(4,280)	117,104
Total Level 3 Assets	\$ 115,533	\$ 9,350	\$ 8,709	\$ (10,854)	\$ (4,300)	\$ 118,438

Three Months Ended September 30, 2013

	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						

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Equities	\$ 637	\$ 2	\$ 650	\$	\$ 34	\$ 1,323
Alternative investment funds	11	(11)				
Private equity funds	112,833	5,174	2,907	(6,848)	1,502	115,568
Total Level 3 Assets	\$ 113,481	\$ 5,165	\$ 3,557	\$ (6,848)	\$ 1,536	\$ 116,891

Table of Contents**LAZARD LTD****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****(dollars in thousands, except for per share data, unless otherwise noted)****Nine Months Ended September 30, 2013**

	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included		Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
		In Revenue- Other (a)					
Investments:							
Equities	\$ 190	\$ 8		\$ 1,095	\$	\$ 30	\$ 1,323
Alternative investment funds	3,457	117			(3,574)		
Equity funds	10				(10)		
Private equity funds	112,444	8,912		6,166	(12,716)	762	115,568
Total Level 3 Assets	\$ 116,101	\$ 9,037		\$ 7,261	\$ (16,300)	\$ 792	\$ 116,891

(a) Earnings for the three month and nine month periods ended September 30, 2014 and the three month and nine month periods ended September 30, 2013 include net unrealized gains of \$810, \$6,346, \$2,680 and \$6,007, respectively.

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month and nine month periods ended September 30, 2014 and 2013.

Fair Value of Certain Investments Based on NAV The Company's Level 2 and Level 3 investments at September 30, 2014 and December 31, 2013 include certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value. Information with respect thereto was as follows:

	Fair value	Unfunded Commitments	% of Fair Value Not Redeemable	September 30, 2014 Estimated Liquidation Period of Investments Not Redeemable			% Redemption Frequency	Investments Redeemable Redemption Notice Period
				% Next 5 Years	% 5-10 Years	% Thereafter		
Alternative investment funds:								
Hedge funds	\$ 32,344	\$	NA	NA	NA	NA	(a)	<30-60 days
Funds of funds	480		NA	NA	NA	NA	(b)	<30-90 days
Other	3,360		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	4		NA	NA	NA	NA	(d)	30 days
Equity funds	43		NA	NA	NA	NA	(e)	30-90 days
Private equity funds:								
Equity growth	76,164	19,137(f)	100%	11%	61%	28%	NA	NA
Mezzanine debt	40,940		100%	%	%	100%	NA	NA

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

	December 31, 2013							
	Fair value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	\$ 31,837	\$	NA	NA	NA	NA	(a)	<30-90 days
Funds of funds	475		NA	NA	NA	NA	(b)	<30-90 days
Other	4,718		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	4		NA	NA	NA	NA	(d)	30 days
Equity funds	42		NA	NA	NA	NA	(e)	30-90 days
Private equity funds:								
Equity growth	70,054	27,135(f)	100%	17%	60%	23%	NA	NA
Mezzanine debt	44,139		100%	%	%	100%	NA	NA
Total	\$ 151,269	\$ 27,135						

(a) weekly (17%), monthly (65%) and quarterly (18%)

(b) monthly (95%) and quarterly (5%)

(c) daily (7%), weekly (1%) and monthly (92%)

(d) daily (100%)

(e) daily (13%), monthly (58%) and quarterly (29%)

(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$10,613 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

See Note 4 of Notes to Condensed Consolidated Financial Statements for discussion of significant investment strategies for investments with value based on NAV.

Investment Capital Funding Commitments At September 30, 2014, the Company's maximum unfunded commitments for capital contributions to investment funds arose from (i) commitments to CP II, which amounted to \$1,644 for potential follow-on investments and/or for fund expenses through the earlier of February 25, 2017 or the liquidation of the fund, (ii) commitments to EGCP III, which amounted to \$12,688, through the earlier of October 12, 2016 (*i.e.*, the end of the investment period) for investments and/or expenses (with a portion of the undrawn amount of such commitments as of that date remaining committed until October 12, 2023 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund and (iii) commitments to COF2, which amounted to \$4,805, through the earlier of November 11, 2016 (*i.e.*, the end of the investment period) for investments and/or fund expenses (with a portion of the undrawn amount of such commitments as of that date remaining committed until November 11, 2019 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund.

6. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, total return swap contracts on various equity and debt indices and other derivative contracts to economically hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt prices. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of

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

set-off exists under a master netting agreement enforceable by law. The Company's derivative instruments are recorded at their fair value, and are included in other assets and other liabilities on the consolidated statements of financial condition. Gains and losses on the Company's derivative instruments not designated as hedging instruments are included in interest income and interest expense, respectively, or revenue-other, depending on the nature of the underlying item, on the consolidated statements of operations.

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

The tables below present the fair values of the Company's derivative instruments reported within other assets and other liabilities and the fair values of the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (see Note 12 of Notes to Condensed Consolidated Financial Statements) on the accompanying condensed consolidated statements of financial condition as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Derivative Assets:		
Forward foreign currency exchange rate contracts	\$ 4,464	\$ 250
Total return swaps and other (a)	4,161	432
	\$ 8,625	\$ 682
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	\$ 20	\$ 1,579
LFI and other similar deferred compensation arrangements	209,921	162,422
	\$ 209,941	\$ 164,001

- (a) For total return swaps, amounts represent the netting of gross derivative assets and liabilities of \$4,220 and \$59 as of September 30, 2014, respectively, and \$2,019 and \$1,587 as of December 31, 2013, respectively, for contracts with the same counterparty under legally enforceable master netting agreements. Such amounts are recorded net in other assets, with receivables for net cash collateral under such contracts of \$10,434 and \$11,384 as of September 30, 2014 and December 31, 2013, respectively.

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

Net gains (losses) with respect to derivative instruments (predominantly reflected in revenue-other) and the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (included in compensation and benefits expense) as reflected on the accompanying condensed consolidated statements of operations for the three month and nine month periods ended September 30, 2014 and 2013, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Forward foreign currency exchange rate contracts	\$ 15,355	\$ (5,310)	\$ 14,380	\$ (1,705)
LFI and other similar deferred compensation arrangements	5,528	(7,519)	(6,004)	(7,767)
Total return swaps and other	2,835	(6,520)	(5,436)	(6,872)
Total	\$ 23,718	\$ (19,349)	\$ 2,940	\$ (16,344)

7. PROPERTY

At September 30, 2014 and December 31, 2013, property consists of the following:

	Estimated Depreciable Life in Years	September 30, 2014	December 31, 2013
Buildings	33	\$ 158,551	\$ 173,772
Leasehold improvements	3-20	169,814	175,600
Furniture and equipment	3-10	151,270	149,598
Construction in progress		5,236	3,756
Total		484,871	502,726
Less - Accumulated depreciation and amortization		257,512	253,930
Property		\$ 227,359	\$ 248,796

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangible assets at September 30, 2014 and December 31, 2013 are presented below:

September 30, December 31,

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	2014	2013
Goodwill	\$ 343,776	\$ 345,453
Other intangible assets (net of accumulated amortization)	12,478	18,424
	\$ 356,254	\$ 363,877

At September 30, 2014 and December 31, 2013, goodwill of \$279,235 and \$280,912, respectively, was attributable to the Company's Financial Advisory segment and, at each such respective date, \$64,541 of goodwill was attributable to the Company's Asset Management segment.

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

Changes in the carrying amount of goodwill for the nine month periods ended September 30, 2014 and 2013 are as follows:

	Nine Months Ended September 30,	
	2014	2013
Balance, January 1	\$ 345,453	\$ 364,328
Business acquisitions	3,232	1,601
Foreign currency translation adjustments	(4,909)	(15,310)
Balance, September 30	\$ 343,776	\$ 350,619

The gross cost and accumulated amortization of other intangible assets as of September 30, 2014 and December 31, 2013, by major intangible asset category, are as follows:

	September 30, 2014			December 31, 2013		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Performance fees	\$ 30,740	\$ 21,116	\$ 9,624	\$ 30,740	\$ 17,173	\$ 13,567
Management fees, customer relationships and non-compete agreements	33,063	30,209	2,854	33,063	28,206	4,857
	\$ 63,803	\$ 51,325	\$ 12,478	\$ 63,803	\$ 45,379	\$ 18,424

Amortization expense of intangible assets for the three month and nine month periods ended September 30, 2014 was \$4,020 and \$5,946, respectively, and for the three month and nine month periods ended September 30, 2013 was \$877 and \$2,758, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Amortization Expense (a)
2014 (October 1 through December 31)	\$ 864
2015	6,433
2016	5,181
Total amortization expense	\$ 12,478

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

9. SENIOR DEBT

Senior debt is comprised of the following as of September 30, 2014 and December 31, 2013:

	Initial Principal Amount	Maturity Date	Annual Interest Rate	Outstanding As of	
				September 30, 2014	December 31, 2013
Lazard Group 6.85% Senior Notes	600,000	6/15/17	6.85%	\$ 548,350	\$ 548,350
Lazard Group 4.25% Senior Notes	500,000	11/14/20	4.25%	500,000	500,000
Lazard Group Credit Facility	150,000	9/25/15	0.78%		
Total				\$ 1,048,350	\$ 1,048,350

Table of Contents

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

In November 2013, and in connection with Lazard Group's redemption of \$528,500 aggregate principal amount of its then outstanding 7.125% senior notes maturing on May 15, 2015 (the 2015 Notes), Lazard Group issued \$500,000 aggregate principal amount of 4.25% senior notes maturing on November 14, 2020 (the 2020 Notes). Interest on the 2020 Notes is payable semi-annually on May 14 and November 14 of each year.

On September 25, 2012, Lazard Group entered into a \$150,000, three-year senior revolving credit facility with a group of lenders (the Credit Facility), which expires in September 2015. The Credit Facility replaced a similar revolving credit facility which was terminated as a condition to effectiveness of the Credit Facility. Interest rates under the Credit Facility vary and are based on either a Federal Funds rate or a Eurodollar rate, in each case plus an

applicable margin. As of September 30, 2014, the annual interest rate for a loan accruing interest (based on the Federal Funds overnight rate), including the applicable margin, was 0.78%. At September 30, 2014 and December 31, 2013, no amounts were outstanding under the Credit Facility.

The Credit Facility contains customary terms and conditions, including certain financial covenants. In addition, the Credit Facility, the indenture and the supplemental indentures relating to Lazard Group's senior notes contain certain covenants, events of default and other customary provisions, including a customary make-whole provision in the event of early redemption, where applicable. As of September 30, 2014, the Company was in compliance with such provisions. All of the Company's senior debt obligations are unsecured.

As of September 30, 2014, the Company had approximately \$262,000 in unused lines of credit available to it, including the Credit Facility, and unused lines of credit available to LFB of approximately \$44,000 (at September 30, 2014 exchange rates) and Edgewater of \$64,000. In the second quarter of 2014, \$20,000 of Edgewater's available lines of credit was drawn down by the general partner of EGCP III to provide a loan to EGCP III to finance a certain fund investment. The loan to EGCP III was repaid in the third quarter of 2014 from a capital call made by EGCP III to its investors. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

The Company's senior debt at September 30, 2014 and December 31, 2013 is carried at historical amounts. At those dates, the fair value of such senior debt was approximately \$1,141,000 and \$1,117,000, respectively, and exceeded the aggregate carrying value by approximately \$93,000 and \$69,000, respectively. The fair value of the Company's senior debt is based on market quotations. The Company's senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value.

Table of Contents

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

10. COMMITMENTS AND CONTINGENCIES

Leases The Company has various leases and other contractual commitments arising in the ordinary course of business. At September 30, 2014, minimum rental commitments under non-cancelable operating leases, net of sublease income, are approximately as follows:

Year Ending December 31,	
2014 (October 1 through December 31)	\$ 21,159
2015	77,287