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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(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, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

333-126751

(Commission File Number)

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**LAZARD GROUP LLC**

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation  
or Organization)

51-0278097

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

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30 Rockefeller Plaza

New York, NY 10020

(Address of principal executive offices)

Registrant's telephone number: (212) 632-6000

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

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

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

Large accelerated filer

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

As of October 24, 2012, in addition to profit participation interests, there were 129,766,090 common membership interests and two managing member interests outstanding.

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When we use the terms “Lazard Group”, “Lazard”, “we”, “us”, “our” and “the Company”, we mean Lazard Group LLC, a Delaware limited liability company that is the current holding company for the subsidiaries that conduct our businesses. Lazard Ltd is a Bermuda exempt company whose shares of Class A common stock (the “Class A common stock”) are publicly traded on the New York Stock Exchange under the Symbol “LAZ”. Lazard Ltd’s subsidiaries include Lazard Group and their respective subsidiaries. Lazard Ltd has no material operating assets other than indirect ownership as of September 30, 2012 of approximately 94.9% of the common membership interests in Lazard Group. Lazard Ltd controls Lazard Group through two of its indirect wholly-owned subsidiaries who are co-managing members of Lazard Group.

Lazard Group has two primary holders of its common membership interests: Lazard Ltd and LAZ-MD Holdings LLC (“LAZ-MD Holdings”), a holding company that is owned by Lazard Group’s current and former managing directors. The Lazard Group common membership interests held by LAZ-MD Holdings are effectively exchangeable over time on a one-for-one basis with Lazard Ltd for shares of Lazard Ltd’s Class A common stock. In addition, Lazard Group has granted profit participation interests in Lazard Group to certain of its managing directors in connection with the recapitalization of Lazard Group at the time of Lazard Ltd’s equity public offering. The profit participation interests are discretionary profits interests that are intended to enable Lazard Group to compensate its managing directors in a manner consistent with historical practices.

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**PART I. FINANCIAL INFORMATION**

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**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2012 AND DECEMBER 31, 2011**  
**(UNAUDITED)**  
**(dollars in thousands)**

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$821,926	\$820,984
Deposits with banks	266,680	286,037
Cash deposited with clearing organizations and other segregated cash	61,863	75,506
Receivables (net of allowance for doubtful accounts of \$22,324 and \$19,450 at September 30, 2012 and December 31, 2011, respectively):		
Fees	389,346	402,843
Customers and other	84,063	83,111
Related parties	<u>210,570</u>	<u>204,740</u>
	683,979	690,694
Investments	427,634	355,510
Property (net of accumulated amortization and depreciation of \$272,740 and \$266,673 at September 30, 2012 and December 31, 2011, respectively)	216,412	168,429
Goodwill and other intangible assets (net of accumulated amortization of \$33,094 and \$26,922 at September 30, 2012 and December 31, 2011, respectively)	395,442	393,099
Other assets	<u>271,626</u>	<u>247,194</u>
Total assets	<u>\$3,145,562</u>	<u>\$3,037,453</u>

See notes to condensed consolidated financial statements.

## LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION—(Continued)  
SEPTEMBER 30, 2012 AND DECEMBER 31, 2011  
(UNAUDITED)  
(dollars in thousands)

	September 30, 2012	December 31, 2011
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities:		
Deposits and other customer payables	\$262,206	\$288,427
Accrued compensation and benefits	301,174	383,513
Senior debt	1,076,850	1,076,850
Capital lease obligations	18,148	20,084
Related party payables	219,095	130,160
Other liabilities	475,902	420,152
Total liabilities	2,353,375	2,319,186
Commitments and contingencies		
<b>MEMBERS' EQUITY</b>		
Members' equity (net of 3,388,632 and 2,174,573 shares of Lazard Class A common stock, at a cost of \$95,101 and \$72,410 at September 30, 2012 and December 31, 2011 respectively)	777,993	693,596
Accumulated other comprehensive loss, net of tax	(69,416)	(79,252)
Total Lazard Group members' equity	708,577	614,344
Noncontrolling interests	83,610	103,923
Total members' equity	792,187	718,267
Total liabilities and members' equity	\$3,145,562	\$3,037,453

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
<b>REVENUE</b>				
Investment banking and other advisory fees	\$218,262	\$248,358	\$ 732,109	\$ 711,781
Money management fees	214,867	213,276	621,070	658,874
Interest income	3,692	5,328	13,017	16,912
Other	15,529	21,538	49,428	65,511
Total revenue	452,350	488,500	1,415,624	1,453,078
Interest expense	23,039	23,177	68,848	71,830
Net revenue	429,311	465,323	1,346,776	1,381,248
<b>OPERATING EXPENSES</b>				
Compensation and benefits	283,805	273,518	905,488	829,989
Occupancy and equipment	25,676	24,345	80,287	70,022
Marketing and business development	19,096	19,843	69,685	58,833
Technology and information services	21,474	20,417	63,142	60,566
Professional services	8,288	11,328	29,852	33,297
Fund administration and outsourced services	13,179	14,020	39,300	40,777
Amortization of intangible assets related to acquisitions	2,494	1,716	6,172	4,896
Other	7,799	9,360	27,318	27,744
Total operating expenses	381,811	374,547	1,221,244	1,126,124
<b>OPERATING INCOME</b>	47,500	90,776	125,532	255,124
Provision for income taxes	10,769	12,880	26,138	36,986
<b>NET INCOME</b>	36,731	77,896	99,394	218,138
<b>LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	(1,565)	225	2,261	7,017
<b>NET INCOME ATTRIBUTABLE TO LAZARD GROUP</b>	<u>\$ 38,296</u>	<u>\$ 77,671</u>	<u>\$ 97,133</u>	<u>\$ 211,121</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>NET INCOME</b>	<u>\$36,731</u>	<u>\$ 77,896</u>	<u>\$ 99,394</u>	<u>\$218,138</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:</b>				
Currency translation adjustments	12,464	(38,498)	14,617	(6,325)
Amortization of interest rate hedge	264	264	791	791
Employee benefit plans:				
Actuarial loss (net of tax benefits of \$994 and \$2,402 for the three months ended September 30, 2012 and 2011, respectively, and \$3,719 and \$4,308 for the nine months ended September 30, 2012 and 2011, respectively)	(1,893)	(4,585)	(7,947)	(8,215)
Adjustment for items reclassified to earnings (net of tax expense of \$278 and \$261 for the three months ended September 30, 2012 and 2011, respectively, and \$856 and \$778 for the nine months ended September 30, 2012 and 2011, respectively)	803	560	2,444	1,674
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<u>11,638</u>	<u>(42,259)</u>	<u>9,905</u>	<u>(12,075)</u>
<b>COMPREHENSIVE INCOME</b>	<u>48,369</u>	<u>35,637</u>	<u>109,299</u>	<u>206,063</u>
<b>LESS – COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<u>(1,434)</u>	<u>84</u>	<u>2,330</u>	<u>6,887</u>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD GROUP</b>	<u>\$49,803</u>	<u>\$ 35,553</u>	<u>\$106,969</u>	<u>\$199,176</u>

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Nine Months Ended September 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 99,394	\$ 218,138
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash items included in net income:		
Depreciation and amortization of property	22,472	18,176
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	252,129	227,616
Amortization of intangible assets related to acquisitions	6,172	4,896
Loss on sale of intercompany receivable	5,638	–
Gain on extinguishment of debt	–	(18,171)
(Increase) decrease in operating assets:		
Deposits with banks	18,465	96,193
Cash deposited with clearing organizations and other segregated cash	13,614	28,574
Receivables-net	9,686	(31,655)
Investments	(63,338)	70,531
Other assets	(52,755)	(71,319)
Increase (decrease) in operating liabilities:		
Deposits and other payables	(22,448)	(19,280)
Accrued compensation and benefits and other liabilities	(56,521)	(242,017)
Net cash provided by operating activities	<u>232,508</u>	<u>281,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property	(71,722)	(17,277)
Disposals of property	2,158	353
Net cash used in investing activities	<u>(69,564)</u>	<u>(16,924)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from:		
Contribution from noncontrolling interests	1,544	3,821
Sale of intercompany receivable	81,105	–
Excess tax benefits from share-based incentive compensation	–	2,848
Payments for:		
Subordinated debt	–	(131,829)
Capital lease obligations	(1,878)	(1,600)
Distributions to noncontrolling interests	(13,580)	(18,143)
Repurchase of common membership interests from members of LAZ-MD Holdings	–	(794)
Purchase of Lazard Ltd Class A common stock	(122,862)	(158,617)
Distributions to members	(69,948)	(54,689)
Settlement of vested share-based incentive compensation	(40,686)	(92,337)
Other financing activities	(2,000)	(33,393)
Net cash used in financing activities	<u>(168,305)</u>	<u>(484,733)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>6,303</u>	<u>237</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	942	(219,738)
<b>CASH AND CASH EQUIVALENTS—January 1</b>	820,984	1,024,792
<b>CASH AND CASH EQUIVALENTS—September 30</b>	<u>\$ 821,926</u>	<u>\$ 805,054</u>

See notes to condensed consolidated financial statements.



**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2011**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
<b>Balance – January 1, 2011 (*)</b>	<b>\$ 404,588</b>	<b>\$ (35,023)</b>	<b>\$ 369,565</b>	<b>\$ 120,882</b>	<b>\$ 490,447</b>
Comprehensive income (loss):					
Net income	211,121		211,121	7,017	218,138
Other comprehensive income (loss) - net of tax:					
Currency translation adjustments		(6,195)	(6,195)	(130)	(6,325)
Amortization of interest rate hedge		791	791		791
Employee benefit plans:					
Net actuarial loss		(8,215)	(8,215)		(8,215)
Adjustments for items reclassified to earnings		1,674	1,674		1,674
Comprehensive income			199,176	6,887	206,063
Amortization of share-based incentive compensation	211,466		211,466		211,466
Distributions to members and noncontrolling interests, net	(54,689)		(54,689)	(14,322)	(69,011)
Purchase of Lazard Ltd Class A common stock	(158,617)		(158,617)		(158,617)
Delivery of Lazard Ltd Class A common stock in connection with share-based incentive compensation and related tax benefit of \$2,178	(90,159)		(90,159)		(90,159)
Repurchase of common membership interests from LAZ-MD Holdings	(794)		(794)		(794)
Business acquisitions:					
Delivery of Lazard Ltd Class A common stock	41,591		41,591		41,591
Common membership interests issued	53,486		53,486		53,486
Lazard Ltd Class A common stock issuable (including in connection with LAM Merger and related amortization)	5,149		5,149		5,149
Other	(63)		(63)		(63)
<b>Balance – September 30, 2011 (*)</b>	<b>\$ 623,079</b>	<b>\$ (46,968)</b>	<b>\$ 576,111</b>	<b>\$ 113,447</b>	<b>\$ 689,558</b>

(\*) Includes 127,350,561 and 129,766,090 common membership interests at January 1, 2011 and September 30, 2011, respectively. Also includes profit participation interests and two managing member interests at each such date.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
<b>Balance – January 1, 2012 (*)</b>	<b>\$ 693,596</b>	<b>\$ (79,252)</b>	<b>\$ 614,344</b>	<b>\$ 103,923</b>	<b>\$ 718,267</b>
Comprehensive income (loss):					
Net income	97,133		97,133	2,261	99,394
Other comprehensive income (loss) - net of tax:					
Currency translation adjustments		14,548	14,548	69	14,617
Amortization of interest rate hedge		791	791		791
Employee benefit plans:					
Net actuarial loss		(7,947)	(7,947)		(7,947)
Adjustments for items reclassified to earnings		2,444	2,444		2,444
Comprehensive income			106,969	2,330	109,299
Amortization of share-based incentive compensation	220,175		220,175		220,175
Distributions to members and noncontrolling interests, net	(69,948)		(69,948)	(12,036)	(81,984)
Deconsolidation of investment companies				(10,607)	(10,607)
Purchase of Lazard Ltd Class A common stock	(122,862)		(122,862)		(122,862)
Delivery of Class A common stock in connection with shared-based incentive compensation and related tax expense of \$972	(41,658)		(41,658)		(41,658)
Business acquisitions and related equity transactions:					
Class A common stock issued/issuable (including related amortization)	3,549		3,549		3,549
Other	(1,992)		(1,992)		(1,992)
<b>Balance – September 30, 2012 (*)</b>	<b>\$ 777,993</b>	<b>\$ (69,416)</b>	<b>\$ 708,577</b>	<b>\$ 83,610</b>	<b>\$ 792,187</b>

(\*) Includes 129,766,090 common membership interests at both January 1, 2012 and September 30, 2012. Also includes profit participation interests and two managing member interests at each such date.

See notes to condensed consolidated financial statements.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

**Organization**

The accompanying condensed consolidated financial statements are those of Lazard Group LLC and its subsidiaries (collectively referred to with its subsidiaries as “Lazard Group” or the “Company”). Lazard Group is a Delaware limited liability company and is governed by an Operating Agreement dated as of May 10, 2005, as amended (the “Operating Agreement”).

Lazard Ltd, a Bermuda holding company (“Lazard Ltd”), including its indirect investment in Lazard Group, is one of the world’s preeminent financial advisory and asset management firms and has long specialized in crafting solutions to the complex financial and strategic challenges of our clients. We serve a diverse set of clients around the world, including corporations, partnerships, institutions, governments and individuals.

Lazard Ltd indirectly held approximately 94.9% and 94.8% of all outstanding Lazard Group common membership interests as of September 30, 2012 and December 31, 2011, respectively. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group. LAZ-MD Holdings LLC (“LAZ-MD Holdings”), an entity owned by Lazard Group’s current and former managing directors, held approximately 5.1% and 5.2% of the outstanding Lazard Group common membership interests as of September 30, 2012 and December 31, 2011, respectively. Additionally, LAZ-MD Holdings was the sole owner of the one issued and outstanding share of Lazard Ltd’s Class B common stock (the “Class B common stock”) which provided LAZ-MD Holdings with approximately 5.1% and 5.2% of the voting power but no economic rights in Lazard Ltd as of September 30, 2012 and December 31, 2011, respectively. Subject to certain limitations, LAZ-MD Holdings, interests in Lazard Group are exchangeable for Lazard Ltd Class A common stock, par value \$0.01 per share (“Class A common stock”).

Lazard Group’s 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 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 globally.

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 record outstanding indebtedness in 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.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

***Basis of Presentation***

The accompanying condensed consolidated financial statements of Lazard Group have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Group’s Annual Report on Form 10-K for the year ended December 31, 2011 (the “Form 10-K”). The accompanying December 31, 2011 condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management’s knowledge of current events and actions that Lazard may undertake in the future, actual results may differ materially from the estimates. The consolidated results of operations for the three month and nine month periods ended September 30, 2012 are not necessarily indicative of the results to be expected for any future interim or annual period.

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

**2. RECENT ACCOUNTING DEVELOPMENTS**

*Fair Value Measurements*—In the first quarter of 2012, the Company adopted the amended fair value measurement guidance issued by the Financial Accounting Standards Board (the “FASB”), which the FASB stated was designed to achieve common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (“IFRS”). Although many of the changes for U.S. GAAP purposes are clarifications of existing guidance or wording changes to align with IFRS, additional disclosures about fair value measurements are required, including (i) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, (ii) the valuation processes used and the sensitivity of fair value measurements related to investments categorized within Level 3 of the hierarchy of fair value measurements to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any, and (iii) the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial condition but for which the fair value is required to be disclosed. The amended fair value measurement guidance became effective for interim and

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of the amended fair value measurement guidance did not have a material impact on the Company's consolidated financial statements, primarily because substantially all Level 3 assets are carried at net asset value ("NAV") or its equivalent.

*Other Comprehensive Income*—In the first quarter of 2012, the Company adopted the FASB's amended guidance regarding the presentation of comprehensive income, which the FASB stated was designed to improve comparability, consistency and transparency. The amendment required that all changes in comprehensive income be presented either in (i) a single continuous statement of comprehensive income or in (ii) two separate but consecutive statements. The amendment was to be applied retrospectively and is effective with interim and annual periods beginning after December 15, 2011, with early adoption permitted. The Company elected the two-statement method.

**3. RECEIVABLES**

The Company's "receivables" consist of receivables from fees, customers and other and related parties, net of an allowance for doubtful accounts.

Receivables are stated net of an estimated allowance for doubtful accounts of \$22,324 and \$19,450 at September 30, 2012 and December 31, 2011, respectively, for certain past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. The Company recorded net bad debt expense of \$1,553 and \$2,701 for the three month and nine month periods ended September 30, 2012, respectively, and \$1,445 and \$4,875 for the three month and nine month periods ended September 30, 2011, respectively. In addition, the Company recorded charge-offs, foreign currency translation and other adjustments, which resulted in a net increase (decrease) to the allowance for doubtful accounts of \$15 and \$173 for the three month and nine month periods ended September 30, 2012, respectively, and \$(513) and \$(2,435) for the three month and nine month periods ended September 30, 2011, respectively. At September 30, 2012 and December 31, 2011, the Company had receivables deemed past due or uncollectible of \$25,990 and \$22,785, respectively.

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**4. INVESTMENTS**

The Company's investments and securities sold, not yet purchased, consist of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
Debt	\$ 25,744	\$ 24,068
Equities (a)	207,695	156,053
Other:		
Interests in alternative asset management funds (a)	31,673	20,610
Fixed income funds (a)	38,592	21,008
Private equity	117,194	122,718
Equity method investments	6,736	11,053
	<u>194,195</u>	<u>175,389</u>
Total	427,634	355,510
Less:		
Interest-bearing deposits (included in "debt" above)	552	2,834
Equity method investments	6,736	11,053
	<u>7,288</u>	<u>13,887</u>
Investments, at fair value	<u>\$ 420,346</u>	<u>\$ 341,623</u>
Securities sold, not yet purchased, at fair value (included in "other liabilities")	<u>\$ 2,793</u>	<u>\$ 4,282</u>

(a) Equities, interests in alternative asset management funds and fixed income funds include investments with fair values of \$76,280, \$3,577 and \$21,856, respectively, at September 30, 2012 and \$19,857, \$2,256 and \$5,212, respectively, at December 31, 2011, held in order to satisfy the Company's liability upon vesting of previously granted Lazard Fund Interests ("Lazard Fund Interests") and other similar deferred compensation arrangements. Lazard Fund Interests represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds (see Notes 6 and 13 of Notes to Condensed Consolidated Financial Statements).

Debt securities primarily consist of seed investments in Asset Management products and non-U.S. government debt securities.

Equities primarily consist of (i) seed investments in Asset Management products, which in turn invest in marketable equity securities of large-, mid- and small-cap domestic, international and global companies and include investments in public and private asset management funds managed by LAM and (ii) amounts relating to Lazard Fund Interests discussed above.

Interests in alternative asset management funds primarily consist of general partner ("GP") interests in various Lazard-managed alternative asset management funds.

Fixed income funds primarily consist of (i) seed investments in Asset Management products, which invest in fixed income securities and (ii) amounts relating to Lazard Fund Interests 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

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investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, (ii) Corporate Partners II Limited (“CP II”), a private equity fund targeting significant noncontrolling-stake investments in established public and private companies, (iii) Edgewater Growth Capital Partners III, L.P. (“EGCP III”), a private equity fund primarily making equity and buyout investments in lower middle market companies, (iv) Lazard Senior Housing Partners LP (“Senior Housing”), which targets controlling interests in companies and assets in the senior housing, extended-stay hotel and shopping center sectors, and (v) Lazard Australia Corporate Opportunities Fund 2 (“COF 2”), a Lazard-managed Australian private equity fund targeting Australasian 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 aggregated \$19,734 and \$18,502 at September 30, 2012 and December 31, 2011, respectively.

During the three month and nine month periods ended September 30, 2012 and 2011, 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,	
	2012	2011	2012	2011
Gross unrealized investment gains	\$ 3,256	\$ 13	\$ 1,619	\$ 13
Gross unrealized investment losses	\$ —	\$ 344	\$ —	\$ 657

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

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

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

The fair value of interests in alternative asset management funds is classified as either Level 2 or Level 3 depending on the time frame of any applicable redemption restriction, and is valued at NAV or its equivalent, which is primarily determined based on information provided by fund managers and, secondarily, from external pricing services to the extent managed by LAM.

The Company's investments in fixed income funds are considered Level 1 assets when the fair values are primarily based on the reported closing price for the fund or Level 2 assets when the fair values are primarily based on NAV or its equivalent and are redeemable in the near future.

The fair value of private equity investments 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 currency from the trade date to settlement date; the fair value of equity and fixed income swaps is based on the change in fair values of the related underlying equity security, financial instrument or index and a specified notional holding; the fair values of interest rate swaps are based on the interest rate yield curve; and the fair value of derivative liabilities related to Lazard Fund Interests and other similar deferred compensation arrangements is based on the value of the underlying investments, adjusted for estimated forfeitures.

Where information reported is based on data received from fund managers or from external pricing services, the Company reviews such information to ascertain at which level within the fair value hierarchy to classify the investment.



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The following tables present the categorization of investments and certain other assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011 into the three-level fair value hierarchy in accordance with fair value measurement disclosure requirements:

	September 30, 2012			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Investments:				
Debt (excluding interest-bearing deposits)	\$ 21,877	\$ 3,315	\$ –	\$ 25,192
Equities	170,043	37,456	196	207,695
Other (excluding equity method investments):				
Interests in alternative asset management funds	–	28,238	3,435	31,673
Fixed income funds	35,460	3,132	–	38,592
Private equity	–	–	117,194	117,194
Derivatives	–	46	–	46
Total	<u>\$ 227,380</u>	<u>\$ 72,187</u>	<u>\$ 120,825</u>	<u>\$ 420,392</u>
<b>Liabilities:</b>				
Securities sold, not yet purchased	\$ 2,793	\$ –	\$ –	\$ 2,793
Derivatives	–	101,238	–	101,238
Total	<u>\$ 2,793</u>	<u>\$ 101,238</u>	<u>\$ –</u>	<u>\$ 104,031</u>
	December 31, 2011			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Investments:				
Debt (excluding interest-bearing deposits)	\$ 17,110	\$ 4,124	\$ –	\$ 21,234
Equities	115,380	37,332	3,341	156,053
Other (excluding equity method investments):				
Interests in alternative asset management funds	–	13,569	7,041	20,610
Fixed income funds	17,689	3,319	–	21,008
Private equity	–	–	122,718	122,718
Derivatives	–	7,131	–	7,131
Total	<u>\$ 150,179</u>	<u>\$ 65,475</u>	<u>\$ 133,100</u>	<u>\$ 348,754</u>
<b>Liabilities:</b>				
Securities sold, not yet purchased	\$ 4,282	\$ –	\$ –	\$ 4,282
Derivatives	–	30,572	–	30,572
Total	<u>\$ 4,282</u>	<u>\$ 30,572</u>	<u>\$ –</u>	<u>\$ 34,854</u>

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There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month and nine month periods ended September 30, 2012 and 2011.

The following tables provide a summary of changes in fair value of the Company's Level 3 assets for the three month and nine month periods ended September 30, 2012 and 2011:

	Three Months Ended September 30, 2012					Ending Balance
	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	
<b>Investments:</b>						
Equities	\$ 191	\$ —	\$ —	\$ —	\$ 5	\$ 196
Interests in alternative asset management funds	4,616	18	—	(1,199)	—	3,435
Private equity	113,991	(522)	2,945	(348)	1,128	117,194
<b>Total Level 3 Assets</b>	<b>\$ 118,798</b>	<b>\$ (504)</b>	<b>\$ 2,945</b>	<b>\$ (1,547)</b>	<b>\$ 1,133</b>	<b>\$ 120,825</b>

	Nine Months Ended September 30, 2012					Ending Balance
	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	
<b>Investments:</b>						
Equities	\$ 3,341	\$ 5	\$ 10	\$ (3,160)	\$ —	\$ 196
Interests in alternative asset management funds	7,041	107	10	(3,723)	—	3,435
Private equity	122,718	11,828	5,697	(23,093)	44	117,194
<b>Total Level 3 Assets</b>	<b>\$ 133,100</b>	<b>\$ 11,940</b>	<b>\$ 5,717</b>	<b>\$ (29,976)</b>	<b>\$ 44</b>	<b>\$ 120,825</b>

	Three Months Ended September 30, 2011					Ending Balance
	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	
<b>Investments:</b>						
Equities	\$ 135	\$ —	\$ —	\$ —	\$ (9)	\$ 126
Interests in alternative asset management funds	—	—	8,528	—	—	8,528
Private equity	174,704	(963)	17,158	(45,058)(b)	(3,063)	142,778
<b>Total Level 3 Assets</b>	<b>\$ 174,839</b>	<b>\$ (963)</b>	<b>\$ 25,686</b>	<b>\$ (45,058)</b>	<b>\$ (3,072)</b>	<b>\$ 151,432</b>

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	Nine Months Ended September 30, 2011					
	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	Ending Balance
<b>Investments:</b>						
Equities	\$ 316	\$ 3	\$ –	\$ (195)	\$ 2	\$ 126
Interests in alternative asset management funds	–	–	8,528	–	–	8,528
Private equity	163,482	2,861	30,233	(54,218)(b)	420	142,778
<b>Total Level 3 Assets</b>	<b><u>\$163,798</u></b>	<b><u>\$ 2,864</u></b>	<b><u>\$ 38,761</u></b>	<b><u>\$ (54,413)</u></b>	<b><u>\$ 422</u></b>	<b><u>\$151,432</u></b>

(a) Earnings for the three month and nine month periods ended September 30, 2012 and the three month and nine month periods ended September 30, 2011 include net unrealized gains (losses) of \$(460), \$9,103, \$(829) and \$2,988, respectively.

(b) Sales/dispositions of private equity investments for the three month and nine month periods ended September 30, 2011 include \$42,800 and \$49,500, respectively, in connection with a reduction of interests in certain funds of Edgewater as such funds are no longer consolidated by Lazard.

**Fair Value of Certain Investments Based on NAV**—The Company's Level 2 and Level 3 investments at September 30, 2012 and December 31, 2011 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:

	September 30, 2012							
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Equities	\$ 36,559	\$ –	1%	0%	0%	1%	Quarterly	60 Days
Interests in alternative asset management funds	31,673	–	0%	0%	0%	0%	Quarterly	>90 Days
Fixed income funds	3,132	–	0%	0%	0%	0%	Monthly	60 Days
Private equity	115,571	34,047	100%	23%	35%	42%	NA	NA
<b>Total</b>	<b><u>\$186,935</u></b>	<b><u>\$ 34,047</u></b>						

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	December 31, 2011							
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Equities	\$ 40,512	\$ —	2%	1%	0%	1%	Quarterly	60 Days
Interests in alternative asset management funds	20,600	—	0%	0%	0%	0%	Quarterly	>90 Days
Fixed income funds	3,319	—	0%	0%	0%	0%	Monthly	60 Days
Private equity	121,276	52,197	100%	33%	28%	39%	NA	NA
<b>Total</b>	<b>\$ 185,707</b>	<b>\$ 52,197</b>						

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

**Investment Capital Funding Commitments**—At September 30, 2012, the current maximum unfunded commitments by the Company for capital contributions to investment funds related to (i) CP II, amounting to \$2,124 for potential “follow-on investments” and/or for fund expenses through the earlier of February 25, 2017 or the liquidation of the fund, (ii) EGCP III, amounting to \$23,776 through the earlier of October 12, 2016 (*i.e.*, the end of the investment period) for investments and/or expenses (with a portion of the undrawn amount of such commitment as of that date remaining committed until October 12, 2023 in respect of “follow-on investments” and/or fund expenses) or the liquidation of the fund and (iii) COF 2, amounting to \$8,147, through the earlier of November 11, 2016 (*i.e.*, the end of the investment period) for investments and/or fund expenses (with a portion of the undrawn amount of such commitment as of that date remaining committed until November 11, 2019 in respect of “follow-on investments” and/or fund expenses) or the liquidation of the fund.

## 6. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, equity and fixed income swaps and other derivative contracts to hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt markets. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company’s derivative instruments are recorded at their fair value, and are included in “other assets” and “other liabilities” on the consolidated statements of financial condition. Gains and losses on the Company’s derivative instruments not designated as hedging instruments 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 Lazard Fund Interests awards and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures, and is included in “accrued compensation and benefits” in the consolidated statements of financial condition. Changes in the fair value of the derivative liabilities are included in “compensation and benefits” in the consolidated statements of operations, the impact of which equally offsets the changes in the fair value of investments which are currently

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expected to be delivered upon settlement of Lazard Fund Interests awards, which is reported in “revenue-other” in the consolidated statements of operations.

The tables below represent the fair values of the Company’s derivative instruments reported within “other assets” and “other liabilities” and the fair value of the Company’s derivative liabilities relating to its obligations pertaining to Lazard Fund Interests and other similar deferred compensation arrangements reported within “accrued compensation and benefits” (see Note 13 of Notes to Condensed Consolidated Financial Statements) on the accompanying condensed consolidated statements of financial condition as of September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
<b>Derivative Assets:</b>		
Forward foreign currency exchange rate contracts	\$ 2	\$ 4,245
Equity and fixed income swaps and other	44	2,886
Total	<u>\$ 46</u>	<u>\$ 7,131</u>
<b>Derivative Liabilities:</b>		
Forward foreign currency exchange rate contracts	\$ 5,089	\$ 304
Interest rate swaps	242	277
Equity and fixed income swaps	4,854	91
Lazard Fund Interests and other similar deferred compensation arrangements	91,053	29,900
Total	<u>\$ 101,238</u>	<u>\$ 30,572</u>

Net gains (losses) with respect to derivative instruments (predominantly included in “revenue-other”) and the Company’s derivative liabilities relating to its obligations pertaining to Lazard Fund Interests 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, 2012 and 2011, by type of derivative, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Forward foreign currency exchange rate contracts	\$ (3,377)	\$ 6,541	\$ (1,248)	\$(2,856)
Lazard Fund Interests and other similar deferred compensation arrangements	(4,728)	3,961	(4,639)	3,961
Equity and fixed income swaps and other	(6,710)	11,917	(12,654)	9,598
Total	<u>\$(14,815)</u>	<u>\$22,419</u>	<u>\$(18,541)</u>	<u>\$ 10,703</u>

**7. BUSINESS ACQUISITIONS**

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

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

In connection with Lazard Group’s prior year business acquisitions, Lazard Group recorded related party payables of \$3,695 at both September 30, 2012 and December 31, 2011 to subsidiaries of Lazard Ltd (see Note 16 of Notes to the Condensed Consolidated Financial Statements). Such amount will become members’ equity as the related shares of Class A common stock are issued. In the nine month period ended September 30, 2011, \$56,210 of related party payables became members’ equity as a result of the issuance of 3,682,116 shares of Class A common stock (including 1,247,555 shares delivered from Class A common stock held by Lazard Group).

**8. PROPERTY-NET**

At September 30, 2012 and December 31, 2011 property-net consists of the following:

	Estimated Depreciable Life in Years	September 30, 2012	December 31, 2011
Buildings	33	\$ 163,234	\$ 164,168
Leasehold improvements	2 - 20	182,070	159,191
Furniture and equipment	3 - 10	118,020	85,396
Construction in progress		25,828	26,347
Total		489,152	435,102
Less – Accumulated depreciation and amortization		272,740	266,673
Property-net		<u>\$ 216,412</u>	<u>\$ 168,429</u>

**9. GOODWILL AND OTHER INTANGIBLE ASSETS**

The components of goodwill and other intangible assets at September 30, 2012 and December 31, 2011 are presented below:

	September 30, 2012	December 31, 2011
Goodwill	\$ 364,761	\$ 356,657
Other intangible assets (net of accumulated amortization)	30,681	36,442
Total	<u>\$ 395,442</u>	<u>\$ 393,099</u>

At September 30, 2012 and December 31, 2011, goodwill of \$300,220 and \$292,116, respectively, was attributable to the Company’s Financial Advisory segment and, at such respective dates, \$64,541 of goodwill was attributable to the Company’s Asset Management segment.

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Changes in the carrying amount of goodwill for the nine month periods ended September 30, 2012, and 2011 are as follows:

	Nine Months Ended September 30,	
	2012	2011
Balance, January 1	\$356,657	\$313,229
Business acquisitions, including, in the 2011 period, \$39,654 of additional contingent consideration earned relating to prior year business acquisitions	4,272	42,566
Foreign currency translation adjustments	3,832	(4,874)
Balance, September 30	<u>\$364,761</u>	<u>\$350,921</u>

The gross cost and accumulated amortization of other intangible assets as of September 30, 2012 and December 31, 2011, by major intangible asset category, are as follows:

	September 30, 2012			December 31, 2011		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Success/performance fees	\$30,740	\$ 9,882	\$20,858	\$30,740	\$ 7,122	\$23,618
Management fees, customer relationships and non-compete agreements	33,035	23,212	9,823	32,624	19,800	12,824
Total	<u>\$63,775</u>	<u>\$ 33,094</u>	<u>\$30,681</u>	<u>\$63,364</u>	<u>\$ 26,922</u>	<u>\$36,442</u>

Amortization expense of intangible assets for the three month and nine month periods ended September 30, 2012 was \$2,494 and \$6,172, respectively, and for the three month and nine month periods ended September 30, 2011 was \$1,716 and \$4,896, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Future Amortization Expense (a)
2012 (October 1 through December 31)	\$ 1,487
2013	9,029
2014	8,477
2015	6,642
2016	5,046
Total	<u>\$ 30,681</u>

(a) Approximately 45% of intangible asset amortization is attributable to a noncontrolling interest.

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**10. SENIOR AND SUBORDINATED DEBT**

**Senior Debt**—Senior debt is comprised of the following as of September 30, 2012 and December 31, 2011:

	Initial Principal Amount	Maturity Date	Annual Interest Rate	Outstanding As Of	
				September 30, 2012	December 31, 2011
Lazard Group 7.125% Senior Notes	\$550,000	5/15/15	7.125%	\$ 528,500	\$ 528,500
Lazard Group 6.85% Senior Notes	600,000	6/15/17	6.85%	548,350	548,350
Lazard Group Credit Facility	150,000	9/25/15	0.90%	—	—
Total				<u>\$ 1,076,850</u>	<u>\$ 1,076,850</u>

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, 2012, the annual interest rate for a loan accruing interest (based on the Federal Funds overnight rate), including the applicable margin, was 0.90%. At September 30, 2012 and December 31, 2011, no amounts were outstanding under the Credit Facility or the prior revolving credit facility, respectively.

The Credit Facility contains customary terms and conditions, including certain financial covenants. In addition, the Credit Facility, as well as the indenture and the supplemental indentures relating to Lazard Group’s senior notes, contain certain covenants, events of default and other customary provisions, including, where applicable, a customary make-whole provision in the event of early redemption. As of September 30, 2012, the Company was in compliance with all of these provisions. All of the Company’s senior debt obligations are unsecured.

As of September 30, 2012, the Company had approximately \$301,000 in unused lines of credit available to it, including the Credit Facility, and unused lines of credit available to LFB of approximately \$91,000 (at September 30, 2012, exchange rates) and Edgewater of \$55,000. 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, 2012 and December 31, 2011 is recorded at historical amounts. At those dates, the fair value of such senior debt outstanding was approximately \$1,208,000 and \$1,138,000, respectively, and exceeded the aggregate carrying value by approximately \$131,000 and \$61,000, respectively. The fair value of the Company’s senior debt was estimated using a discounted cash flow analysis based on the Company’s current borrowing rates for similar types of borrowing arrangements or based on market quotations, where available. The Company’s senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value at both September 30, 2012 and December 31, 2011.

**Subordinated Debt**—On July 22, 2011, the Company repurchased its then outstanding \$150,000 subordinated promissory note, at a cost, excluding accrued interest, of \$131,829. Such repurchase resulted in a pre-tax gain of \$18,171, which was recognized by the Company in the third quarter of 2011 and included in “revenue-other” on the accompanying condensed consolidated statement of operations.



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**11. COMMITMENTS AND CONTINGENCIES**

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

**Guarantees**—In the normal course of business, LFB provides indemnifications to third parties to protect them in the event of non-performance by its clients. At September 30, 2012, LFB had approximately \$5,000 of such indemnifications and held approximately \$4,000 of collateral/counter-guarantees to secure these commitments. The Company believes the likelihood of loss with respect to these indemnities is remote. Accordingly, no liability is recorded in the consolidated statement of financial condition.

**Other Commitments**—In the normal course of business, LFB enters into commitments to extend credit, predominately at variable interest rates. Such commitments at September 30, 2012 aggregated approximately \$22,000. These commitments have varying expiration dates and are fully collateralized and generally contain requirements for the counterparty to maintain a minimum collateral level. These commitments may not represent future cash requirements as they may expire without being drawn upon.

See Notes 5, 7 and 14 of Notes to Condensed Consolidated Financial Statements for information regarding commitments relating to investment capital funding commitments, business acquisitions and obligations to fund our pension plans, respectively.

The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, LFB enters into underwriting commitments in which it participates as a joint underwriter. The settlement of such transactions are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations. At September 30, 2012, LFB had no such underwriting commitments.

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

**12. MEMBERS' EQUITY**

**Issuance of Class A Common Shares**—During the third quarter of 2011, Lazard Ltd issued an aggregate of 3,682,116 Class A common shares (including 1,247,555 shares delivered from Class A common stock held by Lazard Group) in connection with certain prior year business acquisitions.

**Lazard Group Distributions**—As previously described, Lazard Group's common membership interests are held by subsidiaries of Lazard Ltd and by LAZ-MD Holdings. Pursuant to provisions of the Operating Agreement, Lazard Group distributions in respect of its common membership interests are allocated to the

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holders of such interests on a pro rata basis. Such distributions represent amounts necessary to fund (i) any dividends Lazard Ltd may declare on its Class A common stock and (ii) tax distributions in respect of income taxes that Lazard Ltd's subsidiaries and the members of LAZ-MD Holdings incur as a result of holding Lazard Group common membership interests.

During the nine month periods ended September 30, 2012 and 2011, Lazard Group distributed the following amounts to subsidiaries of Lazard Ltd and LAZ-MD Holdings (none of which related to tax distributions):

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
Subsidiaries of Lazard Ltd	\$66,219	\$51,409
LAZ-MD Holdings	3,729	3,280
<b>Total</b>	<b>\$69,948</b>	<b>\$54,689</b>

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

**Exchange of Lazard Group Common Membership Interests**— During the nine month periods ended September 30, 2012 and 2011, Lazard Ltd issued 191,701 and 738,655 shares of Class A common stock, respectively, in connection with the exchange of a like number of Lazard Group common membership interests (received from members of LAZ-MD Holdings in exchange for a like number of LAZ-MD Holdings exchangeable interests).

**Share Repurchase Program**—In February 2011, October 2011 and April 2012, the Board of Directors of Lazard Ltd authorized, on a cumulative basis, the repurchase of up to \$250,000, \$125,000 and \$125,000, respectively, in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2012, December 31, 2013 and December 31, 2013, respectively. The Company's prior share repurchase authorizations expired on December 31, 2009 and December 31, 2011. The Company expects that the share repurchase program, with respect to the Class A common stock, will continue to be used, among other ways, to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2005 Equity Incentive Plan (the "2005 Plan") and the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan"). Pursuant to such authorizations, purchases have been made in the open market or through privately negotiated transactions. During the nine month period ended September 30, 2012, Lazard Group and subsidiaries of Lazard Ltd purchased 8,235,306 shares of Class A common stock, at an aggregate cost of \$222,679 (no Lazard Group common membership interests were purchased during such nine month period).

As of September 30, 2012, \$114,463 of the current aggregate share repurchase amount authorized as of such date remained available under the share repurchase program, all of which expires on December 31, 2013. In addition, under the terms of the 2005 Plan and the 2008 Plan, upon the vesting of restricted stock units ("RSUs"), shares of Class A common stock may be withheld by the Company to cover the recipient's estimated income tax liability (see Note 13 of Notes to Condensed Consolidated Financial Statements).

During the nine month period ended September 30, 2012, the Company had written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 in place, pursuant to which it effected stock repurchases through the open market.

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In October 2012, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional \$200,000 in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2014. During the period October 1 through October 24, 2012, Lazard Group purchased 3,374,308 shares of Class A common stock, at an aggregate cost of \$97,858 (including shares of Class A common stock received from members of LAZ-MD Holdings in exchange for a like number of LAZ-MD Holdings exchangeable interests). No Lazard Group common membership interests were purchased during such period. After giving effect to these purchases, and the additional share repurchase authorization described above, \$216,605 of the current aggregate share repurchase amount authorized remained available under the share repurchase program as of October 24, 2012, \$16,605 of which expires on December 31, 2013 and \$200,000 of which expires on December 31, 2014.

**Accumulated Other Comprehensive Income (Loss), Net of Tax (“AOCI”)**—The components of AOCI at September 30, 2012 and December 31, 2011 are as follows:

	September 30, 2012	December 31, 2011
Currency translation adjustments	\$ 31,575	\$ 16,958
Interest rate hedge	(2,766)	(3,557)
Employee benefit plans	(98,140)	(92,637)
Total AOCI	(69,331)	(79,236)
Less amount attributable to noncontrolling interests	85	16
Total Lazard Group AOCI	<u>\$ (69,416)</u>	<u>\$ (79,252)</u>

**Noncontrolling Interests**—Noncontrolling interests principally represent interests held in Edgewater’s management vehicles that the Company is deemed to control, but does not own.

The tables below summarize net income (loss) attributable to noncontrolling interests for the three month and nine month periods ended September 30, 2012 and 2011 and noncontrolling interests as of September 30, 2012 and December 31, 2011 as reflected in the Company’s accompanying condensed consolidated financial statements:

	Net Income (Loss) Attributable To Noncontrolling Interests			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Edgewater	\$(1,704)	\$ 587	\$ 2,168	\$ 7,492
Other	139	(362)	93	(475)
Total	<u>\$(1,565)</u>	<u>\$ 225</u>	<u>\$ 2,261</u>	<u>\$ 7,017</u>

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	Noncontrolling Interests As Of	
	September 30, 2012	December 31, 2011
Edgewater	\$ 82,669	\$ 91,713
Other	941	12,210
<b>Total</b>	<b>\$ 83,610</b>	<b>\$ 103,923</b>

### 13. INCENTIVE PLANS

#### *Share-Based Incentive Plan Awards*

A description of Lazard Ltd's 2005 Plan and 2008 Plan and activity with respect thereto during the nine month periods ended September 30, 2012 and 2011 is presented below.

#### *Shares Available Under the 2005 Plan and 2008 Plan*

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

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

The following is a summary of the impact of share-based incentive plans on "compensation and benefits" expense (with respect to RSUs and restricted stock awards) and "professional services" expense (with respect to deferred stock unit awards ("DSUs")) within the Company's accompanying condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Share-based incentive awards:				
RSUs	\$65,952	\$58,489	\$211,271	\$200,899
Restricted stock	1,659	374	7,538	9,373
DSUs	39	35	683	597
<b>Total</b>	<b>\$67,650</b>	<b>\$58,898</b>	<b>\$219,492</b>	<b>\$210,869</b>

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The Company's incentive plans are described below.

***Restricted and Deferred Stock Units***

RSUs generally require future service as a condition for the delivery of the underlying shares of Class A common stock (unless the recipient is then eligible for retirement under the Company's retirement policy) and convert into Class A common stock on a one-for-one basis after the stipulated vesting periods. The grant date fair value of the RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods.

RSUs issued subsequent to December 31, 2005 generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any ordinary quarterly dividends paid on Class A common stock during such period. During the nine month periods ended September 30, 2012 and 2011, dividend participation rights required the issuance of 479,958 and 251,146 RSUs, respectively.

Non-Executive members of the Board of Directors of Lazard Group (who are the same Non-Executive Directors of Lazard Ltd) receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs, which resulted in 49,982 and 26,859 DSUs granted during the nine month periods ended September 30, 2012 and 2011, respectively. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors' Fee Deferral Unit Plan described below. DSUs are convertible into Class A common stock at the time of cessation of service to the Board. DSUs include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock, and resulted in nominal cash payments for the nine month periods ended September 30, 2012 and 2011.

On May 9, 2006, the Board of Directors adopted the Directors' Fee Deferral Unit Plan, which allows the Company's Non-Executive Directors to elect to receive additional DSUs pursuant to the 2005 Plan in lieu of some or all of their cash fees. The number of DSUs that will be granted to a Non-Executive Director pursuant to this election will equal the value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date on which the foregone cash fees would otherwise have been paid. During the nine month periods ended September 30, 2012 and 2011, 7,988 and 5,371 DSUs, respectively, had been granted pursuant to such Plan.

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

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The following is a summary of activity relating to RSUs and DSUs during the nine month periods ended September 30, 2012 and 2011:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2012	20,751,829	\$ 36.84	140,660	\$ 34.83
Granted (including 479,958 RSUs relating to dividend participation)	8,121,632	\$ 27.56	57,970	\$ 23.57
Forfeited	(401,065)	\$ 35.49	–	–
Vested	(4,425,534)	\$ 34.43	–	–
Balance, September 30, 2012	<u>24,046,862</u>	<u>\$ 34.16</u>	<u>198,630</u>	<u>\$ 31.54</u>
Balance January 1, 2011	22,108,635	\$ 35.67	121,737	\$ 34.46
Granted (including 251,146 RSUs relating to dividend participation)	6,764,420	\$ 43.91	32,230	\$ 37.06
Forfeited	(287,975)	\$ 37.73	–	–
Vested	(7,848,744)	\$ 39.21	(16,120)	\$ 34.76
Balance, September 30, 2011	<u>20,736,336</u>	<u>\$ 36.99</u>	<u>137,847</u>	<u>\$ 35.03</u>

In connection with RSUs which vested during the nine month periods ended September 30, 2012 and 2011, the Company satisfied certain employees' tax obligations in lieu of issuing 1,331,812 and 2,302,798 shares of Class A common stock in the respective periods. Accordingly, 3,093,722 and 5,545,946 shares of Class A common stock held by the Company were delivered during the respective periods. In addition, during the nine month period ended September 30, 2012, 42,432 shares of previously delivered Class A common stock were forfeited by certain former employees and returned to the Company.

As of September 30, 2012, unrecognized RSU compensation expense, adjusted for estimated forfeitures, was approximately \$257,000, with such unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.2 years subsequent to September 30, 2012. The ultimate amount of such expense is dependent upon the actual number of RSUs that vest. The Company periodically assesses the forfeiture rates used for such estimates. A change in estimated forfeiture rates would cause the aggregate amount of compensation expense recognized in future periods to differ from the estimated unrecognized compensation expense described herein.

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**Restricted Stock**

The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the nine month periods ended September 30, 2012 and 2011:

	<u>Restricted Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance, January 1, 2012	95,332	\$ 37.63
Granted	577,323	\$ 29.25
Forfeited	(21,178)	\$ 29.51
Vested	(186,180)	\$ 31.60
Balance, September 30, 2012	<u>465,297</u>	<u>\$ 30.02</u>
Balance, January 1, 2011	95,332	\$ 37.63
Granted	327,238	\$ 43.70
Vested	(327,238)	\$ 43.70
Balance, September 30, 2011	<u>95,332</u>	<u>\$ 37.63</u>

In connection with shares of restricted Class A common stock that vested during the nine month periods ended September 30, 2012 and 2011, the Company satisfied certain employees' tax obligations in lieu of delivering 28,129 and 68,866 shares of Class A common stock during the respective periods. Accordingly, 158,051 and 258,372 shares of Class A common stock held by the Company were delivered during the respective nine month periods.

The awards include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock during the period, which will vest concurrently with the underlying restricted stock award. At September 30, 2012, unrecognized restricted stock expense was approximately \$8,000, with such expense to be recognized over a weighted average period of approximately 1.8 years subsequent to September 30, 2012.

**Lazard Fund Interests and Other Similar Deferred Compensation Arrangements**

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

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The following is a summary of activity relating to Lazard Fund Interests and other similar deferred compensation arrangements during the nine month period ended September 30, 2012:

	<u>Prepaid Compensation</u>	<u>Compensation Liability</u>
Balance, January 1, 2012	\$ 17,782	\$ 29,900
Granted	64,658	64,658
Settled	–	(8,640)
Forfeited	(1,607)	(1,706)
Amortization (including grants of awards to retirement-eligible recipients)	(24,508)	–
Increase in fair value related to:		
Change in fair value of underlying investments	–	4,639
Adjustment for estimated forfeitures	–	2,202
Other	101	–
Balance, September 30, 2012	<u>\$ 56,426</u>	<u>\$ 91,053</u>

The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 1.8 years subsequent to September 30, 2012.

The following is a summary of the impact of Lazard Fund Interests and other similar deferred compensation arrangements on “compensation and benefits” expense within the accompanying condensed consolidated statements of operations for the three and nine month periods ended September 30, 2012 and 2011:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Amortization, after impact of forfeitures	\$ 9,626	\$ 2,480	\$26,611	\$ 7,534
Change in fair value of underlying investments	4,728	(3,961)	4,639	(3,961)
Total	<u>\$14,354</u>	<u>\$(1,481)</u>	<u>\$31,250</u>	<u>\$ 3,573</u>

**14. EMPLOYEE BENEFIT PLANS**

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

**Employer Contributions to Pension Plans**—The Company’s funding policy for its U.S. and non-U.S. pension plans is to fund when required or when applicable upon an agreement with the plans’ Trustees. Management also evaluates from time to time whether to make voluntary contributions to the plans. The Company made a contribution to the U.S. pension plans during the nine month period ended September 30, 2012 of approximately \$700.



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On April 30, 2012, the Company and the Trustees of the U.K. pension plans concluded the December 31, 2010 triennial valuations of the plans. In connection with such valuations and a previously negotiated agreement with the Trustees, the Company and the Trustees agreed upon pension funding terms (the “agreement”) (which superseded the terms of an agreement reached in June 2009 with respect to the previous triennial valuation as of December 31, 2007) whereby the Company: (i) made a contribution in December 2011 to the plans of 2.3 million British pounds (\$3,687 at December 31, 2011 exchange rates) from a previously established escrow account, (ii) will make contributions of 1 million British pounds during each year from 2012 through 2020 inclusive and (iii) amended the previous escrow arrangement into an account security arrangement covering 10.2 million British pounds, committing to make annual contributions of 1 million British pounds into such account security arrangement during each year from 2014 through 2020. It was further agreed that, to the extent that the value of the plans’ assets falls short of the funding target for June 1, 2020 that has been agreed upon with the Trustees, the assets from the account security arrangement would be released into the plans at that date. Additionally, the Company agreed to fund the expenses of administering the plans, including certain regulator levies and the cost of other professional advisors to the plans. The terms of the agreement are subject to adjustment based on the results of subsequent triennial valuations. The aggregate amount in the account security arrangement at September 30, 2012 of approximately \$16,500 has been recorded in “cash deposited with clearing organizations and other segregated cash” on the accompanying condensed consolidated statement of financial condition. Income on the escrow balance accretes to the Company and is recorded in interest income.

During the nine month period ended September 30, 2012, the Company contributed 1 million British pounds (\$1,577 at September 30, 2012 exchange rates) to these U.K. pension plans, and no contributions were made to other non-U.S. pension plans.

The following table summarizes the components of net periodic benefit cost for the three month and nine month periods ended September 30, 2012 and 2011:

	Pension Plans		Post-Retirement Medical Plans	
	Three Months Ended September 30,			
	2012	2011	2012	2011
<b>Components of Net Periodic Benefit Cost:</b>				
Service cost	\$ 166	\$ 163	\$ 15	\$ 18
Interest cost	6,862	7,242	53	70
Expected return on plan assets	(6,637)	(7,763)	—	—
Amortization of:				
Prior service cost	668	756	—	—
Net actuarial loss	412	65	—	—
Net periodic benefit cost	<u>\$ 1,471</u>	<u>\$ 463</u>	<u>\$ 68</u>	<u>\$ 88</u>

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	Pension Plans		Post-Retirement Medical Plans	
	Nine Months Ended September 30,			
	2012	2011	2012	2011
<b>Components of Net Periodic Benefit Cost:</b>				
Service cost	\$ 504	\$ 495	\$ 45	\$ 52
Interest cost	20,649	21,401	158	209
Expected return on plan assets	(19,931)	(23,029)	—	—
Amortization of:				
Prior service cost	2,056	2,258	—	—
Net actuarial loss	1,243	194	—	—
Settlement loss (a)	886	—	—	—
Net periodic benefit cost	<u>\$ 5,407</u>	<u>\$ 1,319</u>	<u>\$ 203</u>	<u>\$ 261</u>

(a) During the nine month period ended September 30, 2012, the Company’s pension plans in the U.S. made lump sum benefit payments in excess of the plans’ annual service and interest costs, which, under U.S. GAAP, requires that the plans’ obligations and assets be remeasured. The remeasurement of the plans resulted in the recognition of actuarial losses totaling \$1,935 recorded in “other comprehensive income (loss), net of tax” (“OCI”), which, after recording a settlement loss of \$886 recognized in “compensation and benefits” expense, resulted in a net charge to OCI of \$1,049.

**15. INCOME TAXES**

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

The Company recorded income tax provisions of \$10,769 and \$26,138 for the three month and nine month periods ended September 30, 2012, respectively, and \$12,880 and \$36,986 for the three month and nine month periods ended September 30, 2011, respectively, representing effective tax rates of 22.7%, 20.8%, 14.2% and 14.5%, respectively. The difference between the U.S. federal statutory rate of 35.0% and the effective tax rates described above principally relates to (i) Lazard Group primarily operating as a limited liability company in the U.S. and (ii) U.S. state and local taxes (primarily UBT), which are incremental to the U.S. federal statutory tax rate.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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**16. RELATED PARTIES**

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

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
<b>Receivables</b>		
Lazard Ltd subsidiaries	\$199,668	\$186,239
LFCM Holdings	7,037	14,790
Other	3,865	3,711
Total	<u>\$210,570</u>	<u>\$204,740</u>
<b>Payables</b>		
Lazard Ltd subsidiaries	\$216,058	\$126,875
LFCM Holdings	2,290	2,060
Other	747	1,225
Total	<u>\$219,095</u>	<u>\$ 130,160</u>

**Lazard Ltd Subsidiaries**

Lazard Group's receivables from subsidiaries of Lazard Ltd at September 30, 2012 and December 31, 2011 include interest-bearing loans of \$196,998 and \$186,078, respectively, including accrued interest thereon. Interest income relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to \$2,960 and \$8,420 for the three month and nine month periods ended September 30, 2012, respectively, and \$1,911 and \$5,641 for the three month and nine month periods ended September 30, 2011, respectively.

As of both September 30, 2012 and December 31, 2011, Lazard Group's payables to subsidiaries of Lazard Ltd includes \$3,695 in connection with Lazard Group's prior year business acquisitions (see Note 7 of Notes to Condensed Consolidated Financial Statements). In addition, as of September 30, 2012 and December 31, 2011, Lazard Group's payables to subsidiaries of Lazard Ltd include interest-bearing loans, plus accrued interest thereon, of approximately \$212,000 and \$123,000, respectively. Such amount at September 30, 2012 includes approximately \$86,000 resulting from the sale in the first quarter of 2012 of an interest-bearing intercompany receivable due from a Lazard Group subsidiary to a Lazard Ltd subsidiary, which was sold at a discount to reflect arm's-length terms, resulting in a loss to Lazard Group of \$5,638. Interest expense relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to \$2,381 and \$7,497 for the three month and nine month periods ended September 30, 2012, respectively, and \$1,013 and \$3,035 for the three month and nine month periods ended September 30, 2011, respectively.

**LFCM Holdings**

LFCM Holdings owns and operates the capital markets business and fund management activities, as well as other specified non-operating assets and liabilities, that were transferred to it by Lazard Group (referred to as the "separated businesses") in May 2005 and is owned by various current and former working members, including certain of Lazard's current and former managing directors (which also include the Company's executive officers) who were or are also members of LAZ-MD Holdings. In addition to the master separation agreement dated as of May 10, 2005, by and among Lazard Ltd, Lazard Group, LAZ-MD Holdings and LFCM Holdings (the "master separation agreement"), which effected the separation and recapitalization that occurred in May 2005, LFCM

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

Holdings entered into certain agreements that addressed various business matters associated with the separation, including agreements related to administrative and support services (the “administrative services agreement”), employee benefits, insurance matters and licensing. In addition, LFCM Holdings and Lazard Group entered into a business alliance agreement (the “business alliance agreement”). Certain of these agreements are described in more detail in the Company’s Form 10-K.

For the three month and nine month periods ended September 30, 2012, amounts recorded by Lazard Group relating to the administrative services agreement amounted to \$666 and \$2,181, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to \$182 and \$4,548, respectively. For the three month and nine month periods ended September 30, 2011, amounts recorded by Lazard Group relating to the administrative services agreement amounted to \$596 and \$1,788, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to \$5,927 and \$19,074, respectively. Amounts relating to the administrative services agreement are reported as reductions to operating expenses. Net referral fees for underwriting transactions under the business alliance agreement are reported in “revenue-other”. Net referral fees for private placement, M&A and restructuring transactions under the business alliance agreement are reported in advisory fee revenue.

Receivables from LFCM Holdings and its subsidiaries as of September 30, 2012 and December 31, 2011 include \$2,363 and \$11,862, respectively, related to administrative and support services, and other receivables which include sublease income and reimbursement of expenses incurred on behalf of LFCM Holdings, and \$4,674 and \$2,928, respectively, related to referral fees for underwriting and private placement transactions. Payables to LFCM Holdings and its subsidiaries at September 30, 2012 and December 31, 2011 consist of \$2,290 and \$2,060, respectively, principally relating to certain advances and referral fees for Financial Advisory transactions.

**Other**

Other receivables and payables at September 30, 2012 and December 31, 2011 primarily relate to referral fees for restructuring and M&A transactions with MBA Lazard Holdings S.A. and its affiliates, an Argentina-based group in which the Company has a 50% ownership interest, and a related party loan.

**LAZ-MD Holdings**

Lazard Group provides selected administrative and support services to LAZ-MD Holdings through the administrative services agreement as discussed above, with such services generally to be provided until December 31, 2014 unless terminated earlier because of a change in control of either party. Lazard Group charges LAZ-MD Holdings for these services based on Lazard Group’s cost allocation methodology and, for the three month and nine month periods ended September 30, 2012, such charges amounted to \$188 and \$563, respectively. For the three month and nine month periods ended September 30, 2011, such charges amounted to \$188 and \$563, respectively.

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

**17. REGULATORY AUTHORITIES**

LFNY is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Under the basic method permitted by this rule, the minimum required net capital, as defined, is a specified fixed percentage of total aggregate indebtedness recorded in LFNY's Financial and Operational Combined Uniform Single ("FOCUS") report filed with the Financial Industry Regulatory Authority ("FINRA"), or \$100, whichever is greater. At September 30, 2012, LFNY's regulatory net capital was \$123,097, which exceeded the minimum requirement by \$119,424.

Certain U.K. subsidiaries of the Company, including LCL, Lazard Fund Managers Limited and Lazard Asset Management Limited (the "U.K. Subsidiaries") are regulated by the Financial Services Authority. At September 30, 2012, the aggregate regulatory net capital of the U.K. Subsidiaries was \$107,795, which exceeded the minimum requirement by \$89,602.

CFLF, under which asset management and commercial banking activities are carried out in France, is subject to regulation by the Autorité de Contrôle Prudentiel for its banking activities conducted through its subsidiary, LFB. In addition, the investment services activities of the Paris group, exercised through LFB and other subsidiaries of CFLF, primarily LFG (asset management), are subject to regulation and supervision by the Autorité des Marchés Financiers. At September 30, 2012, the consolidated regulatory net capital of CFLF was \$173,924, which exceeded the minimum requirement set for regulatory capital levels by \$79,308.

Certain other U.S. and non-U.S. subsidiaries are subject to various capital adequacy requirements promulgated by various regulatory and exchange authorities in the countries in which they operate. At September 30, 2012, for those subsidiaries with regulatory capital requirements, their aggregate net capital was \$116,764, which exceeded the minimum required capital by an aggregate of \$88,166.

At September 30, 2012, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

Lazard Ltd had been subject to supervision by the SEC as a Supervised Investment Bank Holding Company ("SIBHC"). As a SIBHC, Lazard Ltd was subject to group-wide supervision, which required it to compute allowable capital and risk allowances on a consolidated basis. However, pursuant to Section 617 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the SEC's SIBHC program was eliminated on July 21, 2011. Pursuant to relevant rules in the European Union, which we are examining, LFB, as a European credit institution, is required to be supervised on a consolidated basis by another regulatory body, either in the U.S., by the Board of Governors of the Federal Reserve, or the European Union. 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.

**18. SEGMENT INFORMATION**

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

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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The Company's segment information for the three month and nine month periods ended September 30, 2012 and 2011 is prepared using the following methodology:

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

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

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

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

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Financial Advisory</b>				
Net Revenue	\$ 219,973	\$ 253,585	\$ 739,793	\$ 731,621
Operating Expenses	212,449	213,614	693,546	641,397
Operating Income	<u>\$ 7,524</u>	<u>\$ 39,971</u>	<u>\$ 46,247</u>	<u>\$ 90,224</u>
<b>Asset Management</b>				
Net Revenue	\$ 221,516	\$ 219,077	\$ 647,096	\$ 690,785
Operating Expenses	160,883	156,709	477,989	466,827
Operating Income	<u>\$ 60,633</u>	<u>\$ 62,368</u>	<u>\$ 169,107</u>	<u>\$ 223,958</u>
<b>Corporate</b>				
Net Revenue	\$ (12,178)	\$ (7,339)	\$ (40,113)	\$ (41,158)
Operating Expenses	8,479	4,224	49,709	17,900
Operating Loss	<u>\$ (20,657)</u>	<u>\$ (11,563)</u>	<u>\$ (89,822)</u>	<u>\$ (59,058)</u>
<b>Total</b>				
Net Revenue	\$ 429,311	\$ 465,323	\$ 1,346,776	\$ 1,381,248
Operating Expenses	381,811	374,547	1,221,244	1,126,124
Operating Income	<u>\$ 47,500</u>	<u>\$ 90,776</u>	<u>\$ 125,532</u>	<u>\$ 255,124</u>

**LAZARD GROUP LLC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(UNAUDITED)**  
**(dollars in thousands, unless otherwise noted)**

	<i>As Of</i>	
	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>Total Assets</b>		
Financial Advisory	\$ 760,366	\$ 767,699
Asset Management	487,635	583,524
Corporate	1,897,561	1,686,230
Total	<u>\$ 3,145,562</u>	<u>\$3,037,453</u>

**19. SUBSEQUENT EVENT**

In October 2012, the Company announced a number of cost saving initiatives relating to the Company's operations. The Company expects associated pre-tax implementation expenses to range between \$110,000 and \$130,000, primarily consisting of compensation expense. The Company expects to recognize a significant majority of the expense in the fourth quarter of 2012 and the remainder in the first half of 2013. Approximately 75% of the implementation expenses are expected to be paid in cash.

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

*The following discussion should be read in conjunction with Lazard Group’s condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (the “Form 10-Q”), as well as Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the “Form 10-K”). All references to “2012”, “2011”, “third quarter”, “nine months” or “the period” refer to, as the context requires, the three month and nine month periods ended September 30, 2012 and September 30, 2011.*

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

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

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

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

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

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

- business’ financial goals, including the ratio of awarded compensation and benefits expense to operating revenue,
- business’ ability to deploy surplus cash through dividends, share repurchases and debt repurchases,
- business’ ability to offset stockholder dilution through share repurchases,
- business’ possible or assumed future results of operations and operating cash flows,



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- 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,
- 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 macroeconomic and industry trends,
- effects of competition on our business, and
- impact of future legislation and regulation on our business.

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

### **Business Summary**

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

Our primary business purpose is to serve our clients. Our deep roots in business centers around the world form a global network of relationships with key decision-makers in corporations, governments and investing institutions. This network is both a competitive strength and a powerful resource for Lazard and our clients. As a firm that competes on the quality of our advice, we have two fundamental assets: our people and our reputation.

We operate in cyclical businesses across multiple geographies, industries and asset classes. 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.

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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 offers a broad range of 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 globally.

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 record outstanding indebtedness in our Corporate segment.

LFB is a registered bank regulated by the Autorité de Contrôle Prudential. 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 by our segments as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Financial Advisory	51%	55%	55%	53%
Asset Management	52	47	48	50
Corporate	(3)	(2)	(3)	(3)
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

We also invest our own capital from time to time, generally alongside capital of qualified institutional and individual investors in alternative investments or private equity investments, and, since 2005, we have engaged in a number of alternative investments and private equity activities, including investments through (i) the Edgewater Funds (“Edgewater”), our Chicago-based private equity firm, (ii) Lazard Australia Corporate Opportunities Fund 2 (“COF 2”), a Lazard-managed Australian private equity fund targeting Australasian mid-market investments, (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 may 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 and Outlook

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

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Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and capital-raising activity as well as our Asset Management business, but may provide opportunities for our restructuring business.

Overall, global equity market indices at September 30, 2012 increased when compared to such indices at December 31, 2011, including increases in most of the indices during the third quarter of 2012. On an industry-wide basis, during the first nine months of 2012, M&A activity has generally decreased as compared to the corresponding period in 2011. The announced value and number of global M&A transactions decreased in the first nine months of 2012 as compared to the corresponding period in 2011. Restructuring volume declined in the third quarter of 2012, as compared to the corresponding period in 2011, despite an increase in the number of corporate defaults.

Entering the fourth quarter of 2012, interest rates remain low and corporate cash balances remain high. Macroeconomic conditions remain uncertain, however, especially with respect to Europe. The breadth of our businesses has mitigated the impact of the European financial crisis. Although European M&A activity has declined in the third quarter of 2012 and affected our Financial Advisory business, we believe other advisory opportunities, including opportunities for our Restructuring, Debt Advisory, and Sovereign Advisory businesses, have offset the slowdown. In our Asset Management business, most of LAM's European clients are invested with LAM primarily outside of Europe. Those who are invested in Europe are investing primarily in European fixed income, which has not had a significant impact on our Asset Management business. Nonetheless, the business situation in Europe remains challenging.

We intend to leverage our existing infrastructure to capitalize on any global macroeconomic recovery, any upturn in the M&A cycle, and any momentum in the global equity markets. We expect to generate revenue growth by remaining adequately staffed to capitalize on any macroeconomic recovery and deploying our intellectual capital to generate new revenue streams. We also remain focused on expense management and, in October 2012, announced a number of cost saving initiatives relating to our operations. See "October 2012 Cost Saving Initiatives" below and Note 19 of Notes to Condensed Consolidated Financial Statements.

Our outlook with respect to our Financial Advisory and Asset Management businesses is described below.

- **Financial Advisory** – In the near- to mid-term, we expect that the U.S. macroeconomic environment likely will be the strongest of the developed economies. Certain legal decisions in the U.S. reinforce the importance of independent advice, and the global scale and breadth of our Financial Advisory business allows us to advise on large, complex cross-border transactions across a variety of industries. We continue to develop our range of advisory capabilities. In Europe, we believe our Restructuring, Debt Advisory, Capital Markets Advisory and Sovereign Advisory businesses have positive growth prospects. In addition, we believe our businesses throughout the emerging markets, Japan and Australia position us for growth in these markets, while strengthening and distinguishing our relationships with clients in developed economies. We recently integrated our Brazilian operations based in São Paulo. We also created Lazard Africa to leverage our sovereign and corporate expertise in the rapidly growing region, for our clients in both developed and developing countries.
- **Asset Management** – Despite turbulent markets, we have recently seen investor demand across regions and investment platforms. In the short to intermediate term, we expect most of our growth will come from defined benefit and defined contribution plans in the developed economies because of their sheer scope and size. Over the longer term, we expect an increasing share of our AUM to come from the developing economies in Asia, Latin America and the Middle East, as their retirement systems evolve and individual wealth is increasingly deployed in the financial markets. Our global footprint is already well established in the developed economies and we expect our business in the developing economies will continue to expand. Given our globally diversified platform and our ability to provide investment solutions for a global mix of clients, we believe we are positioned to benefit from growth that may occur in the asset management industry. We recently extended the global footprint of our Asset Management business by opening a new office in Zurich. We are continually developing and

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seeding new investment strategies that extend our existing platforms. Recent examples of growth initiatives include the following investment strategies: Emerging Market Debt, Core Emerging Markets, Real Estate, Managed Volatility Strategies, Multistrategy products and Global Trend.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all potentially applicable factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See the section entitled “Risk Factors” in our Form 10-K. Furthermore, net income and revenue in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year to year and quarter to quarter. Overall, we continue to focus on the development of our business in this environment, including the generation of stable revenue and earnings growth and stockholder returns during periods of macroeconomic volatility, the prudent management of our costs and expenses, the efficient use of our capital and the return of cash to our stockholders.

Certain data with respect to our Financial Advisory and Asset Management businesses are included below.

### **Financial Advisory**

As reflected in the following table, which sets forth industry statistics for the third quarter and first nine months of 2012 and 2011 regarding the value and number of global and Trans-Atlantic completed and announced M&A transactions, the value and number of such transactions in the 2012 periods generally decreased compared to the corresponding prior year periods, reflecting transactions with generally lower average values.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Incr / (Decr)	2012	2011	% Incr / (Decr)
(\$ in billions)						
<b>Completed M&amp;A Transactions:</b>						
Global:						
Value	\$ 447	\$ 547	(18)%	\$ 1,371	\$ 1,850	(26)%
Number	6,396	7,633	(16)%	20,494	23,704	(14)%
Trans-Atlantic:						
Value	\$ 45	\$ 53	(15)%	\$ 91	\$ 159	(43)%
Number	283	352	(20)%	839	998	(16)%
<b>Announced M&amp;A Transactions:</b>						
Global:						
Value	\$ 554	\$ 552	— %	\$ 1,648	\$ 1,917	(14)%
Number	8,763	9,968	(12)%	27,320	31,309	(13)%
Trans-Atlantic:						
Value	\$ 34	\$ 40	(15)%	\$ 172	\$ 139	24%
Number	321	388	(17)%	994	1,159	(14)%

Source: Thomson Reuters as of October 24, 2012.

Global restructuring activity during the first nine months of 2012, as measured by the value of debt defaults, decreased from the corresponding period in 2011. However, the number of issuers defaulting increased to 46 in the nine month period of 2012, according to Moody’s Investors Service, Inc., as compared to 17 in the corresponding period of 2011, with approximately one-half of such activity occurring in the first quarter of each respective year. Our Restructuring activities include advising companies on matters relating to debt restructurings, refinancings and other on- and off-balance sheet assignments, and our assignments are generally executed over a six- to eighteen-month period.

Fees related to our Sovereign Advisory activities are included in M&A and Strategic Advisory revenue.

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### **Asset Management**

As shown in the table below, major equity market indices at September 30, 2012 generally increased when compared to such indices at September 30, 2011, December 31, 2011 and June 30, 2012.

	Percentage Changes September 30, 2012 vs.		
	June 30, 2012	December 31, 2011	September 30, 2011
MSCI World Index	7%	12%	20%
CAC 40	5%	6%	13%
DAX	13%	22%	31%
FTSE 100	3%	3%	12%
TOPIX 100	(5)%	2%	(2)%
MSCI Emerging Market	7%	9%	13%
Dow Jones Industrial Average	4%	10%	23%
NASDAQ	6%	20%	26%
S&P 500	6%	15%	27%

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM and the nature of the product mix. Accordingly, market movements, foreign currency volatility and changes in our AUM product mix will impact the level of revenues we receive from our Asset Management business. A substantial portion of our AUM is invested in equities, and market movements reflected in the changes in Lazard's AUM during the period generally reflect the changes in global market indices. While our AUM at September 30, 2012 increased 14% versus AUM at December 31, 2011 (primarily reflecting market appreciation), our average AUM for the third quarter of 2012 increased 5% as compared to the corresponding period of 2011, and, for the nine month period of 2012, decreased 0.4% as compared to our average AUM for the corresponding period of 2011. The changes in the levels of average AUM, as well as the AUM product mix, contributed to the changes in management fee revenue in the 2012 periods when compared to the corresponding periods in 2011.

### **October 2012 Cost Saving Initiatives**

On October 25, 2012, we announced a number of cost saving initiatives to reduce our expenses. These initiatives include streamlining our corporate structure and consolidating support functions; realigning our investments into areas with potential for the greatest long-term return; and creating greater flexibility to retain and attract the best people and invest in new growth areas. We expect these initiatives will result in improved profitability with minimal impact on revenue growth. Our objective is for the majority of these initiatives to be completed in the fourth quarter of 2012, and to result in approximately \$125 million in annual expense savings. We expect at least two-thirds of the expense savings to be realized in 2013, and we expect the full impact of the expense savings to be realized in 2014. Approximately \$85 million of the expense savings relates to compensation expense and approximately \$40 million relates to non-compensation expense. We expect pre-tax implementation expenses to range between \$110 million and \$130 million and to primarily consist of compensation expense. We expect to recognize a significant majority of these expenses in the fourth quarter of 2012 and the remainder in the first half of 2013. Approximately 75% of the implementation expenses are expected to be paid in cash.

### **Financial Statement Overview**

#### **Net Revenue**

The majority of Lazard's Financial Advisory net revenue historically has been 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

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

Lazard's Asset Management segment principally includes LAM, LFG and Edgewater. 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 and product mix of AUM, which is generally influenced by the performance of the global equity markets and, to a lesser extent, fixed income markets and Lazard's investment performance, which impacts its ability to successfully attract and retain assets. As a result, fluctuations (including timing thereof) in financial markets and client asset inflows and outflows have a direct effect on Asset Management net revenue and operating income. Asset Management fees are generally based on the level and product mix of AUM measured daily, monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations, currency fluctuations, changes in product mix, 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). 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, principal investments in equities and alternative asset management funds and "equity method" investments, as well as gains and losses on the extinguishment of debt

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

Although Corporate segment net revenue during the first nine months of 2012 represented (3)% of Lazard’s net revenue, total assets in the Corporate segment represented 60% of Lazard’s consolidated total assets as of September 30, 2012, which is attributable to investments in government bonds and money market funds, fixed income funds, alternative asset management funds and other securities, private equity investments, cash and LFB’s assets.

### **Operating Expenses**

The majority of Lazard’s operating expenses relate to compensation and benefits for managing directors and employees. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of previously granted deferred incentive compensation awards (see Note 13 of Notes to Condensed Consolidated Financial Statements) including (a) share-based incentive compensation under the Lazard Ltd 2005 Equity Incentive Plan (the “2005 Plan”) and the Lazard Ltd 2008 Incentive Compensation Plan (the “2008 Plan”) and (b) Lazard Fund Interests awards and other similar deferred compensation arrangements (see Note 13 of Notes to Condensed Consolidated Financial Statements), (iii) a provision for discretionary or guaranteed cash bonuses and profit pools, and (iv) when applicable, severance payments. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our operating and financial performance, staffing levels, competitive pay conditions and the nature of revenues earned, as well as the mix between current and deferred compensation.

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

We believe that “awarded compensation and benefits expense” and the ratio of “awarded compensation and benefits expense” to “operating revenue,” both non-U.S. GAAP measures, are the most appropriate measures to assess the actual annual cost of compensation and 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.

Compensation and benefits expense is the largest component of our operating expenses. Our goal is for awarded compensation and benefits expense to rise at a slower rate than operating revenue growth, and if operating revenue declines, awarded compensation and benefits expense should also decline. In addition, we seek to maintain discipline with respect to deferred compensation. Based on a similar mix of revenues from our business as today and a gradual improvement in the macroeconomic environment, we believe that over the cycle

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we can attain a ratio of awarded compensation and benefits expense to operating revenue in the mid-to-high-50s percentage range, which compares to 61.5% for the year ended December 31, 2011. While we have begun to implement initiatives, including the cost saving initiatives announced in October 2012 (see “October 2012 Cost Saving Initiatives” above and Note 19 of Notes to Condensed Consolidated Financial Statements), that we believe will assist us in achieving a ratio within this range, there can be no guarantee that such a ratio will be achieved or that our policies or initiatives will not change in the future. We may benefit from pressure on compensation costs within the financial services industry in future periods, but increased competition for senior professionals, changes in the macroeconomic environment or the financial markets generally, lower operating revenue, changes in the mix of revenues from our businesses or various other factors could prevent us from achieving this goal.

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

### ***Provision for Income Taxes***

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

### ***Noncontrolling Interests***

Noncontrolling interests primarily relate to the amount attributable to Edgewater’s management vehicles that the Company is deemed to control but not own. See Note 12 of Notes to Condensed Consolidated Financial Statements for information regarding the Company’s noncontrolling interests.

### **Consolidated Results of Operations**

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



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in thousands)			
<b>Net Revenue</b>	<u>\$ 429,311</u>	<u>\$ 465,323</u>	<u>\$ 1,346,776</u>	<u>\$ 1,381,248</u>
<b>Operating Expenses:</b>				
Compensation and benefits	283,805	273,518	905,488	829,989
Non-compensation	95,512	99,313	309,584	291,239
Amortization of intangible assets related to acquisitions	2,494	1,716	6,172	4,896
Total operating expenses	<u>381,811</u>	<u>374,547</u>	<u>1,221,244</u>	<u>1,126,124</u>
<b>Operating Income</b>	47,500	90,776	125,532	255,124
Provision for income taxes	10,769	12,880	26,138	36,986
<b>Net Income</b>	<u>36,731</u>	<u>77,896</u>	<u>99,394</u>	<u>218,138</u>
<b>Less – Net Income (Loss) Attributable to Noncontrolling Interests</b>	<u>(1,565)</u>	<u>225</u>	<u>2,261</u>	<u>7,017</u>
<b>Net Income Attributable to Lazard Group</b>	<u>\$ 38,296</u>	<u>\$ 77,671</u>	<u>\$ 97,133</u>	<u>\$ 211,121</u>
<b>Operating Income, As A % Of Net Revenue</b>	<u>11.1%</u>	<u>19.5%</u>	<u>9.3%</u>	<u>18.5%</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in thousands)			
<b>Operating Revenue</b>				
Total revenue	\$ 452,350	\$ 488,500	\$ 1,415,624	\$ 1,453,078
Add (deduct):				
LFB interest expense (a)	(332)	(778)	(1,207)	(2,812)
Revenue related to noncontrolling interests (b)	(1,193)	(3,057)	(10,141)	(14,345)
Gain on the repurchase of subordinated promissory note (c)	–	(18,171)	–	(18,171)
(Gains) losses on investments pertaining to Lazard Fund Interests (d)	(4,728)	3,961	(4,639)	3,961
Operating revenue	<u>\$ 446,097</u>	<u>\$ 470,455</u>	<u>\$ 1,399,637</u>	<u>\$ 1,421,711</u>

- (a) Interest expense incurred by LFB is reported as a charge in determining operating revenue because LFB is a commercial bank and we consider its interest expense to be a cost directly related to the revenues of its business.
- (b) Revenue related to the consolidation of noncontrolling interests is excluded because the Company has no economic interest in such amount.

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- (c) Gain related to the repurchase of the Company's subordinated promissory note is excluded 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 that correspond to changes in the value of the related compensation liability, which is recorded within compensation and benefits expense, are excluded.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(\$ in thousands)				
<b>Adjusted Compensation and Benefits Expense</b>				
Total compensation and benefits expense	\$283,805	\$273,518	\$905,488	\$829,989
Add (deduct):				
Noncontrolling interests (a)	(1,020)	(837)	(3,110)	(2,749)
(Charges) credits pertaining to Lazard Fund Interests (b)	(4,728)	3,961	(4,639)	3,961
Costs related to staff reductions (c)	—	—	(21,754)	—
Adjusted compensation and benefits expense	<u>\$278,057</u>	<u>\$276,642</u>	<u>\$875,985</u>	<u>\$831,201</u>
Adjusted compensation and benefits expense, as a % of Operating Revenue	<u>62.3%</u>	<u>58.8%</u>	<u>62.6%</u>	<u>58.5%</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(\$ in thousands)				
<b>Adjusted Non-Compensation Expense</b>				
Total non-compensation expense	\$95,512	\$99,313	\$309,584	\$291,239
Deduct:				
Noncontrolling interests (a)	(655)	(780)	(1,954)	(1,438)
Costs related to staff reductions (b)	—	—	(2,905)	—
Adjusted non-compensation expense	<u>\$94,857</u>	<u>\$98,533</u>	<u>\$304,725</u>	<u>\$289,801</u>
Adjusted non-compensation expense, as a % of Operating Revenue	<u>21.3%</u>	<u>20.9%</u>	<u>21.8%</u>	<u>20.4%</u>

- (a) Expenses related to the consolidation of noncontrolling interests are excluded because, as is the case with operating revenue, the Company has no economic interest in such amounts.
- (b) Non-compensation costs associated with staff reductions are excluded to enhance comparability of adjusted non-compensation expense relative to operating revenue between present, historical and future periods.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
(\$ in thousands)				
<b>Earnings From Operations</b>				
Operating revenue	\$ 446,097	\$ 470,455	\$1,399,637	\$1,421,711
Deduct:				
Adjusted compensation and benefits expense	(278,057)	(276,642)	(875,985)	(831,201)
Adjusted non-compensation expense	(94,857)	(98,533)	(304,725)	(289,801)
Earnings from operations	<u>\$ 73,183</u>	<u>\$ 95,280</u>	<u>\$ 218,927</u>	<u>\$ 300,709</u>
Earnings from operations, as a % of Operating Revenue	<u>16.4%</u>	<u>20.3%</u>	<u>15.6%</u>	<u>21.2%</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>As a % of Net Revenue, by Revenue Category:</b>				
Investment banking and other advisory fees	51%	53%	54%	52%
Money management fees	50	46	46	48
Interest income	1	1	1	1
Other	3	5	4	5
Interest expense	(5)	(5)	(5)	(6)
Net revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

	As Of		
	September 30, 2012	December 31, 2011	September 30, 2011
<b>Headcount:</b>			
Managing Directors:			
Financial Advisory	155	140	140
Asset Management	76	71	70
Corporate	13	11	10
Other Employees:			
Business segment professionals	1,140	1,092	1,068
All other professionals and support staff	1,197	1,197	1,164
Total	<u>2,581</u>	<u>2,511</u>	<u>2,452</u>

**Operating Results**

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

*Three Months Ended September 30, 2012 versus September 30, 2011*

The Company reported net income attributable to Lazard Group in the 2012 period of \$38 million, as compared to net income of \$78 million in the 2011 period. The changes in the Company's operating results during these periods are described below.

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Net revenue in the 2012 period decreased \$36 million, or 8%, with operating revenue decreasing \$24 million, or 5%, respectively, as compared to the 2011 period. Fee revenue from investment banking and other advisory activities decreased \$30 million, or 12%, primarily due to a \$28 million, or 14%, decline in M&A and Strategic Advisory fee revenue. This decrease primarily resulted from lower average fees for assignments with fees greater than \$1 million. Money management fees increased \$2 million, or 1%, during the 2012 period primarily due to an \$8 billion, or 5%, increase in average AUM, generally reflecting market appreciation, offset by a shift in the product mix of AUM. In the aggregate, interest income, other revenue and interest expense contributed to a decrease in net revenue of \$8 million as compared to the corresponding period in 2011, primarily due to an \$18 million gain on extinguishment of debt in the 2011 period, and a decrease in referral fees from LFCM Holdings in the 2012 period, with such items partially offset by net investment gains in the 2012 period.

Compensation and benefits expense increased \$10 million, or 4%, in the 2012 period as compared to the corresponding prior year period. Adjusted compensation and benefits expense (which excludes certain items, and which we believe allows for improved comparability between interim periods, as described above) was substantially unchanged when compared to the 2011 period. The ratio of adjusted compensation and benefits expense to operating revenue was 62.3% for the 2012 period, versus 58.8% and 61.7% for the third quarter and full year of 2011, respectively. The ratio in the 2012 period was negatively impacted by higher amortization of deferred incentive compensation awards as described in more detail in the discussion below regarding year-to-date results. Further, 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.

Non-compensation expense in the 2012 period decreased \$4 million, or 4%, as compared to the corresponding period in 2011. When excluding non-compensation costs relating to noncontrolling interests, adjusted non-compensation expense in the third quarter of 2012 also decreased \$4 million, or 4%, driven primarily by lower professional fees. The ratio of adjusted non-compensation expense to operating revenue was 21.3% in the 2012 period versus 20.9% for the corresponding period in 2011.

Amortization of intangible assets was substantially unchanged versus the 2011 period.

Operating income in the 2012 period decreased \$43 million, or 48%, as compared to operating income in the 2011 period. Operating income, as a percentage of net revenue, was 11.1% as compared to 19.5% in the 2011 period. Earnings from operations decreased 23% as compared to the 2011 period, and, as a percentage of operating revenue, was 16.4% as compared to 20.3% in the 2011 period.

The provision for income taxes decreased \$2 million, or 16%, as compared to the 2011 period, and reflected an effective tax rate of 22.7% versus 14.2% for the 2011 period.

Net income (loss) attributable to noncontrolling interests was \$(2) million and \$0.2 million in the 2012 and 2011 periods, respectively. The decrease primarily reflects a lower level of earnings at Edgewater in the 2012 period.

### ***Nine Months Ended September 30, 2012 versus September 30, 2011***

The Company reported net income attributable to Lazard Group in the 2012 period of \$97 million, as compared to net income of \$211 million in the 2011 period. The changes in the Company's operating results during these periods are described below.

Net revenue in the 2012 period decreased \$35 million, or 2%, with operating revenue decreasing \$22 million, or 2%, respectively, as compared to the 2011 period. Fee revenue from investment banking and other advisory activities increased \$20 million, or 3%, reflecting increases in M&A and Strategic Advisory fee revenue of \$26 million, or 5%, and Restructuring fee revenue of \$13 million, or 10%, partially offset by a

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decrease in Other Advisory fee revenue of \$19 million, or 32%. The increase in M&A and Strategic Advisory fee revenue was driven by the strong performance of Lazard Middle Market and the overall breadth and volume of our global M&A and Sovereign Advisory businesses. Higher fees were earned from our top 10 clients during the 2012 period, reflecting the closing of several significant M&A and sovereign and government advisory transactions. Although global corporate restructuring activity continues its industry-wide decline, the increase in Restructuring fee revenue in the 2012 period was driven by an increase in the average fees per assignment, most of which was attributable to the first quarter of 2012. Money management fees decreased \$38 million, or 6%, during the 2012 period, due to a \$0.5 billion, or 0.4%, decrease in average AUM and a change in the product mix of AUM. In the aggregate, interest income, other revenue and interest expense contributed to a decrease in net revenue of \$17 million as compared to the corresponding period in 2011, primarily due to an \$18 million gain on extinguishment of debt in the 2011 period and a decrease in referral fees from LFCM Holdings in the 2012 period, with such items partially offset by net investment gains in the 2012 period.

Compensation and benefits expense in the 2012 period increased \$75 million, or 9%, compared to the corresponding prior year period, which, in part, reflected a \$22 million first quarter 2012 charge associated with staff reductions, representing severance costs and benefit payments, \$7 million of which related to the acceleration of unrecognized amortization expense of deferred incentive compensation previously granted to individuals being terminated. Also contributing to the increase was a higher level of amortization of deferred incentive compensation awards and increased salaries and benefits. Adjusted compensation and benefits expense (which excludes certain items, and which we believe allows for improved comparability between interim periods, as described above), increased \$45 million, or 5%, when compared to the 2011 period. The ratio of adjusted compensation and benefits expense to operating revenue was 62.6% for the 2012 period, which compares to 58.5% and 61.7% for the first nine months and full year of 2011, respectively. The ratio of adjusted compensation and benefits expense to operating revenue for the 2012 period assumed, based on current market conditions, a ratio of awarded compensation and benefits expense to operating revenue of approximately 60% for the full year of 2012, as compared to 61.5% for the full year of 2011. As described above, when analyzing compensation and benefits expense on a full year basis, we believe that awarded compensation and benefits expense provides the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years.

We currently expect that amortization of deferred incentive compensation awards will approximate \$339 million for the full year of 2012, compared to \$289 million for the full year of 2011, when excluding a charge of \$7 million in the first quarter of 2012, and the impact of the cost saving initiatives announced in October 2012 (see "October 2012 Cost Saving Initiatives" above and Note 19 of Notes to Condensed Consolidated Financial Statements), in each case to the extent they relate to staff reductions. Approximately \$41 million, or 82%, of the increased amortization in 2012 is related to the 2008 plan year deferred incentive compensation awards (the "2008 grant"), approximately \$32 million of which was expensed in the first nine months of 2012, representing approximately 2.3% of operating revenue for the period. The 2008 grant had a four year vesting period and is the last grant with a vesting period in excess of three years. Amortization of deferred incentive compensation expense is expected to revert to a lower level after the first quarter of 2013 following the full vesting of the 2008 grant.

Non-compensation expense in the 2012 period increased \$18 million, or 6%, as compared to the corresponding period in 2011. Non-compensation expense in the first nine months of 2012 included first quarter charges totaling \$3 million associated with the staff reductions. When excluding such charges, as well as non-compensation costs relating to noncontrolling interests, adjusted non-compensation expense in the first nine months of 2012 increased \$15 million, or 5%, primarily attributable to (i) higher occupancy costs in the 2012 period as a result of our amended lease and associated build-out costs of our Rockefeller Center facility, (ii) deal-related costs specifically related to transactions that closed in the 2012 period and (iii) investments in technology, with such increased costs partially offset by decreased professional fees and mutual fund servicing fees. The ratio of adjusted non-compensation expense to operating revenue was 21.8% in the 2012 period versus 20.4% for the corresponding period in 2011. We currently estimate that, on a full year basis in 2012 as compared to 2011, our occupancy-related costs associated with the amended lease at our Rockefeller Center facility will increase by approximately \$13 million.

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Amortization of intangible assets increased \$1 million, or 26%, as compared to the 2011 period.

Operating income in the 2012 period (including the above-mentioned charges relating to staff reductions aggregating \$25 million) decreased \$130 million, or 51%, as compared to operating income in the 2011 period. Operating income, as a percentage of net revenue, was 9.3%, as compared to 18.5% in the 2011 period. Earnings from operations declined \$82 million, or 27%, when compared to the 2011 period, and, as a percentage of operating revenue, was 15.6%, as compared to 21.2% in the 2011 period.

The provision for income taxes decreased \$11 million, or 29%, when compared to the 2011 period, and reflected an effective tax rate of 20.8% versus 14.5% for the 2011 period.

Net income attributable to noncontrolling interests decreased \$5 million in the 2012 period, primarily reflecting a lower level of earnings at Edgewater in the 2012 period.

### **Business Segments**

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

### **Financial Advisory**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in thousands)			
M&A and Strategic Advisory	\$171,417	\$199,120	\$559,411	\$533,440
Capital Markets and Other Advisory	14,174	16,316	45,718	76,142
Total Strategic Advisory	185,591	215,436	605,129	609,582
Restructuring	34,382	38,149	134,664	122,039
Net Revenue	219,973	253,585	739,793	731,621
Operating Expenses (a)	212,449	213,614	693,546	641,397
Operating Income	\$ 7,524	\$ 39,971	\$ 46,247	\$ 90,224
Operating Income, As A Percentage Of Net Revenue	3.4%	15.8%	6.3%	12.3%

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

Net revenue trends in Financial Advisory for M&A and Strategic Advisory and Restructuring are generally correlated to the volume of completed industry-wide M&A transactions and restructurings occurring subsequent to corporate debt defaults, respectively. However, deviations from this relationship can occur in any given year for a number of reasons. For instance, our results can diverge from industry-wide activity where there are material variances from the level of industry-wide M&A activity in a particular market where Lazard has significant market share, or

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regarding the relative number of our advisory engagements with respect to larger-sized transactions, and where we are involved in significant non-public assignments. While the M&A industry data described above on completed and announced transactions reflects decreased M&A activity in the first nine months of 2012 as compared to the corresponding period in 2011, our M&A and Strategic Advisory revenue (which includes Sovereign and Government Advisory revenue) increased 5% in the 2012 nine month period as compared to the 2011 period.

Certain Lazard fee and transaction statistics are set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Lazard Statistics:</b>				
Number of Clients With Fees Greater Than \$1 Million:				
Total Financial Advisory	57	65	186	173
M&A and Strategic Advisory	46	49	139	115
Percentage of Total Financial Advisory Revenue from Top 10 Clients	33%	29%	24%	17%
Number of M&A Transactions Completed With Values Greater than \$1 billion (a)	8	10	34	40

(a) Source: Thomson Reuters as of October 24, 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
United States	55%	51%	59%	53%
Europe	38	43	34	40
Rest of World	7	6	7	7
Total	100%	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**

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

***Three Months Ended September 30, 2012 versus September 30, 2011***

Total Strategic Advisory net revenue, representing fees from M&A, Sovereign, Capital Markets, Private Funds and Other Advisory businesses, decreased \$30 million, or 14%, and Restructuring revenue decreased \$4 million, or 10%, as compared to the 2011 period.

M&A and Strategic Advisory revenue decreased \$28 million, or 14%, as compared to the 2011 period. Capital Markets and Other Advisory revenue decreased \$2 million, or 13%. The decrease in M&A and Strategic Advisory revenue was primarily due to lower average fees for assignments with fees greater than \$1 million. Our major clients, which, in the aggregate, represented a significant portion of our M&A and Strategic Advisory revenue for the third quarter of 2012, included Aeroporti di Roma, GlaxoSmithKline, Gryson shareholders, Klune Industries (Vance Street Capital), MEDTOX Scientific, Montagu Private Equity, Progress Energy and St Barbara Limited. The decrease in Capital Markets and Other Advisory revenue in the 2012 period was primarily attributable to a decrease in referral fees from LFCM Holdings, partially offset by a higher 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 decrease in Restructuring revenue in the 2012 period was primarily due to a lower number of completed assignments. Notable assignments completed in the third quarter of 2012 included assignments for Cemex, Lighthouse Bondholders Committee, White Birch Paper Company, Grupo Uralita and Cementos Portland Valderrivas.

Operating expenses decreased \$1 million, or 1%, as compared to the 2011 period. Decreases in compensation and benefits expense and professional fees were partially offset by increased occupancy costs, primarily as a result of our amended lease and associated build-out costs of our Rockefeller Center facility.

Financial Advisory operating income in the 2012 period decreased \$32 million, or 81%, as compared to the 2011 period. Operating income, as a percentage of net revenue, was 3.4% as compared to 15.8% in the 2011 period.

***Nine Months Ended September 30, 2012 versus September 30, 2011***

Total Strategic Advisory net revenue, representing fees from M&A, Sovereign, Capital Markets, Private Funds and Other Advisory businesses, decreased \$4 million, or 1%, and Restructuring revenue increased \$13 million, or 10%, as compared to the 2011 period.

M&A and Strategic Advisory revenue increased \$26 million, or 5%, as compared to the 2011 period. Capital Markets and Other Advisory revenue decreased \$30 million, or 40%. The increase in M&A and Strategic Advisory revenue was primarily due to the strong performance of Lazard Middle Market and a higher level of fees earned from our top 10 clients, reflecting the closing of several significant M&A, Sovereign Advisory and Government Advisory transactions. The decrease in Capital Markets and Other Advisory revenue in the 2012 period was primarily attributable to a lower level of closings by Private Fund Advisory and a decrease in referral fees from LFCM Holdings.

The increase in Restructuring revenue in the 2012 period was driven by an increase in the average fee per assignment, most of which was attributable to the first quarter of 2012.

Operating expenses increased \$52 million, or 8%, as compared to the 2011 period. The primary contributors to the increase were higher levels of compensation and benefits expense (see the discussion regarding compensation and benefits expense described above under “Operating Results—Nine Months Ended September 30, 2012 versus September 30, 2011”), deal-related costs specifically related to transactions that closed in the 2012 period, business development expense and occupancy costs in the 2012 period, the latter primarily as a result of our amended lease and associated build-out costs of our Rockefeller Center facility.



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Financial Advisory operating income in the 2012 period decreased \$44 million, or 49%, as compared to the 2011 period. Operating income, as a percentage of net revenue, was 6.3% as compared to 12.3% in the 2011 period.

### Asset Management

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

	As of	
	September 30, 2012	December 31, 2011
	(\$ in millions)	
International Equities	\$33,206	\$ 27,599
Global Equities	78,395	68,584
U.S. Equities	20,630	20,179
Total Equities	132,231	116,362
European and International Fixed Income	15,332	12,293
Global Fixed Income	3,043	2,350
U.S. Fixed Income	3,530	3,107
Total Fixed Income	21,905	17,750
Alternative Investments	4,753	5,349
Private Equity	1,428	1,486
Cash Management	94	92
Total AUM	<u>\$160,411</u>	<u>\$ 141,039</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in millions)			
Average AUM	<u>\$ 156,620</u>	<u>\$ 148,705</u>	<u>\$ 152,744</u>	<u>\$ 153,299</u>

AUM at September 30, 2012 increased \$19 billion, or 14%, as compared to AUM of \$141 billion at December 31, 2011, primarily due to market appreciation. Average AUM for the three month period ended September 30, 2012 was 5% higher than that for the corresponding period in 2011, while average AUM for the nine month period ended September 30, 2012 was 0.4% lower than for the corresponding period in 2011. International, Global and U.S. equities represented 20%, 49% and 13% of total AUM at September 30, 2012, substantially unchanged from the respective percentages at December 31, 2011.

As of September 30, 2012, approximately 91% 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 9% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and individuals, with such percentages substantially unchanged from the corresponding percentages at December 31, 2011.

As of both September 30, 2012 and December 31, 2011, AUM denominated in foreign currencies represented approximately 61% of our total AUM. Foreign denominated AUM declines in value with the strengthening of the U.S. Dollar and increases in value as the U.S. Dollar weakens.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in millions)			
AUM—Beginning of Period	\$ 148,439	\$ 161,597	\$ 141,039	\$ 155,337
Net Flows (a)	1,813	(1,122)	2,788	(754)
Market and Foreign Exchange Appreciation (Depreciation)	10,159	(24,663)	16,584	(18,771)
AUM—End of Period	<u>\$ 160,411</u>	<u>\$ 135,812</u>	<u>\$ 160,411</u>	<u>\$ 135,812</u>

(a) Includes inflows of \$7,660 and \$5,375 and outflows of \$5,847 and \$6,497 for the three month periods in 2012 and 2011, respectively, and inflows of \$20,269 and \$18,297 and outflows of \$17,481 and \$19,051 for the nine month periods in 2012 and 2011, respectively.

During the first nine months of 2012, inflows were principally in International Equities and Emerging Markets Debt products, primarily due to increased investments in existing accounts, as well as new accounts. Outflows during the first nine months of 2012 were principally in U.S. and Emerging Markets Equity products, primarily resulting from withdrawals in existing accounts.

As of October 24, 2012, AUM was \$159.9 billion, a decrease of \$0.5 billion since September 30, 2012. The decrease in AUM was due to market/foreign exchange depreciation of \$0.8 billion, partially offset by net inflows of \$0.3 billion.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in thousands)			
Revenue:				
Management Fees	\$ 202,324	\$ 199,980	\$ 597,407	\$ 627,965
Incentive Fees	10,606	9,395	16,906	20,872
Other	8,586	9,702	32,783	41,948
Net Revenue	<u>221,516</u>	<u>219,077</u>	<u>647,096</u>	<u>690,785</u>
Operating Expenses (a)	160,883	156,709	477,989	466,827
Operating Income	<u>\$ 60,633</u>	<u>\$ 62,368</u>	<u>\$ 169,107</u>	<u>\$ 223,958</u>
Operating Income, As A Percentage of Net Revenue	<u>27.4%</u>	<u>28.5%</u>	<u>26.1%</u>	<u>32.4%</u>

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

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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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
United States	63%	61%	63%	60%
Europe	26	29	26	29
Rest of World	11	10	11	11
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

### *Asset Management Results of Operations*

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

#### *Three Months Ended September 30, 2012 versus September 30, 2011*

Asset Management net revenue increased \$2 million, or 1%, as compared to the 2011 period. Management fees increased \$2 million, or 1%, as compared to the 2011 period, driven primarily by a 5% increase in average AUM, generally reflecting market appreciation, offset by a shift in the product mix of AUM. Incentive fees, principally consisting of traditional long-only strategies, increased \$1 million, or 13%, as compared to the 2011 period. Other revenue decreased \$1 million, or 12%, as compared to the 2011 period, primarily due to a decline in commissions and custody fees.

Operating expenses increased \$4 million, or 3%, as compared to the 2011 period, primarily due to an increase in compensation and benefits expense and higher occupancy costs associated with our amended lease and build-out costs of our Rockefeller Center facility. These increases were partially offset by lower fees for fund administration, professional fees and business development expenses.

Asset Management operating income decreased \$2 million, or 3%, as compared to operating income in the 2011 period. Operating income, as a percentage of net revenue, was 27.4%, as compared to 28.5% in the 2011 period.

#### *Nine Months Ended September 30, 2012 versus September 30, 2011*

Asset Management net revenue decreased \$44 million, or 6%, as compared to the 2011 period. Management fees decreased \$31 million, or 5%, as compared to the 2011 period, driven by a 0.4% decrease in average AUM and a change in the product mix of AUM. Incentive fees, primarily consisting of traditional long-only strategies, decreased \$4 million, or 19%, as compared to the 2011 period, primarily due to a change in fee structure on one mandate from a quarterly to an annual performance fee basis. Other revenue decreased \$9 million, or 22%, as compared to the 2011 period, primarily due to a decline in commissions and custody fees from an unusually strong 2011 period.

Operating expenses increased \$11 million, or 2%, as compared to the 2011 period primarily due to an increase in compensation and benefits expense (see the discussion regarding compensation and benefits expense described above under "Operating Results—Nine Months Ended September 30, 2012 versus September 30,

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2011”) and higher occupancy costs in the 2012 period associated with our amended lease and build-out costs of our Rockefeller Center facility. These increases were partially offset by lower professional fees and fees for fund administration.

Asset Management operating income decreased \$55 million, or 24%, as compared to operating income in the 2011 period. Operating income, as a percentage of net revenue, was 26.1%, as compared to 32.4% in the 2011 period.

### Corporate

The following table summarizes the reported operating results attributable to the Corporate segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(\$ in thousands)			
Interest Income	\$ 3,697	\$ 3,425	\$ 10,799	\$ 10,360
Interest Expense	(23,005)	(22,461)	(68,813)	(69,836)
Net Interest (Expense)	(19,308)	(19,036)	(58,014)	(59,476)
Other Revenue	7,130	11,697	17,901	18,318
Net Revenue (Expense)	(12,178)	(7,339)	(40,113)	(41,158)
Operating Expenses	8,479	4,224	49,709	17,900
Operating Loss	<u>\$ (20,657)</u>	<u>\$ (11,563)</u>	<u>\$ (89,822)</u>	<u>\$ (59,058)</u>

### Corporate Results of Operations

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

#### Three Months Ended September 30, 2012 versus September 30, 2011

Net interest expense was substantially unchanged compared to the 2011 period.

Other revenue decreased \$5 million, or 39%, primarily due to an \$18 million gain on extinguishment of debt in the 2011 period, which was partially offset by net investment gains in the 2012 period.

Operating expenses increased \$4 million, primarily due to increased compensation and benefits expense related to the net gain in the value of Lazard Fund Interests.

#### Nine Months Ended September 30, 2012 versus September 30, 2011

Net interest expense decreased \$2 million, or 2%, as compared to the 2011 period.

Other revenue was substantially unchanged as compared to the 2011 period. While the 2012 period had increased investment gains of \$26 million, including a net gain in the value of Lazard Fund Interests, when compared to the 2011 period, such increase was offset by (i) a loss on the sale of an intercompany receivable in the 2012 period and (ii) an \$18 million gain on the extinguishment of debt in the 2011 period.

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Operating expenses in the 2012 period (including the above-mentioned \$25 million charge in the first quarter of 2012 relating to staff reductions) increased \$32 million. Excluding the impact of such staff reduction charge, operating expenses in the 2012 period increased \$7 million, or 40%, as compared to the 2011 period, primarily due to increases in the 2012 period relating to (i) occupancy costs, as a result of our amended lease and associated build-out costs of our Rockefeller Center facility, (ii) compensation and benefits expense related to a net gain in the value of Lazard Fund Interests and (iii) technology costs.

### Cash Flows

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

The Company makes cash payments for, or in respect of, a significant portion of its incentive compensation during the first three months of each calendar year with respect to the prior year's results. In addition, the Company expects to make cash payments, including severance payments, associated with the cost saving initiatives announced in October 2012 (see "October 2012 Cost Saving Initiatives" above and Note 19 of Notes to Condensed Consolidated Financial Statements), a significant portion of which will be paid during the fourth quarter of 2012.

### Summary of Cash Flows:

	Nine Months Ended	
	September 30,	
	2012	2011
	(\$ in millions)	
<b>Cash Provided By (Used In):</b>		
Operating activities:		
Net income	\$ 99.4	\$ 218.1
Noncash charges (a)	286.4	232.5
Other operating activities (b)	(153.3)	(168.9)
Net cash provided by operating activities	232.5	281.7
Investing activities	(69.6)	(16.9)
Financing activities (c)	(168.3)	(484.7)
Effect of exchange rate changes	6.3	0.2
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	0.9	(219.7)
<b>Cash and Cash Equivalents:</b>		
<b>Beginning of Period</b>	821.0	1,024.8
<b>End of Period</b>	<u>\$ 821.9</u>	<u>\$ 805.1</u>

(a) Consists of the following:

Depreciation and amortization of property	\$ 22.5	\$ 18.2
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	252.1	227.6
Amortization of intangible assets related to acquisitions	6.2	4.9
Loss on sale of intercompany receivable	5.6	–
Gain on extinguishment of debt	–	(18.2)
Total	<u>\$ 286.4</u>	<u>\$ 232.5</u>

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- (b) Includes net changes in operating assets and liabilities.
- (c) Consists primarily of purchases of shares of Class A common stock, tax withholdings related to the settlement of vested restricted stock units (“RSU”s), distributions to members and noncontrolling interest holders and activity relating to borrowings, and in the 2012 period, proceeds from the sale of an intercompany receivable to a subsidiary of Lazard Ltd.

### **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.

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. The Company expects liquidity also to be impacted by cash payments, including severance payments, associated with the cost saving initiatives announced in October 2012 (see “October 2012 Cost Saving Initiatives” above and Note 19 of Notes to Condensed Consolidated Financial Statements), a significant portion of which will be paid during the fourth quarter of 2012.

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’ 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, 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 September 30, 2012, Lazard had approximately \$822 million of cash, with such amount including approximately \$312 million held at Lazard’s operations outside the U.S. No material amount of additional U.S. income taxes would be recognized upon receipt of dividends or distributions of earnings from the Company’s foreign operations.

We maintain lines of credit in excess of anticipated liquidity requirements. As of September 30, 2012, Lazard had approximately \$301 million in unused lines of credit available to it, including a \$150 million, three-year, senior revolving credit facility with a group of lenders that expires in September 2015 (the “Credit Facility”) (see “—Financing Activities” below) and unused lines of credit available to LFB of approximately \$91 million (at September 30, 2012 exchange rates) and Edgewater of \$55 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 covenants relating to leverage and interest

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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.

See Note 10 of Notes to Condensed Consolidated Financial Statements for additional information regarding Lazard's senior and subordinated debt.

### **Financing Activities**

The table below sets forth our corporate indebtedness as of September 30, 2012 and December 31, 2011. The agreements with respect to this indebtedness are discussed in more detail in our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Form 10-K.

	<u>Maturity Date</u>	<u>As of</u>		<u>Increase (Decrease)</u>
		<u>September 30, 2012</u>	<u>December 31, 2011</u>	
(\$ in millions)				
Senior Debt:				
7.125%	2015	\$ 528.5	\$ 528.5	\$ —
6.85%	2017	548.4	548.4	—
Total Senior Debt		<u>\$ 1,076.9</u>	<u>\$ 1,076.9</u>	<u>\$ —</u>

Lazard's annual cash flow generated from operations historically has been sufficient to enable it to meet its annual obligations. Lazard has not drawn on its Credit Facility or prior revolving credit facilities 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 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 September 30, 2012, Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 2.30 to 1.00 and its Consolidated Interest Coverage Ratio being 6.81 to 1.00. In any event, no amounts were outstanding under the Credit Facility as of September 30, 2012.

In addition, the Credit Facility, indenture and supplemental indentures relating to Lazard Group's senior notes contain certain other covenants (none of which relate to financial condition), events of default and other customary provisions. At September 30, 2012, the Company was in compliance with all of these provisions. We may, to the extent required and subject to restrictions contained in our financing arrangements, use other financing sources, which may cause us to be subject to additional restrictions or covenants.

See Note 10 of Notes to Condensed Consolidated Financial Statements for additional information regarding senior debt.

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### **Members' Equity**

At September 30, 2012, total members' equity was \$792 million, as compared to \$718 million at December 31, 2011, including \$709 million and \$614 million attributable to Lazard Group on the respective dates. The net activity in members' equity during the nine month period ended September 30, 2012 is reflected in the table below (in millions of dollars):

Members' Equity—January 1, 2012	\$ 718
Increase (decrease) due to:	
Net income	99
Amortization of share-based incentive compensation	220
Purchase of Class A common stock	(123)
Delivery of Class A common stock in connection with share-based incentive compensation (and related tax expense of \$1)	(42)
Distributions to members and noncontrolling interests - net	(82)
Deconsolidation of investment companies	(11)
AOCI (including noncontrolling interests' portion thereof)(*)	10
Other - net	3
Members' Equity—September 30, 2012	<u>\$ 792</u>
(*) Includes:	
Net foreign currency translation adjustments	\$ 15
Employee benefit plans and other adjustments	(5)
Total	<u>\$ 10</u>

In February 2011, October 2011 and April 2012, the Board of Directors of Lazard Ltd authorized the repurchase of up to \$250 million, \$125 million and \$125 million, respectively, in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2012, December 31, 2013 and December 31, 2013, respectively. During the nine month period ended September 30, 2012 Lazard Group and subsidiaries of Lazard Ltd repurchased 8,235,306 shares of Class A common stock, at an aggregate cost of \$223 million (no Lazard Group common membership interests were purchased during such nine month period).

As of September 30, 2012, \$115 million of the current aggregate share repurchase amount authorized as of such date remained available under the share repurchase program, all of which expires on December 31, 2013. In addition, under the terms of the 2005 Plan and the 2008 Plan, upon the vesting of RSUs, shares of Class A common stock may be withheld by the Company to cover estimated income taxes. In that regard, during the first nine months of 2012 the Company utilized \$41 million to satisfy certain employees' withholding tax obligations on vested RSUs and delivery of restricted Class A common stock in lieu of issuing 1,359,941 shares of Class A common stock directly by Lazard Ltd or by delivery of shares held by Lazard Group or other subsidiaries of Lazard Ltd.

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

In October 2012, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional \$200 million in aggregate cost of Class A common stock and Lazard Group common membership interests through December 31, 2014. During the period October 1 through October 24, 2012, the Company purchased 3,374,308 shares of Class A common stock, at an aggregate cost of \$98 million (including shares of Class A common stock received from members of LAZ-MD Holdings in exchange for a like number of LAZ-MD Holdings exchangeable interests). No Lazard Group common membership interests were purchased during





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and liabilities. On an ongoing basis, Lazard evaluates its estimates, including those related to revenue recognition, compensation liabilities, income taxes, investing activities and goodwill. Lazard bases these estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

### ***Revenue Recognition***

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

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

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

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

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

### ***Income Taxes***

As part of the process of preparing its consolidated financial statements, Lazard is required to estimate its income taxes in each of the jurisdictions in which it operates. This process requires Lazard to estimate its actual current tax liability and to assess temporary differences resulting from differing book versus tax treatment of items, such as deferred revenue, compensation and benefits expense, unrealized gains or losses on investments and depreciation. These temporary differences result in deferred tax assets and liabilities, which are included within Lazard’s consolidated statements of financial condition. Significant management judgment is required in determining Lazard’s provision for income taxes, its deferred tax assets and liabilities, and, as discussed below, any valuation allowance recorded against our deferred tax assets. At December 31, 2011, the Company recorded

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deferred tax assets of approximately \$189 million, with such amount partially offset by a valuation allowance of approximately \$89 million due to the uncertainty of realizing the benefits of the book versus tax basis differences and certain net operating loss carry-forwards (and have not changed our assessment regarding the level of valuation allowance as of September 30, 2012). In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will be realized and, when necessary, valuation allowances are established. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We consider the level of historical taxable income, scheduled reversals of deferred taxes, projected future taxable income and tax planning strategies that can be implemented by the Company in making this assessment. If actual results differ from these estimates or Lazard adjusts these estimates in future periods, Lazard may need to adjust its valuation allowance if such circumstances indicate that the valuation allowance should be reduced or is no longer necessary. The portion reduced would result in a reduction in the provision for income taxes. A change in the valuation allowance could materially impact Lazard's consolidated financial position and results of operations. Furthermore, we apply the "more likely than not" criteria prior to the recognition of a financial statement benefit of a tax position taken or expected to be taken in a tax return with respect to uncertainties in income taxes.

Tax contingencies can involve complex issues and may require an extended period of time to resolve. Changes in the geographic mix or estimated level of annual pre-tax income can affect Lazard's overall effective tax rate. Significant judgment is required in determining Lazard's provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets. Furthermore, Lazard's interpretation of complex tax laws may impact its recognition and measurement of current and deferred income taxes.

See "Risk Factors" and Note 19 of Notes to Consolidated Financial Statements in our Form 10-K for additional information related to income taxes.

### ***Investments***

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

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

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

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

	September 30, 2012 (a)		December 31, 2011 (a)	
	\$	%	\$	%
Debt securities (b)	\$26	6%	\$ 24	7%
Equity securities (net of \$3 and \$4 of securities sold, not yet purchased, at September 30, 2012 and December 31, 2011, respectively) (c)	205	48	152	43
Alternative asset management funds owned (principally general partnership interests in Lazard-managed hedge funds) (d)	32	8	20	6
Private equity owned (e)	97	23	104	29
Fixed income funds (f)	38	9	21	6
Other (g)	27	6	30	9
Net investments	<u>\$425</u>	<u>100%</u>	<u>\$ 351</u>	<u>100%</u>
Total assets	<u>\$3,146</u>		<u>\$ 3,037</u>	
Net investments, as a percentage of total assets	<u>14%</u>		<u>12%</u>	

(a) Includes investments held in connection with Lazard Fund Interests and other similar deferred compensation arrangements granted, with an aggregate fair value of \$102 million and \$27 million at September 30, 2012 and December 31, 2011, respectively. The majority of the market risk associated with such investments is equally offset by the market risk associated with the derivative liability with respect to such awards. The Company is subject to market risk associated with any portion of such investments that employees may forfeit. See “—Risk Management—Risks Related to Derivatives” for risk management information relating to derivatives.

(b) Debt securities primarily consist of seed investments in Asset Management products and non-U.S. government debt securities.

(c) Equity securities primarily consist of seed investments in Asset Management products, which in turn invest in marketable equity securities of large-, mid- and small-cap domestic, international and global companies and include investments in public and private asset management funds managed by LAM. Hedging strategies are employed to attempt to reduce market risk, and, in turn, the volatility to earnings. In addition, equity securities include amounts relating to Lazard Fund Interests awards and other similar deferred compensation arrangements (see (a) above).

At September 30, 2012 and December 31, 2011, investments in asset management funds, including amounts related to both seed investments and Lazard Fund Interests, represented 80% and 79%, respectively, of total equity securities. The remaining 20% and 21% at such respective dates represented investments in marketable equity securities, which were invested as follows:

	September 30, 2012	December 31, 2011
Percentage invested in:		
Consumer	30%	38%
Financial	32	19
Energy	9	13
Industrial	11	9
Basic materials	7	9
Other	<u>11</u>	<u>12</u>
Total	<u>100%</u>	<u>100%</u>

(d) The fair value of such interests reflects the pro-rata value of the ownership of the underlying securities in the funds. Such funds are broadly diversified and may incorporate particular strategies; however, there are no investments in funds with a single sector strategy.

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- (e) Comprised principally of investments in private equity funds that are generally not subject to short-term market fluctuation, but may subject Lazard to market or credit risk. Private equity investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies; (ii) CP II, a private equity fund targeting significant noncontrolling investments in established public and private companies; (iii) Senior Housing, which targets controlling interests in companies and assets in senior housing, extended stay and shopping center sectors, (iv) Edgewater Growth Capital Partners III, L.P., a private equity fund primarily making growth equity and buyout investments in high-quality, lower middle market companies and (v) COF 2, a Lazard-managed Australian private equity fund targeting Australasian mid-market investments.
- (f) Fixed income funds primarily consist of seed investments in Asset Management products which invest in fixed income securities. Hedging strategies are employed to attempt to reduce market risk and, in turn, the volatility to earnings. In addition, fixed income funds include amounts relating to Lazard Fund Interests (see (a) above).
- (g) Represents investments (i) accounted for under the equity method of accounting and (ii) private equity and other interests that are consolidated but owned by noncontrolling interests, and therefore do not subject the Company to market or credit risk. The applicable noncontrolling interests are presented within “members’ equity” on the consolidated statements of financial condition.

At September 30, 2012 and December 31, 2011, \$121 million and \$133 million, respectively, of our total investments at a fair value of \$425 million and \$351 million, respectively, or 28% and 38%, respectively, were classified as Level 3 assets. Substantially all of our Level 3 investments in both periods are priced based on a NAV or its equivalent. During the nine month periods ended September 30, 2012 and 2011, gains of approximately \$12 million and \$3 million, respectively, were recognized in “revenue-other” on the condensed consolidated statements of operations pertaining to Level 3 investments.

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

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

### ***Assets Under Management***

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

### ***Goodwill***

In accordance with current accounting guidance, goodwill has an indefinite life and is tested for impairment annually or more frequently if circumstances indicate impairment may have occurred. For years prior to 2011, Lazard made estimates and assumptions in order to determine the fair value of its assets and liabilities and to project future earnings using various valuation techniques. Commencing in 2011, as permitted under an amendment issued by the Financial Accounting Standards Board, the Company elected to perform a qualitative evaluation about whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in lieu of actually calculating the fair value of the reporting unit. See Note 9 of Notes to Condensed Consolidated Financial Statements for additional information regarding goodwill.

### ***Consolidation of VIEs***

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

- **Voting Interest Entities.** Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance itself independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. Lazard is required to consolidate a voting interest entity that it maintains an ownership interest in if it holds a majority of the voting interest in such entity.
- **Variable Interest Entities.** VIEs are entities that lack one or more of the characteristics of a voting interest entity. If Lazard has a variable interest, or a combination of variable interests in a VIE, it is required to analyze whether it needs to consolidate such VIE.

Lazard is involved with various entities in the normal course of business that are VIEs and holds variable interests in such VIEs. Transactions associated with these entities primarily include investment management, real estate and private equity investments. Those VIEs for which Lazard is determined to be the primary beneficiary are consolidated in accordance with the applicable accounting guidance.

### **Risk Management**

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

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

#### ***Risks Related to Receivables***

We maintain an allowance for doubtful accounts to provide coverage for probable losses from our receivables. We determine the adequacy of the allowance by estimating the probability of loss based on our analysis of the client’s creditworthiness and specifically provide for exposures where we determine the receivables are impaired. At September 30, 2012, total receivables amounted to \$684 million, net of an allowance for doubtful accounts of \$22 million. As of that date, Financial Advisory and Asset Management fees, customer and related party receivables comprised 57%, 12% and 31% of total receivables, respectively. At December 31, 2011, total receivables amounted to \$691 million, net of an allowance for doubtful accounts of \$19 million. As of that date, Financial Advisory and Asset Management fees, customer and related party receivables comprised 58%, 12% and 30% of total receivables, respectively. At September 30, 2012 and December 31, 2011, the Company had receivables past due of approximately \$26 million and \$23 million, respectively. See also “Critical Accounting Policies and Estimates—*Revenue Recognition*” above and Note 3 of Notes to Condensed Consolidated Financial Statements for additional information regarding receivables.

LFB engages in lending activities, including commitments to extend credit. At September 30, 2012 and December 31, 2011, customer receivables included \$24 million and \$29 million of LFB loans, respectively. Such

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loans are closely monitored for counterparty creditworthiness to help minimize exposure. In addition, as of September 30, 2012, LFB had commitments to lend totaling \$22 million, which are fully collateralized and generally contain requirements for the counterparty to maintain a minimum collateral level.

### ***Credit Concentrations***

To reduce the exposure to concentrations of credit, the Company monitors large exposures to individual counterparties and, in addition, LFB has in place concentration risk limits. At September 30, 2012, excluding inter-bank counterparties, LFB had no exposure to an individual counterparty that exceeded \$22 million, with such amount being fully collateralized. With respect to activities outside LFB, as of September 30, 2012, the Company's largest individual counterparty exposure was a Financial Advisory fee receivable of \$18 million.

### ***Risks Related to Derivatives***

Lazard enters into interest rate swaps and foreign currency exchange contracts to hedge exposures to interest rates and currency exchange rates and uses equity and fixed income swap contracts to hedge a portion of its market exposure with respect to certain seed investments. At September 30, 2012 and December 31, 2011, such derivative contracts are recorded at fair value. Derivative assets amounted to \$46 thousand and \$7 million at September 30, 2012 and December 31, 2011, respectively, and derivative liabilities, excluding the derivative liability arising from the Company's obligation with respect to Lazard Fund Interests and other similar deferred compensation arrangements, amounted to \$10 million and \$1 million at such respective dates.

The Company also records derivative liabilities relating to its obligations pertaining to Lazard Fund Interests awards and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures. Changes in the fair value of the derivative liabilities are equally offset by the changes in the fair value of investments which are currently expected to be delivered upon settlement of Lazard Fund Interests awards. Derivative liabilities relating to Lazard Fund Interests amounted to \$91 million and \$30 million at September 30, 2012 and December 31, 2011, respectively.

In addition, LFB enters into interest rate swaps, forward foreign exchange contracts and other derivative contracts to hedge exposures to interest rate and currency fluctuations on open positions that arise primarily from client activity. Such foreign currency and interest rate positions are subject to strict internal limits and, based on account balances as of September 30, 2012, the impact of potential significant movements in either the currency or interest rate markets on LFB's positions would not materially affect the Company's annual operating income.

### ***Risks Related to Short-Term Investments and Corporate Indebtedness***

A significant portion of the Company's indebtedness has fixed interest rates, while its cash and short-term investments generally have floating interest rates. Based on account balances as of September 30, 2012, Lazard estimates that its annual operating income relating to cash and short-term investments and corporate indebtedness would increase by approximately \$8 million in the event interest rates were to increase by 1% and decrease by approximately \$2 million if rates were to decrease by 1%.

As of September 30, 2012, the Company's cash and cash equivalents totaled approximately \$822 million. Substantially all of the Company's cash and cash equivalents were invested in highly liquid institutional money market funds (a significant majority of which were invested solely in U.S. Government or agency money market funds) or in short-term interest earning accounts at a number of leading banks throughout the world, or in short-term certificates of deposit from such banks. On a regular basis, management reviews and updates its list of approved depositor banks as well as deposit and investment thresholds.

### **Operational Risks**

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

### **Recent Accounting Developments**

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Risk Management**

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

### **Item 4. Controls and Procedures**

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

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



**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

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

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

Not applicable

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

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<b>Item 6.</b>	<b>Exhibits</b>
3.1	Certificate of Formation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
3.2	Certificate of Amendment of Certificate of Formation of the Registrant, changing name to Lazard Group LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
3.3	Operating Agreement of Lazard Group LLC, dated as of May 10, 2005 (incorporated by reference to Exhibit 10.2 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
3.4	Amendment No. 1 to the Operating Agreement of Lazard Group LLC, dated as of December 19, 2005 (incorporated by reference to Exhibit 3.01 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on December 19, 2005).
3.5	Amendment No. 2, dated as of May 7, 2008, to the Operating Agreement of Lazard Group LLC, dated as of May 10, 2005 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on May 8, 2008).
3.6	Amendment No. 3, dated as of April 27, 2010, to the Operating Agreement of Lazard Group LLC, dated as of May 10, 2005 (incorporated by reference to Exhibit 3.6 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 30, 2010).
4.1	Indenture, dated as of May 10, 2005, by and between the Registrant and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
4.2	Amended and Restated Third Supplemental Indenture, dated as of May 15, 2008, by and among the Registrant and The Bank of New York, as trustee (and incorporated by reference to Exhibit 4.1 to the Registrants' Current Report on Form 8-K (Commission File No. 333-126751) filed on May 16, 2008).
4.3	Fourth Supplemental Indenture, dated as of June 21, 2007, between the Registrant and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on June 22, 2007).
4.4	Form of Senior Note (included in Exhibit 4.2).
4.5	\$546 million, 7.125% Senior Notes Due 2015, issued by the Registrant (incorporated by reference to Exhibit 4.5 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on November 14, 2005).
10.1	Master Separation Agreement, dated as of May 10, 2005, by and among the Registrant, Lazard Ltd, LAZ-MD Holdings LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 2.1 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
10.2	Amendment No. 1, dated as of November 6, 2006, to the Master Separation Agreement, dated as of May 10, 2005, by and among to Registrant, Lazard Ltd and LAZ-MD Holdings LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on November 7, 2006).
10.3	Second Amendment, dated as of May 7, 2008, to the Master Separation Agreement, dated as of May 10, 2005, as amended, by and among the Registrant, Lazard Ltd and LAZ-MD Holdings LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on May 9, 2008).
10.4	Class B-1 and class C Members Transaction Agreement (incorporated by reference to Exhibit 2.2 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1 filed on December 17, 2004).

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- 10.5 Amended and Restated Stockholders' Agreement, dated as of November 6, 2006, by and among LAZ-MD Holdings LLC, Lazard Ltd and certain members of LAZ-MD Holdings LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on November 7, 2006).
- 10.6 First Amendment, dated as of May 7, 2008, to the Amended and Restated Stockholders' Agreement dated as of November 6, 2006, between LAZ-MD Holdings LLC and Lazard Ltd (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 9, 2008).
- 10.7 Employee Benefits Agreement, dated as of May 10, 2005, by and among the Registrant, Lazard Ltd, LAZ-MD Holdings LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.4 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.8 Insurance Matters Agreement, dated as of May 10, 2005, by and between Lazard Group LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.5 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.9 License Agreement, dated as of May 10, 2005, by and among Lazard Strategic Coordination Company LLC, Lazard Frères & Co LLC, Lazard Frères S.A.S., Lazard & Co., Holdings Limited and LFCM Holdings LLC (incorporated by reference to Exhibit 10.6 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.10 Administrative Services Agreement, dated as of May 10, 2005, by and among LAZ-MD Holdings LLC, LFCM Holdings LLC and the Registrant (incorporated by reference to Exhibit 10.7 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.11 Business Alliance Agreement, dated as of May 10, 2005, by and between the Registrant and LFCM Holdings LLC (incorporated by reference to Exhibit 10.8 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.12 Amendment and Consent, dated February 9, 2009, to the Business Alliance Agreement, dated as of May 10, 2005, by and between the Registrant and LFCM Holdings LLC (incorporated by reference to Exhibit 10.12 to Lazard Ltd's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.13 Amended and Restated Operating Agreement of Lazard Strategic Coordination Company LLC, dated as of January 1, 2002 (incorporated by reference to Exhibit 10.16 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.14 Lease, dated as of January 27, 1994, by and between Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.19 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.15 Amendment dated as of February 16, 2001, by and among RCPI Landmark Properties, L.L.C. (as the successor in interest to Rockefeller Center Properties), RCPI 30 Rock 22234849, L.L.C. and Lazard Group LLC (as the successor in interest to Lazard Frères & Co. LLC), to the Lease dated as of January 27, 1994, by and among Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
- 10.16 Lease with an Option to Purchase, dated as of July 11, 1990, by and between Sicomibail and Finabail and SCI du 121 Boulevard Hausmann (English translation) (incorporated by reference to Exhibit 10.20 to the Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).

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- 10.17 Occupational Lease, dated as of August 9, 2002, by and among Burford (Stratton) Nominee 1 Limited, Burford (Stratton) Nominee 2 Limited, Burford (Stratton) Limited, Lazard & Co., Limited and Lazard LLC (incorporated by reference to Exhibit 10.21 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
- 10.18\* Lazard Ltd's 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on May 2, 2005).
- 10.19\* Lazard Ltd's 2008 Incentive Compensation Plan (incorporated by reference to Annex B to Lazard Ltd's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 24, 2008).
- 10.20\* Lazard Ltd's 2005 Bonus Plan (incorporated by reference to Exhibit 10.23 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on March 21, 2005).
- 10.21\* Form of Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005, applicable to, and related Schedule I for each of Michael J. Castellano and Scott D. Hoffman (incorporated by reference to Exhibit 10.26 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.22\* Form of First Amendment, dated as of May 7, 2008, to Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005, for each of Michael J. Castellano and Scott D. Hoffman (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on May 9, 2008).
- 10.23\* Second Amendment, dated as of February 26, 2009, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005 (as amended from time to time), for Michael J. Castellano (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report (File No. 333-126751) on Form 10-K filed on March 2, 2009).
- 10.24\* Second Amendment, dated as of February 23, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of May 4, 2005 and amended as of May 7, 2008, for Scott D. Hoffman (incorporated by reference to Exhibit 10.24 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
- 10.25\* Form of Agreement Relating to Retention and Noncompetition and Other Covenants (incorporated by reference to Exhibit 10.27 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on April 11, 2005).
- 10.26\* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, by and between the Registrant and Alexander F. Stern (incorporated by reference to Exhibit 10.28 to Registrant's Annual Report (File No. 333-126751) on Form 10-K filed on March 2, 2009).
- 10.27\* First Amendment, dated as of March 23, 2010, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, with Alexander F. Stern (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on March 23, 2010).
- 10.28\* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 18, 2005, by and between the Registrant and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K (File No. 333-126751) filed on March 1, 2010).
- 10.29\* First Amendment, dated as of March 23, 2010, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 18, 2005, with Kenneth M. Jacobs (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on March 23, 2010).

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- 10.30\* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, by and between the Registrant and Matthieu Bucaille (incorporated by reference to Exhibit 10.30 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
- 10.31\* First Amendment, dated as of April 1, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, between the Registrant and Matthieu Bucaille (incorporated by reference to Exhibit 10.31 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
- 10.32\* Amended and Restated Letter Agreement, effective as of January 1, 2004, between Vernon E. Jordan, Jr. and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.28 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.33\* Acknowledgement Letter, dated as of November 6, 2006 from the Registrant to certain managing directors of the Registrant modifying the terms of the retention agreements of persons party to the Amended and Restated Stockholders' Agreement, dated as of November 6, 2006 (incorporated by reference to Exhibit 10.23 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on November 7, 2006).
- 10.34 Letter Agreement, dated as of March 15, 2005, from IXIS Corporate and Investment Bank to Lazard LLC and Lazard Ltd (incorporated by reference to Exhibit 10.27 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on March 21, 2005).
- 10.35 Registration Rights Agreement, dated as of May 10, 2005, by and among Lazard Group Finance LLC, the Registrant, Lazard Ltd and IXIS Corporate and Investment Bank (incorporated by reference to Exhibit 10.30 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.36\* Description of Non-Executive Director Compensation (incorporated by reference to Exhibit 10.33 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q for the quarter ended June 30, 2005).
- 10.37\* Form of Award Letter for Annual Grant of Deferred Stock Units to Non-Executive Directors (incorporated by reference to Exhibit 99.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on September 8, 2005).
- 10.38\* Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on January 26, 2006).
- 10.39\* Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.41 to Lazard Ltd's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.40\* Form of Agreement evidencing a grant of Deferred Cash Award to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.42 to Lazard Ltd's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
- 10.41\* Directors' Fee Deferral Unit Plan (incorporated by reference to Exhibit 10.39 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on May 11, 2006).
- 10.42\* First Amended Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.43 to Lazard Ltd's Annual Report (File No. 001-32492) on Form 10-K filed on March 1, 2007).
- 10.43 Agreement and Plan of Merger, dated as of August 14, 2008, by and among Lazard Ltd, LAZ Sub I, Lazard Asset Management LLC and Lazard Asset Management Limited (incorporated by reference to Exhibit 2.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on August 15, 2008).

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10.44*	Letter Agreement regarding employment dated as of April 21, 2010 between Lazard Group LLC and Gary W. Parr (incorporated by reference to Exhibit 10.52 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 30, 2010).
10.45*	Amendment, dated as of February 27, 2012 to Letter Agreement regarding employment, dated as of April 21, 2010, between Lazard Group LLC and Gary W. Parr (incorporated by reference to Exhibit 10.45 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed May 2, 2012).
10.46	Senior Revolving Credit Agreement, dated as of September 25, 2012, among the Registrant, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent.
10.47*	Form of Agreement evidencing a grant of Restricted Stock under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.54 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 30, 2010).
10.48*	Form of Agreement evidencing a grant of Lazard Fund Interests under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.54 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
10.49*	Form of Agreement evidencing a grant of Restricted Stock Units and Restricted Stock to Executive Officers who are or may become eligible for retirement under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.52 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 2, 2012).
10.50*	First Amendment, dated as of August 2, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 15, 2005, between the Registrant and Ashish Bhutani (incorporated by reference to Exhibit 10.55 to the Registrant's Quarterly Report (File No., 333-126751) on Form 10-Q filed on August 4, 2011).
10.51*	Second Amendment, dated as of October 24, 2012, to the Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 18, 2005, and amended on March 23, 2010, among the Registrant, Lazard Ltd and Kenneth M. Jacobs.
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Rule 13a-14(a) Certification of Kenneth M. Jacobs.
31.2	Rule 13a-14(a) Certification of Matthieu Bucaille.
32.1	Section 1350 Certification for Kenneth M. Jacobs.
32.2	Section 1350 Certification for Matthieu Bucaile.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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\* Management contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 1, 2012

LAZARD GROUP LLC

By: /s/ Matthieu Bucaille

Name: Matthieu Bucaille

Title: Chief Financial Officer

By: /s/ Richard J. Hittner

Name: Richard J. Hittner

Title: Chief Accounting Officer

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\$150,000,000

CREDIT AGREEMENT

among

LAZARD GROUP LLC,  
as Borrower,

The Several Banks from Time to Time Parties Hereto,

and

CITIBANK, N.A.,  
as Administrative Agent

Dated as of September 25, 2012

CITIGROUP GLOBAL MARKETS INC.,  
as Lead Arranger



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Schedule 1.1B	- Rating Agencies
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EXHIBITS:

- Exhibit A - Form of Revolving Credit Note
- Exhibit B-1 - Form of Opinion of Cravath, Swaine & Moore LLP, Counsel to the Company
- Exhibit B-2 - Form of Opinion of General Counsel to the Company
- Exhibit B-3 - Form of Opinion of Wilmer Cutler Pickering Hale and Dorr LLP
- Exhibit C - Form of Assignment and Assumption
- Exhibit D - Form of Compliance Certificate
- Exhibit E - Form of U.S. Tax Compliance Certificate

CREDIT AGREEMENT, dated as of September 25, 2012, among LAZARD GROUP LLC, a Delaware limited liability company (the “Company”), the several Banks, financial institutions, or other entities from time to time parties hereto, and CITIBANK, N.A., a national banking association (“Citibank”), as administrative agent for the Banks hereunder (in such capacity, the “Administrative Agent”).

W I T N E S S E T H :

WHEREAS, the Company has applied to the Banks for loans in an aggregate principal amount at any one time outstanding not in excess of \$150,000,000; and

WHEREAS, the Banks are willing to make the loans to the Company upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

“Act”: the Securities and Exchange Act of 1934, as amended from time to time.

“Adjustment Date”: as defined in the Pricing Grid.

“Administrative Agent”: Citibank, N.A., in its capacity as administrative agent for the Banks hereunder, and its successors in such capacity.

“Affiliate”: any Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, the Company. For purposes of this definition, a Person shall be deemed to be “controlled by” the Company if the Company possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Agreement”: this Credit Agreement, as amended, supplemented or modified from time to time.

“Applicable Margin”: the Applicable Margin will be determined in accordance with the Pricing Grid.

“Assignee”: as defined in Section 12.7.

“Assignment and Assumption”: an agreement substantially in the form of Exhibit C.

“Available Commitment”: as to each Bank, at a particular time, an amount equal to the difference between (a) the amount of such Bank’s Commitment and (b) the aggregate outstanding principal amount of Loans made by such Bank (after giving effect to any simultaneous repayment of Loans at such time); collectively, as to the Banks, the “Available Commitments”.

“Banks”: Citibank, State Street Bank and Trust Company, The Bank of New York Mellon and HSBC Bank USA, N.A., as parties to this Agreement, and permitted assignees pursuant to subsection 12.7 (individually, a “Bank”).

“Basel III”: means the consultative papers of The Basel Committee on Banking Supervision of December 2009 entitled “Strengthening the resilience of the banking sector” and “International framework for liquidity risk measurement, standards and monitoring”, in each case together with any amendments thereto.

“Benefited Bank”: as defined in Section 12.8.

“Board of Directors”: as to any Person, the board of directors or managers, as applicable, of such Person (or, if such Person is a partnership, the board of directors or other governing body of the general partner of such Person) or any duly authorized committee thereof.

“Board of Governors”: the Board of Governors of the Federal Reserve System, or any successor entity to the functions of the Board of Governors of the Federal Reserve System.

“Borrowing Date”: any Business Day on which the Banks make Loans hereunder, as specified in a notice pursuant to Section 2.6 or Section 2.7.

“Broker-Dealer Indebtedness”: Indebtedness of the Subsidiaries of the Company which are registered broker-dealers.

“Business Day”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, that when such term is used to describe a day on which a borrowing, payment or interest rate determination is to be made in respect of a Eurodollar Loan, or the first day or last day of an Interest Period in respect of a Eurodollar Loan, a Business Day must also be a day on which commercial banks are open for dealings in U.S. Dollar deposits in London.

“Capital Lease Obligations”: as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP. Notwithstanding the foregoing, all leases of any Person that are treated as operating leases for purposes of GAAP on the Effective Date shall continue to be accounted for as operating leases (and not as capital leases) for purposes of this Agreement regardless of any change to GAAP following the Effective Date which would otherwise require such leases to be treated as capital leases.

“Capital Stock”: any and all shares and interests (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing but excluding any profit participation interests and the equity units of Lazard Asset Management LLC issued pursuant to the Lazard Asset Management LLC Limited Liability Company Agreement.

“Cash Equivalents”: (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Bank or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$500,000,000; (c) commercial paper of an issuer rated at least A-1 by S&P or carrying an equivalent rating by any rating agency set forth on Schedule 1.1B or any nationally recognized rating agency, if S&P and all the rating agencies on Schedule 1.1B cease publishing ratings of commercial paper issues generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Bank or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A- by S&P or carry an equivalent rating by any rating agency set forth on Schedule 1.1B or any nationally recognized rating agency; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Bank or any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; or (h) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended, (ii) are rated AAA by S&P and carry an equivalent rating by any rating agency set forth on Schedule 1.1B and (iii) have portfolio assets of at least \$5,000,000,000.

**“Change in Control”**: (a) the acquisition by any individual or group (other than the Managing Directors, LAZ-MD Holdings, or, in the case of the Company, Holdings or its controlled affiliates) of beneficial ownership of more than 50% of either (i) the then-outstanding shares of Holdings Capital Stock, assuming the full exchange of all of the then-outstanding Exchangeable Interests for shares of Holdings Capital Stock in accordance with the Master Separation Agreement, (ii) the then-outstanding shares of Company Capital Stock or (iii) the combined voting power of the then-outstanding voting securities of the Company (if applicable) or Holdings entitled to vote generally in the election of directors (other than, for the purposes of this clause (a), any acquisition that would otherwise be a Change in Control under this clause (a) pursuant to which the Company and Holdings become Subsidiaries of another person (such person, the **“Parent Company”**) and such Parent Company shall not have an individual or group having beneficial ownership of more than 50% of the Capital Stock of the Parent Company generally entitled to elect the directors of the Parent Company), (b) failure of Continuing Directors to constitute a majority of the Board of Directors of Holdings or (c) failure of Holdings to beneficially own or be entitled to exercise, directly or indirectly, the right (whether by contract, limited liability company agreement, bylaws, agreement or otherwise) to elect a majority of the Board of Directors of the Company.

**“Code”**: the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder.

**“Commitment”**: as to each Bank, its obligation to make Loans to the Company in an aggregate principal amount not to exceed the amount set forth opposite such Bank’s name on Schedule 1.1A; collectively, as to the Banks, the **“Commitments”**.

**“Commitment Fee Rate”**: the Commitment Fee Rate will be determined in accordance with the Pricing Grid.

**“Commitment Percentage”**: as to each Bank, the percentage of the amount of the aggregate Commitments constituted by the amount of such Bank’s Commitment.

**“Commitment Period”**: on any date of determination thereof, the period from and including the Effective Date to but not including the earlier to occur of (a) the Maturity Date or (b) such other date as the Commitments shall terminate as provided herein.

**“Common Interest”**: as defined in the operating agreement of the Company or any other Capital Stock of the Company which shall replace the Common Interest.

**“Commonly Controlled Entity”**: an entity, whether or not incorporated, which is under common control with the Company within the meaning of Section 4001 of ERISA or is part of a group that includes the Company and that is treated as a single employer under Section 414(b) or (c) of the Code.

**“Communications”**: as defined in Section 12.2.

**“Company Capital Stock”**: the Common Interests of the Company.

**“Consolidated Adjusted EBITDA”**: for any period, an amount determined for the Company and its Subsidiaries on a consolidated basis equal to (a) the sum, without duplication, of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) provisions for taxes based on income plus tax distributions in accordance with the Company’s operating agreement (computed on a cash basis), (iv) total depreciation expense, (v) total amortization expense, (vi) other non-cash expenses, fees, charges, reserves or losses reducing Consolidated Net Income (excluding any such non-cash item otherwise included in this clause (vi) to the extent that such item represents an accrual or reserve for potential cash items in any future period or amortization of a prepaid cash item that was paid in a prior period (other than severance or restructuring related expenses or charges, which shall be added back); minus (b) non-cash items increasing Consolidated Net Income for such period (excluding any such non-cash items to the extent it represents the reversal of an accrual or reserve for potential cash item in any prior period).

**“Consolidated Interest Coverage Ratio”**: for any period, the ratio of (a) Consolidated Adjusted EBITDA for such period to (b) Consolidated Interest Expense for such period.

**“Consolidated Interest Expense”**: for any period, total cash interest expense (including that attributable to Capital Lease Obligations, but excluding debt issuance costs and similar charges and any amortization thereof) of the Company and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Company and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing); less (i) interest income on marketable securities, and (ii) in the case of Broker-Dealer Indebtedness and the Indebtedness of Lazard Frères Banque, interest income related to such Indebtedness. Consolidated Interest Expense shall not include the portion of the payments due under the terms of “mandatory” convertible or “mandatory” exchangeable securities (it being understood that such exchangeable securities refers to securities exchangeable into equity) representing contract adjustment payments (including interest accretion on the contract adjustment payment related liability) or the interest accruals under the Paris Profit Sharing Plan.

**“Consolidated Leverage Ratio”**: as at the last day of any fiscal quarter, the ratio of (a) Consolidated Total Debt on such day to (b) Consolidated Adjusted EBITDA for the period of four consecutive fiscal quarters then ended.

**“Consolidated Net Income”**: for any period, the net income (or loss) of the Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP; provided, that there shall be excluded (a) any net after-tax extraordinary or nonrecurring or unusual gains, losses, expenses or charges, including without limitation those attributable to business dispositions, asset dispositions (other than in the ordinary course of business), discontinued operations and the early extinguishment of indebtedness, (b) any fees, expenses or charges related to any offering of equity interests or debt of any kind or related to any acquisition or merger or similar transaction (whether or not successful), including any fees, expenses, charges or change in control payments related to such transaction, (c) the impact of any cumulative change in accounting principles during the applicable period, (d) any non-cash impairment charge or asset write off resulting from the application of SFAS 142 and 144, and the amortization of intangibles arising pursuant to SFAS 141 and (e) any non-cash expenses realized or resulting from employee benefit plans or post-employment benefit plans, grants of restricted stock, restricted stock units, stock appreciation rights, stock options or other rights, or one-time non-cash compensation charges (including any cash expenditure for the acquisition of equity interests of Holdings to be so granted to the extent that Holdings or any of its subsidiaries contributes to or otherwise invests in the equity of the Company a corresponding amount of cash). Except for purposes of calculation under Section 7.8 (e) (ii), Consolidated Net Income shall be reduced by an amount equal to the tax distributions (computed on a cash basis) in accordance with the Company’s operating agreement.

**“Consolidated Total Debt”**: at any date, the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; provided that, without duplication, “Consolidated Total Debt” shall not include (a) the Indebtedness of Lazard Frères Banque or any Broker-Dealer Indebtedness (other than Broker-Dealer Indebtedness that is included in the calculation used to determine the capital requirements of any of the Company’s Subsidiaries) or (b) up to \$200,000,000 aggregate principal amount of any Subordinated Indebtedness.

**“Continuing Directors”**: the directors constituting Holdings’ Board of Directors at the close of business on the Effective Date, and each other director, if, in each case, such other director’s nomination for election to the Board of Directors of Holdings is recommended or approved by at least a majority of the then Continuing Directors.

**“Contractual Obligation”**: as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

**“Credit Documents”**: any of this Agreement or the Notes and all other certificates, documents, instruments or agreements executed and delivered by the Company for the benefit of the Administrative Agent and the Banks in connection herewith.

“Default”: any of the events specified in Section 9, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Defaulting Lender”: means any Bank, as determined by the Administrative Agent, that has (a) failed to fund any portion of its Loans within three (3) Business Days of the date required to be funded by it hereunder, (b) notified the Company, the Administrative Agent, or any Bank in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three (3) Business Days after request by the Administrative Agent, to confirm in writing that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans, (d) otherwise failed to pay over to the Administrative Agent or any other Bank any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, or (e) (i) become or is insolvent or has a parent company that has become or is insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debt as they become due, or makes a general assignment for the benefit of its creditors, or (ii) become the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or has had a receiver, conservator, trustee, administrator, intervenor, sequestrator, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or in the good faith determination of the Administrative Agent, has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy, insolvency reorganization, liquidation or similar proceeding, or has had a receiver, conservator, trustee, administrator, intervenor, sequestrator, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to or acquiescence in any such proceeding or appointment. Any determination by the Administrative Agent that a Bank is a Defaulting Lender under any of clauses (a) through (e) above will be conclusive and binding absent manifest error, and such Bank will be deemed to be a Defaulting Lender (subject to Section 2.19(c)) upon notification of such determination by the Administrative Agent to the Company and the Banks.

“Designated Asset Sale”: the sale, transfer or other disposition of any Capital Stock of any Designated Subsidiary, or issuance of any Capital Stock of any Designated Subsidiary, in each case to a Person other than the Company or a Wholly Owned Subsidiary of the Company.

“Designated Subsidiary”: each of Lazard Frères & Co. LLC, Lazard Asset Management LLC, Lazard & Co., Limited and Compagnie Financière Lazard Frères SAS and each of their respective successors.

“Disposition Amount”: as defined in Section 2.18.

“Dodd-Frank”: means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203 (2010).

“Dollars” and “\$”: dollars in lawful currency of the United States.

“Effective Date”: the date on which all the conditions set forth in Section 5.1 are satisfied.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the Effective Date and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

“Eurocurrency Reserve Requirements”: for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect



thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board of Governors) maintained by a member bank of the Federal Reserve System.

“Eurodollar Base Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on the Reuters Screen LIBOR01 Page as of 11:00 A.M., London time, two (2) Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on the Reuters Screen LIBOR01 Page (or otherwise on such screen), the “Eurodollar Base Rate” shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two (2) Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

“Eurodollar Loans”: Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

“Eurodollar Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100<sup>th</sup> of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

“Event of Default”: any of the events specified in Section 9, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Exchange”: the New York Stock Exchange, Inc.

“Exchangeable Interest”: a Class II Interest of LAZ-MD Holdings (or, if applicable, the Common Interest of the Company issued in exchange therefor) that, upon full exchange in accordance with the Master Separation Agreement, is entitled to receive share(s) of Holdings Capital Stock as set forth in the Master Separation Agreement.

“Existing Credit Agreement 1”: the Senior Revolving Credit Agreement dated as of May 10, 2005, as amended, among the Company, the banks from time to time parties hereto, and JPMorgan Chase Bank, N.A., as administrative agent.

“Existing Credit Agreement 2”: the Senior Revolving Credit Agreement dated as of April 29, 2010, as amended, among the Company, the banks from time to time parties hereto, and Citibank, N.A., as administrative agent.

“Fair Market Value”: with respect to any asset or property, the price that would be negotiated in an arm’s-length transaction between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction.

“FATCA”: Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code or any intergovernmental agreements entered into by the United States in connection with the implementation of such Sections of the Code (or any such amended or successor version thereof).

“Fed Rate”: with respect to (a) the first day in each period during which a Fed Rate Loan is outstanding, the rate per annum which is the average of the rates on the offered side of the Federal funds market quoted by three interbank Federal funds brokers selected by the Administrative Agent at

approximately the time the Company requests such Fed Rate Loan, for dollar deposits in immediately available funds, for a period and in an amount, comparable to the principal amount of such Fed Rate Loan, and (b) for each day in such period thereafter, the rate per annum which is the average of the rates on the offered side of the Federal funds market quoted by three interbank Federal funds brokers selected by the Administrative Agent at approximately 1:00 p.m., New York City time, on such date for dollar deposits in immediately available funds, for a period and in an amount comparable to the principal amount of such Fed Rate Loan; in the case of both clauses (a) and (b) above, as determined by the Administrative Agent and rounded upwards, if necessary, to the nearest 1/100 of 1%.

“Fed Rate Loans”: Loans the rate of interest applicable to which is based upon the Fed Rate.

“Fee Letter”: the Fee Letter dated as of August 31, 2012 among the Lead Arranger, the Administrative Agent and the Company.

“Foreign Plan”: each employee benefit plan (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA) that is not subject to U.S. law and is maintained or contributed to (or within the past six years has been maintained or contributed to) by the Company, any of its Significant Subsidiaries or any Commonly Controlled Entity.

“GAAP”: generally accepted accounting principles in the United States.

“Governmental Authority”: any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guarantee Obligation”: as to any Person (the “guaranteeing person”), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include assurances given in the ordinary course of business for the payment of obligations of customers or suppliers of the Company or any Subsidiary, customary indemnifications, representations and warranties made in connection with purchases, sales or leasing of property or assets or issuances of securities, endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (1) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (2) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Company in good faith.

“Holdings”: Lazard Ltd.

“Holdings Capital Stock”: the Class A common stock, par value \$.01 per share, of Holdings.

“Indebtedness”: of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person’s business), (c) all

obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, surety bonds or similar arrangements, (g) all "mandatory" convertible or exchangeable indebtedness of such Person and all "mandatory" redeemable preferred Capital Stock of such Person, (h) the amount then outstanding under any Receivables Financing, (i) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (h) above, and (j) all obligations of the kind referred to in clauses (a) through (i) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is directly liable therefor as a result of such Person's ownership interest in such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor. Notwithstanding anything to the contrary herein, Indebtedness shall exclude (1) for the avoidance of doubt, deposits or other funds held by Subsidiaries that are regulated banks or registered broker-dealers for the benefit of, or owed to, their customers in the ordinary course of business and (2) 80% of "mandatory" convertible or exchangeable Indebtedness prior to the remarketing period for such Indebtedness. After the remarketing period, Indebtedness shall include (x) the principal amount of any remarketed Indebtedness relating to "mandatory" convertible or exchangeable Indebtedness less (y) any Cash and Cash Equivalents of the Company and its Subsidiaries to the extent such Cash and Cash Equivalents are greater than \$50,000,000.

"Indemnified Liabilities": as defined in Section 12.5.

"Indemnitee": as defined in Section 12.5.

"Insolvency": with respect to any Multiemployer Plan, the condition that such plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Installment Notes": Indebtedness issued by the Company or any Subsidiary to facilitate the deferral by clients of capital gains which result from securities transactions.

"Interest Payment Date": (a) as to any Fed Rate Loan, the last day of each March, June, September and December while such Loan is outstanding and (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, and (c) as to any Eurodollar Loan having an Interest Period longer than three months each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loan:

(1) initially, the period commencing on the Borrowing Date or date of conversion pursuant to Section 2.7, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six (or, if available to all relevant Banks, nine or twelve) months thereafter, as selected by the Company in its notice of borrowing pursuant to Section 2.6 or notice of conversion pursuant to Section 2.7, as the case may be, given with respect thereto; and

(2) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six (or, if available to all relevant Banks, nine or twelve) months thereafter, as selected by the Company by irrevocable notice to the Administrative Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date; and

(iii) any Interest Period pertaining to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

“Investment”: any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase of any Capital Stock, bonds, notes debentures or other debt securities of, or any assets constituting a business unit of, or any other investment in, any Person.

“IRS”: as defined in Section 2.17(d).

“LAZ-MD Holdings”: LAZ-MD Holdings LLC, a Delaware limited liability company.

“Lead Arranger”: Citigroup Global Markets Inc.

“LFNY”: Lazard Frères & Co. LLC, a New York limited liability company.

“Lien”: any mortgage, pledge, hypothecation, assignment by way of security, deposit arrangement by way of security, encumbrance, attachment lien (statutory or other), or other security agreement or arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, or any financing lease having substantially the same economic effect as any of the foregoing).

“Loan”: each loan made to the Company pursuant to Section 2.1.

“Loans”: the collective reference to the Loans.

“Managing Directors”: the collective reference to each of the managing directors of Holdings, the Company, LFCM Holdings LLC or any of their respective controlled affiliates who holds, directly or indirectly, an equity interest of Holdings or securities convertible or exchangeable into equity interests of Holdings (including without limitation Exchangeable Interests, restricted stock, restricted stock units or other issuances under Holdings’ equity incentive plan) and each trust, estate planning vehicle or other entity that holds or shall be transferred any such interest for tax or estate planning purposes.

“Margin Stock”: as defined in Regulation U of the Board of Governors as in effect from time to time.

“Master Separation Agreement”: means the Master Separation Agreement, dated as of May 10, 2005, by and among Holdings, LAZ-MD Holdings, the Company and LFCM Holdings LLC, as amended from time to time.

“Material Adverse Effect”: a material adverse effect on (a) the business, property, financial condition or results of operations of the Company and its Subsidiaries taken as a whole or (b) the ability of the Company to perform its obligations under this Agreement or the Notes.

“Maturity Date”: the date which is the third anniversary of the Effective Date.

“Members’ Equity”: ownership equity of the Company represented by common members’ interests.

“Multiemployer Plan”: a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“NASD”: the National Association of Securities Dealers, Inc., or any other self-regulatory body which succeeds to the functions of the National Association of Securities Dealers, Inc.

**“Net Proceeds”**: in the case of cash proceeds received (a) in connection with any Designated Asset Sale constituting a sale, transfer or other disposition of Capital Stock, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received), net of the sum of (i) attorneys’ fees, accountants’ fees, investment banking fees and other customary fees and expenses actually incurred in connection therewith, (ii) taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), (iii) the amount of all payments required to be made by the Company and the applicable Subsidiary to repay Indebtedness secured by assets transferred in connection with such sale, transfer or disposition, and (iv) the amount of any payments that the Company estimates in good faith will be required to be made in respect of contingent liabilities directly attributable to such event and set forth in a notice delivered to the Administrative Agent (provided that the Company will evaluate in good faith not less often than quarterly any estimate resulting in a reduction of Net Proceeds under this clause (iv) and will promptly notify the Administrative Agent if the estimated amount of such payments in respect of any contingent liability shall be reduced, and the Company and any such Subsidiary shall be deemed to have received Net Proceeds equal to the amount of any such reduction), and (b) in connection with any issuance of any Capital Stock constituting a Designated Asset Sale, the cash proceeds received from such issuance, net of attorneys’ fees, investment banking fees, accountants’ fees, underwriting discounts, taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and commissions and other customary fees and expenses actually incurred therewith.

In the case of non-cash proceeds received in connection with any Designated Asset Sale, the Net Proceeds shall be deemed to be the book value of the portion of the property giving rise thereto as reflected in the financial statements most recently delivered pursuant to Section 6.1 or, if not reflected therein, as reflected in the financial statements of the relevant entity, in each case as demonstrated in reasonable detail and certified to the Administrative Agent by a Responsible Officer.

**“Non-Excluded Taxes”**: as defined in Section 2.17(a).

**“Non-U.S. Lender”**: as defined in Section 2.17(d).

**“Note”**: as defined in Section 2.2; collectively, the “Notes”.

**“Obligations”**: the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other monetary obligations and liabilities of the Company to the Administrative Agent or to any Bank, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under or in connection with, this Agreement, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Bank that are required to be paid by the Company pursuant hereto) or otherwise.

**“Other Taxes”**: any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

**“Paris Lease”**: the sale and lease-back of the real properties located at 121 Boulevard Haussmann, 75008, Paris, 119 Boulevard Haussmann, 75008, Paris, and 10 Avenue Percier, 75008, Paris.

**“Paris Profit Sharing Plan”**: that certain Accord de participation de groupe initially dated March 21, 1996 among Lazard Frères SAS and its employees, Lazard Frères Gestion SAS and its employees, Maison Lazard SAS, Lazard Frères Banque and its employees and Fonds Partenaires Gestion and its employees.

**“Participant”**: as defined in Section 12.7.

“Participant Register”: as defined in Section 12.7.

“PBGC”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

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

“Permitted Receivables Financings”: any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(a) senior management or the Board of Directors of the Company shall have determined in good faith that such Permitted Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary;

(b) all sales of accounts receivable and related assets to the Receivables Subsidiary (or valid capital contributions made to the Receivables Subsidiary) are made at Fair Market Value (as determined in good faith by senior management or the Board of Directors of the Company); and

(c) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by senior management or the Board of Directors of the Company).

“Permitted Refinancing Indebtedness”: any Indebtedness issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund (collectively, to “Refinance”), the Indebtedness being Refinanced (or previous refinancings thereof constituting Permitted Refinancing Indebtedness); provided that (a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so Refinanced (plus unpaid accrued interest and premium thereon and underwriting discounts, fees, commissions and expenses), (b) the average life to maturity of such Permitted Refinancing Indebtedness is greater than or equal to the remaining average life to maturity of the Indebtedness being Refinanced, (c) if the Indebtedness being Refinanced is subordinated in right of payment to the Obligations under this Agreement, such Permitted Refinancing Indebtedness shall be subordinated in right of payment to such Obligations on terms at least as favorable to the Banks as those contained in the documentation governing the Indebtedness being Refinanced and (d) no Permitted Refinancing Indebtedness shall have different obligors, or greater guarantees or security, than the Indebtedness being Refinanced, unless the incurrence of such Indebtedness, guarantees or security is permitted by a separate provision of this Agreement.

“Person”: an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Plan”: any employee benefit plan (as defined in Section 3(3) of ERISA) and in respect of which the Company, any Subsidiary thereof or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4062 or 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Platform”: as defined in Section 12.2.

“Pricing Grid”: the table set forth below.

Ratings (or, if applicable, equivalent ratings by a rating agency set forth on Schedule 1.1B)	Applicable Margin		
	Eurodollar Loans	Federal Funds Rate Loans	Commitment Fee
<sup>3</sup> BBB	175 bps	75 bps	30 bps
<sup>3</sup> BBB-but < BBB	200 bps	100 bps	40 bps
<sup>3</sup> BB+ but < BBB- < BB+	225 bps	125 bps	50 bps
	250 bps	150 bps	60 bps

For the purposes of the Pricing Grid, the Company shall provide prompt written notice to the Administrative Agent of any change in any Rating by S&P (or, if applicable, such other rating agency determined in accordance with the definition of “Ratings”). The Applicable Margin and the Commitment Fee Rate resulting from changes in the Ratings shall be effective on the date (the “Adjustment Date”) that is three (3) Business Days after the date of such change and shall remain in effect until the next change to be effected pursuant to this paragraph. In the event that the Company has obtained more than one Rating and such Ratings are split, the Pricing Grid will be based on the higher rating.

“Prohibited Transaction”: has the meaning assigned to such term in Section 406 of ERISA and Section 4975(c) of the Code.

“Ratings”: a rating of the Company’s senior unsecured non-credit enhanced indebtedness for borrowed money assigned by S&P, each rating agency set forth on Schedule 1.1B or any internationally recognized rating agency approved by the Administrative Agent and the Company; provided that in each case if the Company shall have no senior unsecured non-credit enhanced indebtedness for borrowed money, the Company’s corporate credit rating shall be used; provided, further that if at any time S&P or any rating agency set forth on Schedule 1.1B shall not maintain a rating for the Company’s senior unsecured non-credit enhanced indebtedness for borrowed money, or shall not maintain a corporate credit rating for the Company, as the case may be, the Required Lenders and the Company may agree to determine the ratings using the corresponding ratings level of one or more Nationally Recognized Statistical Rating Organizations (as defined in Rule 436 under the Securities Act of 1933).

“Receivables Financing”: any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may (a) sell, convey or otherwise transfer to a Receivables Subsidiary or (b) grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

“Receivables Subsidiary”: means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Permitted Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Chief Financial Officer of the Company (as provided below) as a Receivables Subsidiary and:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Subsidiary of the Company, (ii) is recourse to or obligates the Company or any other Subsidiary of the Company in any way (except for standard representations,

warranties, covenants and indemnities made in connection with such facilities) or (iii) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof;

(b) with which neither the Company nor any other Subsidiary of the Company has any material contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be, on the whole, no less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(c) to which neither the Company nor any other Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Chief Financial Officer of the Company shall be evidenced to the Administrative Agent by delivery to the Administrative Agent a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and a certificate of a Responsible Officer certifying that such designation complied with the foregoing conditions.

“Register”: as defined in Section 12.7.

“Regulation U”: Regulation U of the Board as in effect from time to time.

“Reorganization”: with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event”: any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

“Required Lenders”: at any time, the holders of more than 50% of (a) the sum of the Commitments then in effect or, if the Commitments have terminated, (b) the sum of the aggregate unpaid principal amount of the Loans then outstanding; provided that at any time when there are two or more non-affiliated Banks party hereto, in no event shall the Required Lenders consist of fewer than two non-affiliated Banks.

“Requirement of Law”: as to any Person, the certificate of incorporation and by-laws or partnership agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer”: the chief executive officer, president or chief financial officer of the Company, but in any event, with respect to financial matters, the chief financial officer of the Company.

“Restricted Payments”: as defined in Section 7.8.

“S&P”: Standard & Poor's Ratings Services.

“SEC”: the Securities and Exchange Commission, or such other regulatory body which succeeds to the functions of the Securities and Exchange Commission.

“SEC Filings”: as to the Company, any public filings that the Company or Lazard Ltd has made on form 10-K, 10-Q or 8-K pursuant to the U.S. federal securities statutes, rules or regulations prior to the Effective Date.

“Senior Note Indentures”: the Indenture dated as of May 10, 2005, as supplemented by the First and Second Supplemental Indentures dated as of May 10, 2005 the Amended and Restated Third Supplemental Indenture dated as of May 15, 2008 and the Fourth Supplemental Indenture dated as of June 21, 2007, together with all instruments and other agreements entered into by the Company in connection therewith.

“Senior Notes”: the senior notes of the Company, in the initial principal amount outstanding of \$1,150,000,000, issued pursuant to the Senior Note Indentures.



“Significant Subsidiary”: any Subsidiary that would be a “Significant Subsidiary” of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC as in effect on the date hereof, but excluding Lazard Group Finance LLC and Lazard Funding Limited LLC.

“Single Employer Plan”: any Plan (other than a Multiemployer plan) that is covered by Section 412 of the Code or Section 302 or Title IV of ERISA and is maintained or contributed to by the Company or any Commonly Controlled Entity.

“Specified Non-Recourse Indebtedness”: at any time, Indebtedness of the Company or any Subsidiary secured by real property, leasehold improvements and equipment of the Company or any Subsidiary to the extent that the terms of such Indebtedness provide that at such time recourse for repayment thereof and payment of any other obligation in respect thereof is only to such assets and is not a general obligation of the Company or any of its Subsidiaries (notwithstanding that such terms provide that such Indebtedness may become Specified Recourse Indebtedness upon the occurrence of certain events after such time).

“Specified Recourse Indebtedness”: at any time, Indebtedness of the Company or any Subsidiary secured by real property, leasehold improvements and equipment of the Company or any Subsidiary to the extent that the terms of such Indebtedness provide that at such time recourse for repayment thereof and payment of any other obligation in respect thereof is a general obligation of the Company or any of its Subsidiaries.

“Street Loans”: short term borrowings made by the Company for the purpose of purchasing or carrying securities for the Company, or for customers of the Company.

“Subordinated Indebtedness”: Indebtedness of the Company that is subordinated in right of payment to the Obligations, provided that, to the extent incurred after the Effective Date, such Indebtedness has (a) no maturity, amortization, mandatory redemption or repurchase option or sinking fund payment prior to the date that is six months after the Maturity Date (other than customary provisions for application of asset sale proceeds or following a change of control) and (b) customary subordination provisions as shall be reasonably satisfactory to the Administrative Agent and the Required Lenders.

“Subsidiary”: as to any Person, (a) a corporation, limited liability company or other similar business entity of which shares of stock or other equity interests having ordinary voting power (other than stock or other equity interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors or other managers of such corporation or entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person or (b) any partnership of which such Person and/or one or more Subsidiaries of such Person has, directly or indirectly, more than 50% of the interest in profits and losses. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

“Swap Agreement”: any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

“Trade Debt”: of a Person, at a particular date, (i) indebtedness of such Person resulting from free credit balances and similar payables, day loans, Installment Notes, Street Loans, and other liabilities and obligations incurred in the ordinary course of business of such Person both as principal and as agent as an investment banker, futures commission merchant, broker dealer or financial services institution; and (ii) other short term indebtedness of such Person incurred in the ordinary course of its business not material individually or in the aggregate to such Person.

“Type”: as to any Loan, its nature as a Fed Rate Loan or a Eurodollar Loan.

“USA PATRIOT Act”: the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended from time to time.

“Wholly Owned Subsidiary”: of any Person, a Subsidiary of such Person 95% of the outstanding Capital Stock or other ownership interests of which shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the Notes, unless otherwise specified, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company wishes to amend any provision hereof, including, without limitation, any covenant in Article VI, to eliminate the effect of any change in GAAP (or the application thereof) adopted after the Effective Date on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend any such provision for such purpose), then the Company’s compliance with such provision shall be determined on the basis of GAAP in effect and applied immediately before the relevant change in GAAP (or the application thereof) became effective, until either such notice is withdrawn or such provision is amended in a manner satisfactory to the Company and the Required Lenders.

(c) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (v) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

## SECTION 2. AMOUNT AND TERMS OF LOAN COMMITMENTS

2.1 Loans. (a) Subject to the terms and conditions hereof, each Bank severally agrees to make revolving credit loans (individually, a “Loan”; collectively, the “Loans”) to the Company from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed the amount of such Bank’s Commitment, as such amount may be reduced as provided herein. During the Commitment Period, the Company may use the Commitments by borrowing, prepaying the Loans in whole or in part subject to subsection 2.9, and reborrowing, all in accordance with the terms and conditions hereof.

(b) The Loans may from time to time be (i) Eurodollar Loans, (ii) Fed Rate Loans or (iii) a combination thereof, as determined by the Company and notified to the Administrative Agent in accordance with Sections 2.6 and 2.7, provided that no Loan shall be continued as or converted into a Eurodollar Loan after the day that is one month prior to the Maturity Date.

2.2 Notes. Each Bank may request that the Loans made by such Bank pursuant hereto shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit A hereto, with appropriate insertions as to date and principal amount (individually a “Note”; collectively, the “Notes”), payable to the order of such Bank

and evidencing the obligation of the Company to pay the aggregate unpaid principal amount of all Loans made by such Bank hereunder, with interest thereon as prescribed in Section 2.3. Each Bank is hereby authorized to record the date and amount of each Loan made by such Bank, and the date and amount of each payment or prepayment of principal thereof on the schedule annexed to and constituting a part of its Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that any error or omission in making any such recordation shall not affect the obligations of the Company hereunder or under any Note. Each Note shall (x) be stated to mature on the last day of the Commitment Period and (y) bear interest on the unpaid principal amount thereof from time to time outstanding at the rates set forth in Section 2.3.

2.3 Interest Rates and Interest Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Fed Rate Loan shall bear interest for each day at a rate per annum equal to the Fed Rate determined for such day plus the Applicable Margin.

(c) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (d) of this Section shall be payable from time to time on demand.

(d) (i) If all or a portion of the principal amount of any Loan shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), then such overdue principal amount shall bear interest at a rate per annum which is 2% above the rate which would otherwise be applicable pursuant to Section 2.3(a) or 2.3(b), as the case may be, and (ii) if all or a portion of any interest payable on any Loan or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is 2% above the rate then applicable to Fed Rate Loans, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

2.4 Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Bank a commitment fee computed at the Commitment Fee Rate on the average daily amount of the undrawn Commitment of such Bank during the period for which payment is made, the accrued and unpaid portion of such fee to be payable in arrears on the last day of March, June, September and December of each year (commencing on the first such date to occur after the Effective Date) and on the Maturity Date. The Administrative Agent shall promptly distribute to each Bank its pro rata share of each payment of such fees.

(b) The Company agrees to pay to the Administrative Agent the fees in the amounts and on the date as set forth in the Fee Letter and to perform any other obligations contained therein.

2.5 Computation of Interest and Fees. (a) Interest and fees shall be computed on the basis of (i) a 360 day year for actual days elapsed for Eurodollar Loans and (ii) a 365 day or 366 day, as the case may be, year for actual days elapsed for Fed Rate Loans and for fees under this Agreement. The Administrative Agent shall as soon as practicable notify the Company and the Banks of each determination of a Eurodollar Rate or of a Fed Rate. Any change in the interest rate on a Loan resulting from a change in the Fed Rate shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Company and the Banks of such effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Company and the Banks in the absence of manifest error. The Administrative Agent shall, at the request of the Company, deliver to the Company a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.3(a) or 2.3(b), as the case may be.

2.6 Procedure for Borrowing. The Company may borrow Loans under the Commitments during the Commitment Period on any Business Day, provided that the Company shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 1:00 P.M., New York City time, (a) three (3) Business Days prior to the requested Borrowing Date, if all or any part of the requested Loans are to be initially Eurodollar Loans or (b) one (1) Business Day prior to the requested Borrowing Date, otherwise), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, Fed Rate Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the amount of such Type of Loan and the length of the initial Interest Periods therefor. Each borrowing of Loans pursuant to the Commitments shall be in an aggregate principal amount equal to the lesser of (i) \$5,000,000 or a whole multiple thereof, and (ii) the Available Commitments. Upon receipt of any such notice, the Administrative Agent shall promptly notify each Bank thereof. Each Bank will make available to the Company at the office of the Administrative Agent specified in Section 12.2, prior to 12:00 noon (New York City time) on the requested Borrowing Date, or as soon as practicable thereafter, an amount in immediately available funds equal to the amount of the Loan to be made by such Bank.

2.7 Conversion and Continuation Options. (a) The Company may elect from time to time to convert Eurodollar Loans to Fed Rate Loans, by giving the Administrative Agent at least two (2) Business Days' prior irrevocable notice of such election. The Company may elect from time to time to convert Fed Rate Loans to Eurodollar Loans by giving the Administrative Agent at least three (3) Business Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Administrative Agent shall promptly notify each Bank thereof. All or any part of outstanding Eurodollar Loans and Fed Rate Loans may be converted as provided herein, provided that (i) no Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent has or the Banks have determined and notified the Company that such a conversion is not appropriate and (ii) no Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Maturity Date.

(b) Any Eurodollar Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Company giving notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent has or the Banks have determined and notified the Company that such a continuation is not appropriate or (ii) after the date that is one month prior to the Maturity Date and provided, further, that if the Company shall fail to give such notice or if such continuation is not permitted such Loans shall be automatically converted to Fed Rate Loans on the last day of such then expiring Interest Period.

2.8 Termination or Reduction of Commitments. The Company shall have the right, upon not less than three (3) Business Days' notice to the Banks, to terminate the Commitments or, from time to time, reduce the amount of the Commitments; provided that, subject to the proviso in Section 2.9(a), (a) any such reduction shall be accompanied by prepayment of the Loans to the extent, if any, that the amount of the Loans then outstanding exceeds the amount of the Commitments as then reduced, (b) any such termination of the Commitments shall be accompanied by prepayment in full of the Loans then outstanding, together with accrued interest thereon to the date of such prepayment, and the payment of any unpaid commitment fee then accrued hereunder and other amounts, if any, payable by the Company hereunder and (c) for any such prepayment, the Company shall reasonably promptly pay the costs arising therefrom pursuant to Section 2.12. Any such reduction shall be in an amount of \$5,000,000, or greater integral multiple of \$5,000,000, and shall reduce permanently the amount of the Commitments then in effect.

2.9 Optional Prepayments of Loans. (a) The Company may, at any time, on the last day of any Interest Period with respect thereto, in the case of Eurodollar Loans (or on any other day if the Company reasonably promptly pays the costs arising therefrom pursuant to Section 2.12), and from time to time, in the case of Fed

Rate Loans, and upon three (3) Business Days' irrevocable notice (such notice to be revocable only if such prepayment is conditioned upon a refinancing of the Loans or other events mutually agreed between the Company and the Administrative Agent), in the case of Eurodollar Loans, and upon one (1) Business Day's notice, in case of Fed Rate Loans, to the Administrative Agent, prepay the Loans on the date specified in such notice, in whole or in part, with accrued interest to the date of such prepayment on the amount prepaid; provided, however, that each partial prepayment of Loans shall be in a principal amount of \$5,000,000 or a larger integral multiple of \$1,000,000.

(b) Upon receipt of a notice of prepayment of Loans pursuant to Section 2.9(a), the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such prepayment.

**2.10 Pro Rata Treatment and Payments.** (a) Each borrowing of Loans by the Company from the Banks and each payment (including each prepayment) by the Company on account of principal of and interest on the Loans shall be made pro rata according to the respective principal and interest owed to the Banks and any reduction of the Commitments of the Banks hereunder shall be made pro rata according to the respective Commitment Percentages of the Banks. All payments (including prepayments) to be made by the Company in respect of the Loans on account of principal, interest and fees shall be made without set-off or counterclaim and shall be made directly to the office of the Administrative Agent specified in Section 12.2, in lawful money of the United States of America and in immediately available funds. The Administrative Agent shall distribute such payments to the Banks entitled thereto promptly upon receipt in like funds as received by the Administrative Agent. If any payment hereunder becomes due and payable on a day other than a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(b) Each Bank shall apply the amount of each payment (including each prepayment) made by the Company on account of principal of the Loans to the payment of the then outstanding principal amounts of Loans, in such amounts and in such order as the Company shall direct by notice to the Administrative Agent (or, in the case of a prepayment pursuant to Section 2.9, as the Company shall direct in its notice of prepayment), provided that if the Company shall fail to give any such notice, each Bank shall apply the amount received to the payment of the then outstanding Loans pro rata according to the respective outstanding principal amounts of such Loans.

**2.11 Non-Receipt of Funds by the Administrative Agent.** (a) Unless the Administrative Agent shall have been notified by the Company prior to the date on which any payment in respect of a Loan is due from it hereunder (which notice shall be effective upon receipt) that the Company does not intend to make such payment, the Administrative Agent may assume that the Company has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to each Bank on such payment date an amount equal to the portion of such assumed payment to which such Bank is entitled hereunder, and if the Company has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, repay to the Administrative Agent the amount made available to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to such Bank and ending on (but excluding) the date such Bank repays such amount to the Administrative Agent, at a rate per annum equal to the Administrative Agent's cost of obtaining overnight funds in the federal funds market in New York on each such day.

(b) A certificate of the Administrative Agent submitted to any Bank with respect to any amount owing under the foregoing paragraph (a) shall be prima facie evidence of the facts stated therein.

**2.12 Indemnity.** The Company agrees to indemnify each Bank and to hold each Bank harmless from any loss or expense which such Bank may sustain or incur as a consequence of (a) default by the Company in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Company has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Company in making any prepayment of or conversion from a Eurodollar Loan after the Company has given a notice thereof in accordance with the provisions of Section 2.9 or (c) the making of a prepayment or conversion of Eurodollar

Loans on a day which is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, prepaid, converted or continued, for the period from the date of such prepayment or of such failure to borrow, prepay, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable Eurodollar Rate (excluding the Applicable Margin) over (ii) the amount of interest (as reasonably determined by such Bank) which would have accrued to such Bank on such amount by redeploying such amount in respect of deposits in the eurodollar market for a comparable period. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.13 Capital Adequacy. In the event that any of the Banks shall have determined that the adoption after the date hereof of any law, rule or regulation regarding capital adequacy, or any change after the date hereof therein or in the interpretation or application thereof or compliance by such Bank with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority including under Basel III or Dodd-Frank, does or shall have the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then after submission by such Bank to the Company of a written request therefor, the amount of interest payable by the Company to such Bank on each Interest Payment Date shall be increased by such amount (as determined in good faith by such Bank in accordance with its practice applicable in similar circumstances under comparable provisions of other financing agreements of similarly situated borrowers) as will compensate such Bank for the portion of such reduction allocable to the period in respect of which interest is so paid on such Interest Payment Date. A certificate as to any additional amounts payable pursuant to this Section 2.13, together with a statement by such Bank that such amounts have been calculated consistently with amounts calculated and claimed for in the case of other borrowers parties to revolving credit agreements with such Bank, submitted by such Bank, through the Administrative Agent, to the Company, shall be conclusive evidence, absent demonstrable error, of the facts stated therein. Notwithstanding the foregoing, the Company shall not be required to compensate a Bank for any increased costs or reductions incurred more than 270 days prior to the date that such Bank notifies the Company of the change in law giving rise to such increased costs or reductions and of such Bank's intention to claim compensation under this Section; provided that, if the change in law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

2.14 Inability to Determine Interest Rate. If prior to the first day of any Interest Period the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Company) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period the Administrative Agent shall give telecopy notice thereof to the Company and the Banks as soon as practicable thereafter. If such notice is given (a) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Fed Rate Loans, (b) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be converted to or continued as Fed Rate Loans and (c) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to Fed Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Company have the right to convert Loans to Eurodollar Loans.

2.15 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof (including under Basel III or Dodd-Frank) shall make it unlawful for any Bank to make or maintain Eurodollar Loans as contemplated by this Agreement, then, such Bank shall give written notice thereof to the Company and to the Administrative Agent and (a) the commitment of such Bank hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert

Fed Rate Loans to Eurodollar Loans shall forthwith be suspended for the duration of such unlawfulness and (b) the Bank and the Company shall promptly enter into negotiations in good faith to agree to a solution to such illegality, limitation or impracticability; provided however, that if such an agreement has not been reached by the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law, such Bank's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Fed Rate Loans. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Company shall pay to such Bank such amounts, if any, as may be required pursuant to Section 2.12. Each Bank that has delivered a notice pursuant to this Section, if the circumstances giving rise to such notice cease to exist, shall notify the Company thereof as soon as practicable.

2.16 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Bank with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Bank to any tax on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto (except for Non-Excluded Taxes covered by Section 2.17, changes in the rate of tax on the overall net income of such Bank, any branch profits imposed by the United States of America or any similar tax imposed by any other jurisdiction and any United States federal withholding taxes imposed under FATCA);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Bank which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Bank any other condition;

and the result of any of the foregoing is to increase the cost to such Bank, by an amount which such Bank deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the amount of interest payable by the Company to such Bank on the Interest Payment Date in respect of each Interest Period shall be increased by such amount (as determined in good faith by such Bank in accordance with its practice applicable in similar circumstances under comparable provisions of other financing agreements of similarly situated borrowers) as will compensate such Bank for such increased cost or reduced amount receivable allocable to such Interest Period. Any Bank claiming additional amounts pursuant to this Section 2.16 shall use its reasonable efforts (consistent with internal policy and applicable legal and regulatory restrictions) to take such action, as requested by the Company in writing, if the taking of such action would avoid the need for or reduce the amount of any such additional amounts and would not, in the judgment of such Bank, be adverse to the affected Loans or to such Bank.

If any Bank becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Company (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this Section submitted by such Bank to the Company (with a copy to the Administrative Agent) shall be conclusive in the absence of demonstrable error. The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(b) No Bank shall be entitled to any compensation under this Section 2.16 for any costs incurred or reduction suffered with respect to any date unless such Bank shall have notified the Company that it will demand compensation for such costs or reductions under paragraph (a) above not more than 60 days after the later of (i) such date and (ii) the date on which such Bank shall have become aware of such costs or reductions.

(c) Notwithstanding anything herein to the contrary, (i) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or by United States or foreign regulatory authorities, in each case pursuant to Basel III, and (ii) Dodd-Frank and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith or in implementation thereof, shall in each case be deemed to be a change in law under this Agreement, regardless of the date enacted, adopted, issued or implemented.

2.17 Taxes. (a) All payments made by or on account of the Company under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (including any interest, additions to tax or penalties applicable thereto), excluding (i) net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Bank by (A) the jurisdiction under the laws of which such entity is organized or in which its principal office or applicable lending office is located or (B) any jurisdiction as a result of a present or former connection between the Administrative Agent or such Bank and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Bank having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement), (ii) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (i) above and (iii) any United States federal withholding taxes imposed under FATCA; provided, that if any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable by or on account of the Company to the Administrative Agent or any Bank as determined in good faith by the applicable withholding agent, (x) such amounts shall be paid to the relevant Governmental Authority by the applicable withholding agent in accordance with applicable law, and (y) the amounts so payable by the Company to the Administrative Agent or such Bank shall be increased to the extent necessary to yield to the Administrative Agent or such Bank (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement as if such withholding or deduction had not been made, provided further, however, that the Company shall not be required to increase any such amounts payable to the Administrative Agent or any Bank with respect to any Non-Excluded Taxes (1) that are attributable to such Bank's failure to comply with the requirements of paragraph (d) of this Section, or (2) that are United States federal withholding taxes imposed on amounts payable by the Company to such Bank at the time such Bank becomes a party to this Agreement, except to the extent that such Bank's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Company with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Company shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Company (or the Administrative Agent on account of such Banks), as promptly as possible after the payment of such Non-Excluded or Other Taxes, the Company shall send to the Administrative Agent for its own account or for the account of the relevant Bank, as the case may be, proof of payment thereof. If (i) the Company fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or (ii) any Non-Excluded Taxes (other than taxes described in clauses (1) and (2) of the final proviso of Section 2.17(a)) or Other Taxes are imposed directly upon the Administrative Agent or any Bank, the Company shall indemnify the Administrative Agent and the Banks for such amounts and any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Bank as a result of any such failure, in the case of (i) or any such direct imposition, in the case of (ii).

(d) Any Bank that is entitled to an exemption from or reduction of any applicable withholding tax with respect to payments hereunder shall, to the extent it is legally entitled to do so, deliver to the Company (with a copy to the Administrative Agent), at the time or times reasonably requested by the Company or Administrative



Agent, such properly completed and executed documentation prescribed by applicable law or as reasonable requested by the Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. Without limiting the generality of the foregoing, each Bank (or Assignee) that is not a "United States person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Company and the Administrative Agent (or, in the case of a Participant, to the Bank from which the related participation shall have been purchased) two copies of U.S. Internal Revenue Service ("IRS") Form W-8BEN, Form W-8ECI, of Form W-8IMY (together with any applicable underlying IRS forms) or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit E and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Company under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation) and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent. In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Company and the Administrative Agent at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Company (or any other form of certification adopted by the U.S. taxing authorities for such purpose). If a payment made to a Bank would be subject to U.S. federal withholding imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Bank shall deliver to the Company and the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company or the Administrative Agent as may be necessary for the Company and the Administrative Agent to comply with their obligations under FATCA and to determine that such Bank has complied with such Bank's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of the preceding sentence, "FATCA" shall include any amendments made to FATCA after the date of this Agreement. Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) Each Bank shall indemnify the Administrative Agent for the full amount of any taxes, levies, imposts, duties, charges, fees, deductions, withholdings or similar charges imposed by any Governmental Authority that are attributable to such Bank and that are payable or paid by the Administrative Agent, together with all interest, penalties, reasonable costs and expenses arising therefrom or with respect thereto, as determined by the Administrative Agent in good faith. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error.

(f) If the Administrative Agent or any Bank determines, in its sole discretion, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Company (but only to the extent of indemnity payments made, and/or additional amounts paid, by the Company under this Section 2.17 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent or such Bank and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Company, upon the written request of the Administrative Agent or such Bank, agrees to repay the amount paid over to the Company (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Bank in the event the Administrative Agent or such Bank is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Bank to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Company or any other Person.

(g) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18 Commitment Reductions and Mandatory Prepayments. If on any date the Company or any of its Subsidiaries shall receive Net Proceeds from a Designated Asset Sale and if, after such Designated Asset Sale, the Company or any of its Subsidiaries owns less than 65% of the Capital Stock of the Designated Subsidiary subject to such Designated Asset Sale, the Commitments shall be permanently reduced by an amount equal to 100% of the value of such Net Proceeds (the "Disposition Amount"); provided that, if immediately prior to giving effect to such Designated Asset Sale, the Company and its Subsidiaries own in excess of 65% of the Capital Stock of the Designated Subsidiary that is subject to such Designated Asset Sale, the "Disposition Amount" shall be limited to the portion of the Net Proceeds attributable to the percentage of the Capital Stock of such Designated Subsidiary sold, transferred, otherwise disposed of or issued, that is equal to the difference between 65% and the percentage of the Capital Stock of such Designated Subsidiary owned by the Company and its Subsidiaries after giving effect to such Designated Asset Sale. Any such reduction shall be accompanied by (x) a prepayment of the Loans to the extent, if any, that the amount of the Commitments then reduced and (y) payment of the costs arising therefrom pursuant to Section 2.12.

2.19 Defaulting Lender. Notwithstanding any provision of this Agreement to the contrary, if any Bank becomes a Defaulting Lender, then the following provisions shall apply for so long as such Bank is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.4;

(b) the Commitment and Loans of such Defaulting Lender shall not be included in determining whether all Banks, each affected Bank, or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 12.1), provided that any waiver, amendment or modification that would increase or extend the term of the Commitment of such Defaulting Lender, extend the date for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender hereunder, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, will require the consent of such Defaulting Lender; and

(c) any amount payable to such Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise and including any amount that would otherwise be payable to such Defaulting Lender) shall, in lieu of being distributed to such Defaulting Lender, be retained by the Administrative Agent in a segregated account and, subject to any applicable requirements of law, be applied at such time or times as may be determined by the Administrative Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder, (ii) second, to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent, (iii) third, if so determined by the Administrative Agent and the Company, held in such account as cash collateral for future funding obligations of the Defaulting Lender in respect of any Loans under this Agreement, (iv) fourth, to the payment of any amounts owing to the Banks as a result of any judgment of a court of competent jurisdiction obtained by any Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and (v) fifth, to the payment of any amounts owing to the Company as a result of any judgment of a court of competent jurisdiction obtained by the Company against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement.

Notwithstanding Section 2.20, the Company may, upon not less than three (3) Business Day's notice to a Defaulting Lender and the Administrative Agent (which the Administrative Agent will promptly provide to the other Banks), terminate or reduce the unused Commitment of such Defaulting Lender (without being required to terminate or reduce the Commitments of other Banks); provided, that the Company may not terminate or reduce such Commitment if after giving effect to such termination or reduction, the aggregate principal amount of

outstanding Loans would exceed the total Commitments. At any time after termination or reduction of a Defaulting Lender's unused Commitment, (i) the Company may identify one or more banks or financial institutions willing to become a party to this Agreement as a Bank and (ii) the Company may enter into an agreement with each such bank or financial institution pursuant to which it shall become a Bank with a Commitment under this Agreement, provided, that (a) the Administrative Agent approves the bank or financial institution that is to become a Bank under this Agreement, (b) the agreement pursuant to which such bank or financial institution becomes a party to this Agreement shall be reasonably satisfactory to the Administrative Agent, (c) such Defaulting Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the banks or financial institutions that become Banks hereunder (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (d) the aggregate amount of the new Commitments of banks or financial institutions that become Banks hereunder pursuant to this sentence does not exceed the amount of the terminated or reduced Commitment of the Defaulting Lender.

In the event that the Administrative Agent and the Company each agrees that a Defaulting Lender has adequately remedied all matters that caused such Bank to be a Defaulting Lender, then outstanding Loans of the Banks shall be readjusted to reflect the inclusion of such Bank's Commitment and on such date such Bank shall purchase at par such of the Loans of the other Banks as the Administrative shall determine may be necessary in order for such Bank to hold such Loans in accordance with the percentage of the total Commitments (disregarding any Defaulting Lender's Commitment) represented by such Bank's Commitment; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Company while such Bank was a Defaulting Lender; provided, further, that except to the extent otherwise expressly agreed by the affected parties, a Bank's ceasing to be a Defaulting Lender will not constitute a waiver or release of any claim of any party hereunder arising from such Bank's having been a Defaulting Lender.

**2.20 Mitigation Obligations; Replacement of Lenders.** (a) If any Bank requests compensation under Section 2.16, or requires the Company to pay any additional amount to any Bank or any Governmental Authority for the account of any Bank pursuant to Section 2.17, then such Bank shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.16 or 2.17, as the case may be, in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

(b) If any Bank requests compensation under Section 2.16, or if the Company is required to pay any additional amount to any Bank or any Governmental Authority for the account of any Bank pursuant to Section 2.17, or if any Bank is a Defaulting Lender, then the Company may, at its sole expense and effort, upon notice to such Bank and the Administrative Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.7), all of its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Bank, if a Bank accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.16 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Bank shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply. In case such Bank is a Defaulting Lender, each party hereto agrees that an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Assumption executed by the Company, the Administrative Agent and the assignee and that the Bank required to make such assignment need not be a party thereto.

## SECTION 4. REPRESENTATIONS AND WARRANTIES

In order to induce the Banks to enter into this Agreement and to make the Loans herein provided for, the Company hereby represents and warrants to the Banks and the Administrative Agent that:

4.1 Financial Condition. The audited consolidated balance sheets of the Company and its consolidated Subsidiaries as at December 31, 2009, December 31, 2010 and December 31, 2011, and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from Deloitte & Touche LLP, present fairly the consolidated financial condition of the Company and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

4.2 No Material Adverse Effect. Since December 31, 2011, there has been no event or development that would reasonably be expected to have a Material Adverse Effect.

4.3 Existence; Compliance with Law. The Company (a) is a limited liability company formed and validly existing under the Limited Liability Company Law of the State of Delaware, or, if at any time after the Effective Date the Company has changed its form of business organization to a corporate or partnership form, is, on any date on or after the effectiveness of such change upon which this representation is made or deemed made, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the requisite power and authority under such law to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (c) is duly qualified and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to so qualify would not reasonably be expected, in the aggregate, to have a Material Adverse Effect. Each of the Company's Significant Subsidiaries (x) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (y) has the requisite power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (z) is duly qualified and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to so qualify would not reasonably be expected, in the aggregate, to have a Material Adverse Effect. Each of the Company and its Significant Subsidiaries is in compliance with all Requirements of Law except to the extent that the failure to comply therewith would not, in the aggregate, have a material adverse effect on the business, property, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, and would not materially adversely affect the ability of the Company to perform its obligations under this Agreement and the Notes.

4.4 Power; Authorization; Enforceable Obligations. The Company has the requisite power and authority and the legal right to make, deliver and perform this Agreement and the Notes and to borrow hereunder and has taken all necessary and proper action to authorize the borrowings on the terms and conditions of this Agreement and the Notes and to authorize the execution, delivery and performance of this Agreement and the Notes by the Company. No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required by the Company in connection with the borrowings hereunder or with the execution, delivery or performance of this Agreement or the Notes by the Company or with the validity or enforceability of this Agreement or the Notes against the Company. This Agreement has been duly executed and delivered on behalf of the Company and constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in

equity or at law). On the date of the initial Loans hereunder, each Note, if requested, will have been duly executed and delivered on behalf of the Company and will constitute a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 No Legal Bar. The execution, delivery and performance of this Agreement and the Notes, the borrowings hereunder and the use of the proceeds thereof, will not violate the organizational or governing documents of the Company or any of its Significant Subsidiaries, any other material Requirement of Law or any material Contractual Obligation of the Company or of any of its Significant Subsidiaries, and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any Requirement of Law or Contractual Obligation.

4.6 No Material Litigation. Except as disclosed in the SEC Filings, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Company, threatened by or against the Company or any of its Significant Subsidiaries or against any of its or their respective properties or revenues (a) with respect to this Agreement or the Notes, or (b) which is reasonably likely to be adversely determined and, if adversely determined, would reasonably be expected to have, a Material Adverse Effect.

4.7 No Default. Neither the Company nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation in any respect which would reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. Each of the Company and its Subsidiaries, if any, has good title to or valid leasehold interests in all its material real property, and good title to all its other material property, and none of such property is subject to any Lien prohibited by Section 7.3.

4.9 Taxes. Each of the Company and its Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the Company are required to be filed by it and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority except (a) those taxes the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Company or any of its Significant Subsidiaries, as the case may be, or (b) to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

4.10 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used (a) for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect for any purpose that violates the provisions of the Regulations of the Board or (b) for any purpose that violates the provisions of the Regulations of the Board.

4.11 ERISA. Except as, in the aggregate, would not reasonably be expected to have a Material Adverse Effect: (a) during the five-year period prior to the date on which this representation is made or deemed made, (i) no Reportable Event or non-exempt Prohibited Transaction has occurred with respect to any Plan; (ii) no termination of a Single Employer Plan has occurred with respect to which the liability remains unsatisfied and no Lien in favor of the PBGC has arisen; (iii) there has been no failure to meet the minimum funding standards (within the meaning of Sections 412 or 430 of the Code or Section 302 of ERISA, including but not limited to the occurrence of an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA as in effect prior to the effective date of the Pension Protection Act of 2006)) with respect

to any Single Employer Plan; and (iv) there has been no filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Single Employer Plan, no failure to make by its due date a required installment under Section 430(j) of the Code with respect to any Single Employer Plan, or failure by the Company or any Commonly Controlled Entity to make any required contribution to a Multiemployer Plan; (b) the Company, each of its Significant Subsidiaries and each Commonly Controlled Entity is in compliance in all respects with the applicable provisions of ERISA and the Code relating to Plans; (c) the present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Single Employer Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Single Employer Plan allocable to such accrued benefits and there has been no determination that any Single Employer Plan is, or is expected to be, in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA); (d) neither the Company nor any Commonly Controlled Entity has received from the PBGC or a plan administrator any notice relating to an intention to terminate any Single Employer Plan or to appoint a trustee to administer any Single Employer Plan under Section 4042 of ERISA; (e) neither the Company nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or would reasonably be expected to result in any liability under Section 4201 of ERISA, and neither the Company nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Company or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made; (f) neither the Company nor any Commonly Controlled Entity has received any notice of a determination that a Multiemployer Plan is in Reorganization, Insolvent or in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); and (g) with respect to each Foreign Plan, there has been no failure (i) to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Foreign Plan; (ii) to register or loss of good standing with applicable regulatory authorities of any such Foreign Plan required to be registered; or (iii) of any Foreign Plan to comply with any material provisions of applicable law and regulations or with the material terms of such Foreign Plan.

4.12 Investment Company Act; Other Regulations. Neither the Company nor any of its Subsidiaries is an “investment company”, or a company “controlled” by a registered “investment company”, within the meaning of the Investment Company Act of 1940, as amended. Neither the Company nor any of its Subsidiaries is subject to regulation under any Requirement of Law (other than Regulation X of the Board and Rule 15c3-1 as promulgated by the SEC under the Act) that limits its ability to incur Indebtedness.

4.13 Significant Subsidiaries. Except as disclosed to the Administrative Agent (who shall promptly notify the other Banks upon receipt of such disclosure) by the Company in writing from time to time after the Effective Date, (a) Schedule 4.13 sets forth the name and jurisdiction of incorporation of each Significant Subsidiary and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than Exchangeable Interests, stock options granted to employees or directors and directors’ qualifying shares) of any nature relating to any Capital Stock of the Company or any of its Significant Subsidiaries, except as created by this Agreement.

4.14 Accuracy of Information, etc. No statement or information contained in this Agreement or any other document, certificate or statement furnished by or on behalf of the Company to the Administrative Agent or the Banks, or any of them, for use in connection with the transactions contemplated by this Agreement, contained as of the date such statement, information, document or certificate was so furnished (as modified or supplemented by other information so furnished), any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading in each case taken as a whole; provided that, with respect to any such statement or information with respect to projected financial information or other projected results, the Company represents only that such information was based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the Banks that such information as it relates to future events is not to be viewed as fact and that

actual results during the period or periods covered by such information may differ from the projected results set forth therein by a material amount. There is no fact known to the Company that would reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein or in any other documents, certificates and statements furnished to the Administrative Agent and the Banks for use in connection with the transactions contemplated hereby.

4.15 Use of Proceeds. The proceeds of the Loans shall be used by the Company for general corporate purposes.

## SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions of Initial Loans. The obligation of each Bank to make its initial Loan hereunder and the effectiveness of this Agreement are subject to the satisfaction of the following conditions precedent:

(a) Execution of Agreement. The Administrative Agent shall have received this Agreement, executed by an authorized officer of each Bank party hereto and by an authorized officer of the Company.

(b) Notes. The Administrative Agent shall have received a Note conforming to the requirements hereof and executed by an authorized officer of the Company for each Bank that has requested a Note prior to the Effective Date. The Administrative Agent shall promptly forward any such Notes to the appropriate Banks.

(c) Existing Credit Agreement. Prior to or substantially simultaneously with the Effective Date, the commitments under the Existing Credit Agreement 2 shall have been terminated and the Company shall have repaid all outstanding loans, unpaid interest thereon and all fees and expenses owed thereunder.

(d) Legal Opinion. The Administrative Agent shall have received (i) an opinion of Cravath, Swaine & Moore LLP, special counsel to the Company, substantially in the form of Exhibit B-1, and (ii) an opinion of Scott D. Hoffman, Managing Director and the General Counsel to the Company, substantially in the form of Exhibit B-2, and (iii) an opinion of Wilmer Cutler Pickering Hale and Dorr LLP, substantially in the form of Exhibit B-3, each dated the Effective Date and addressed to the Administrative Agent and the Banks.

(e) Closing Certificate. The Administrative Agent shall have received a Closing Certificate of the Company dated the Effective Date, in a form reasonably satisfactory to the Administrative Agent, with appropriate insertions and attachments (including the certificate of formation and the operating agreement of the Company) executed by an officer of the Company.

(f) Incumbency and Signatures. The Administrative Agent shall have received a certificate of an officer of the Company, dated the Effective Date, as to the incumbency and signatures of the officers of the Company, duly authorized to sign this Agreement, the Notes and any certificate or other document required to be delivered pursuant thereto.

(g) Fees. The Administrative Agent shall have received all fees required to be paid to it and each Bank under this Agreement on or prior to the Effective Date.

5.2 Conditions to All Loans. The making by each Bank of any Loan hereunder (but not the conversion or continuation of any Loan pursuant to Section 2.7) is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date:

(a) Representations and Warranties. The representations and warranties made by the Company herein or which are contained in any certificate furnished at any time under or in connection herewith shall be true and correct in all material respects on and as of the Borrowing Date as if made on and as of such date (it being understood and agreed that any representation and warranty that (i) is qualified as to "materiality" or "Material Adverse Effect" shall be true and correct (after giving effect to any qualification therein) in all respects and (ii) by its terms is made as of a specified date shall be true and correct in all material respects only as of such specified date).

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loan to be made on such Borrowing Date.

(c) Compliance Certificate. Notwithstanding the fact that no Event of Default has occurred and is continuing, if the Company has failed to comply with the financial covenants set forth in Section 7.1 for any period of time, the Company shall have delivered a Compliance Certificate substantially in the form of Exhibit D.

Each borrowing by the Company hereunder shall constitute a representation and warranty by the Company as of the date of such borrowing or issuance that the conditions in clauses (a) and (b) of this Section have been satisfied.

## SECTION 6. AFFIRMATIVE COVENANTS

The Company hereby agrees that, so long as the Commitments remain in effect, any Loan remains outstanding and unpaid or any other amounts (other than indemnities and other contingent liabilities that survive the repayment of the Loans) is owing to the Banks or the Administrative Agent hereunder, the Company shall and (except in the case of delivery of financial information, reports and notices) shall cause each Significant Subsidiary to:

6.1 Financial Statements. Furnish to the Administrative Agent for delivery to each Bank:

(a) as soon as available, but in any event within 90 days after each December 31<sup>st</sup> or other date on which the annual audit of the Company is conducted, a copy of the balance sheet of the Company and its consolidated Subsidiaries as at such date and the related statement of income for the fiscal year then ended, reported on without a “going concern” or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally or regionally recognized standing; provided that any such financial statements that are made available on the SEC’s EDGAR system or the Company’s website shall be deemed delivered to the Administrative Agent on the date such documents are made so available; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first, second and third quarterly periods of each fiscal year of the Company, the unaudited balance sheet of the Company and its consolidated Subsidiaries as at the end of each such quarter and the related unaudited statement of income of the Company and its consolidated Subsidiaries for the fiscal year to date, certified by a Responsible Officer of the Company with responsibility for financial reporting matters (subject to normal year-end audit adjustments); provided that any such financial statements that are made available on the SEC’s EDGAR system or the Company’s website shall be deemed delivered to the Administrative Agent on the date such documents are made so available;

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail in accordance with GAAP applied consistently throughout the period reflected therein (except as disclosed therein), and in the case of clause (b) above, subject to normal year-end audit adjustments and the absence of footnotes. Notwithstanding anything to the contrary in this Section 6.1, if financial statements for the Company shall no longer be publicly available on the SEC’s EDGAR system or the Company’s website, this Section 6.1 shall be deemed to be satisfied upon the delivery of financial statements of Holdings.

6.2 Certificates; Other Information. Furnish to the Administrative Agent for delivery to each Bank:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.1(a) and (b), a certificate of an authorized financial officer of the Company (i) stating that, to the best of such authorized financial officer’s knowledge, the Company and its Significant Subsidiaries during such period have observed or performed all of their covenants and other agreements, and satisfied every condition, contained



in this Agreement and in the Notes to be observed, performed or satisfied by them, and that such officer has obtained no knowledge of any Event of Default, in each case except as specified in such certificate, (ii) setting forth quarterly computations with respect to compliance with Section 7.1 of this Agreement and (iii) setting forth the aggregate amount of Indebtedness incurred pursuant to Section 7.2(d) of this Agreement that is outstanding as of the last day of the fiscal period covered by such financial statements;

(b) [Reserved];

(c) as soon as possible and in any event within 30 days after the Company knows or has reason to know of the following events: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC, the Company or any Commonly Controlled Entity with respect to the withdrawal from, or the terminating, reorganization or insolvency of, any Single Employer Plan or Multiemployer Plan, a certificate of an authorized officer of the Company setting forth the details thereof and the action, if any, that the Company or the Commonly Controlled Entity proposes to take with respect thereto; and

(d) promptly, such additional financial and other information, as the Banks may from time to time reasonably request and which the Company is not expressly prohibited by law or written contract from disclosing.

6.3 Conduct of Business and Maintenance of Existence; Compliance. (a) Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its existence (which, in the case of the Company shall be as a duly formed and existing limited liability company or, if the provisions set forth in the immediately succeeding sentence have been satisfied, a duly organized and existing corporation or partnership), except as otherwise expressly permitted under Section 7.4, (b) take all reasonable action to maintain all material rights, privileges and franchises necessary or desirable in the normal conduct of its business and (c) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith would not reasonably be expected, in the aggregate, to have a Material Adverse Effect. The Company may change the form of its business organization from limited liability company to corporate form or to a limited partnership form provided that (i) immediately upon giving effect to any such change, all representations and warranties made by the Company under Section 4 hereof are true and correct as if made at such time by the Company in such successor form and (ii) upon or prior to the date of such change, the Company shall have delivered to the Administrative Agent a certificate of the Company to such effect and opinion satisfactory to the Administrative Agent with respect to the assumption of all agreements, obligations and liabilities hereunder by the Company in such successor form.

6.4 Maintenance of Property; Insurance. Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business and of a similar size; and furnish to each Bank, upon written request, full information as to the insurance carried.

6.5 Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and, with the prior consent of the Company, which shall not be unreasonably withheld (and not be required when any Event of Default has occurred and is continuing but with reasonable prior notice), permit representatives of any Bank to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the Company and its Subsidiaries with officers and employees of the Company and its Significant Subsidiaries and with its independent certified public accountants.

6.6 Notices. Promptly give notice to the Administrative Agent and each Bank:

(a) of the occurrence of any Default or Event of Default upon obtaining knowledge thereof;

(b) of any litigation or proceeding which may exist at any time between the Company or any Subsidiary and any other person, which is reasonably likely to be adversely determined and if adversely determined would have a Material Adverse Effect;

(c) of the following events, as soon as possible and in any event within 30 days after the Company knows or has reason to know thereof: (i) the occurrence of any Reportable Event or non-exempt Prohibited Transaction resulting in liability in excess of \$10,000,000 with respect to any Plan, a failure to make any required contribution to a Single Employer Plan or Multiemployer Plan, any determination that any Single Employer Plan is, or is expected to be, in "at risk" status (within the meaning of Section 430 of the Code or Section 303 of ERISA), the creation of any Lien in favor of the PBGC or a Plan, any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or determination that any Multiemployer Plan is, or is expected to be, in "endangered" or "critical" status (within the meaning of Section 432 of the Code or Section 305 of ERISA, or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Company or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Single Employer Plan or Multiemployer Plan or determination that any such Single Employer Plan is, or is expected to be, in "at risk" status (within the meaning of Section 430 of the Code or Section 303 of ERISA) or that any Multiemployer Plan is, or is expected to be, in "endangered" or "critical" status (within the meaning of Section 432 of the Code or Section 305 of ERISA); and

(d) of any other development that has had or would reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Company setting forth details of the occurrence referred to therein and stating what action, if any, the Company proposes to take with respect thereto.

## SECTION 7. NEGATIVE COVENANTS

The Company hereby agrees that, so long as the Commitments remain in effect, any Loan remains outstanding and unpaid or any other amounts (other than indemnities and other contingent liabilities that survive the repayment of the Loans) is owing to the Banks or the Administrative Agent hereunder, the Company shall not, and shall not permit any of its Significant Subsidiaries to, directly or indirectly:

### 7.1 Financial Condition Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the last day of any fiscal quarter, commencing with the fiscal quarter ended September 30, 2012, to be greater than 4.00 to 1.00.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for the period of four consecutive fiscal quarters ending on the last day of any fiscal quarter, commencing with the fiscal quarter ended September 30, 2012, to be less than 3.00 to 1.00.

### 7.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness arising under this Agreement or the Notes;

(b) Indebtedness of the Company to any Wholly Owned Subsidiary and of any Wholly Owned Subsidiary to the Company or any other Wholly Owned Subsidiary;

(c) Indebtedness outstanding on the date hereof and listed on Schedule 7.2 and any Permitted Refinancing Indebtedness incurred to Refinance such Indebtedness;

(d) Indebtedness of the Company to LLtd Corp II, LLtd 1 S.à r.l. and LLtd 2 S.à r.l. (collectively, the “Interim Financing Companies”) in respect of loans made by any such Interim Financing Company to the Company from excess funds attributable to (i) Restricted Payments permitted under Section 7.8 or (ii) loans made by the Company to any such Interim Financing Company;

(e) secured Broker-Dealer Indebtedness and Indebtedness of Lazard Frères Banque; provided that after giving effect to the incurrence of any unsecured Indebtedness by Lazard Frères Bank permitted under this Section 7.2(e), the aggregate of its unencumbered assets shall exceed the aggregate of its unsecured Indebtedness;

(f) Indebtedness of a Subsidiary acquired after the Effective Date or a corporation or other entity merged into or consolidated with the Company or any Subsidiary after the Effective Date and Indebtedness assumed in connection with the acquisition of assets, which Indebtedness in each case, exists at the time of such acquisition, merger or consolidation and is not created in contemplation of such event and where such acquisition, merger or consolidation is permitted by this Agreement and any Permitted Refinancing Indebtedness incurred to Refinance such Indebtedness; provided that, immediately after giving effect to the acquisition or assumption of such Indebtedness (other than Permitted Refinancing Indebtedness incurred to Refinance such Indebtedness), the Company shall be in pro forma compliance with the financial covenant set forth in Section 7.1(a);

(g) Capital Lease Obligations in connection with the Paris Lease and any Indebtedness the net proceeds of which are used to refinance or replace such Capital Lease Obligations; provided that the principal amount of such Indebtedness does not exceed the value of the real property covered by the Paris Lease;

(h) additional Capital Lease Obligations in an aggregate principal amount not to exceed \$20,000,000 at any one time outstanding;

(i) purchase money Indebtedness incurred by the Company or any Subsidiary prior to or within 270 days of the acquisition, lease or improvement of the respective asset permitted under this Agreement in order to finance such acquisition or improvement, and any Permitted Refinancing Indebtedness in respect thereof, in an aggregate principal amount that at the time of, and after giving effect to, the incurrence thereof in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding;

(j) Indebtedness of the Company in respect of the Senior Notes and any Permitted Refinancing Indebtedness incurred to Refinance such Indebtedness;

(k) Indebtedness in connection with Permitted Receivables Financings in an aggregate principal amount not to exceed \$50,000,000 at any one time outstanding;

(l) Indebtedness in respect of letters of credit issued for the account of the Company or its Subsidiaries (other than letters of credit issued as guaranties for Indebtedness of the Company and its Subsidiaries);

(m) Subordinated Indebtedness of the Company or any of its Subsidiaries;

(n) additional Indebtedness of the Company or any of its Subsidiaries in an aggregate principal amount (for the Company and all Subsidiaries) not to exceed \$200,000,000 at any one time outstanding; provided that, immediately after giving effect to the incurrence of such additional Indebtedness, the Company shall be in pro forma compliance with the financial covenant set forth in Section 7.1(a);

(o) Guarantee Obligations of the Company and its Subsidiaries in respect of Indebtedness of the Company or its Subsidiaries so long as the incurrence of such Indebtedness is permitted under this Agreement; and

(p) Specified Non-Recourse Indebtedness.

7.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except:

(a) Liens created, incurred or assumed by any Subsidiary of the Company which is a registered broker-dealer upon assets owned by such Subsidiary or held for such Subsidiary’s account to secure Trade Debt;

(b) Liens for taxes, assessments, governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's, or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings;

(d) (i) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation, (ii) licenses, sublicenses, leases or subleases granted in the ordinary course of business not interfering in any material respect with the business of the Company or any of its Subsidiaries, (iii) Liens arising from UCC financing statements regarding operating leases and (iv) Liens on securities that are the subject of repurchase agreements constituting Cash Equivalents;

(e) Liens incurred or pledges or deposits made to secure the performance of bids, tenders, sales contracts, trade contracts (other than for borrowed money), leases, statutory and other obligations required by law, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate; are not substantial, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Company and its Subsidiaries taken as a whole;

(g) Liens on real property, leasehold improvements and equipment of the Company securing Specified Non-Recourse Indebtedness and/or Specified Recourse Indebtedness;

(h) any judgment Liens in respect of judgments that do not constitute an Event of Default under clause (h) of Section 9;

(i) purchase money Liens on property acquired or held by the Company or any Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of such property or other Lien existing on any such property or assets at the time of acquisition (other than any such Liens created in contemplation of such acquisition that do not secure the purchase price); provided, however, that no such Lien shall extend to or cover any property other than property being acquired, constructed on or improved;

(j) any assignment of an account or chattel paper (i) as part of the sale of the business out of which such account or chattel paper arose, (ii) for the purpose of collection only, (iii) under a contract to an assignee who is also to do the performance under such contract or (iv) in whole or partial satisfaction of pre-existing Indebtedness;

(k) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any of the Liens permitted by clause (i) above upon the same real property or assets theretofore subject thereto without increase in the amount of Indebtedness secured thereby;

(l) any Lien on any property or asset (or proceeds therefrom) that is existing prior to the acquisition thereof by the Company or any Subsidiary or on any property or asset of any Person that becomes a Subsidiary after the Effective Date that is existing prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(m) any Lien securing Indebtedness permitted under Sections 7.2(b) (only to the extent required under Requirements of Law), 7.2(e), 7.2(g), 7.2(h), 7.2(i) and 7.2(k);

(n) Liens on deposit accounts and securities accounts to secure certain pension obligations of Lazard & Co., Services Limited, provided that the aggregate amount of assets in the accounts subject to such Liens shall not exceed £20,000,000 at any one time;

(o) Liens existing on the Effective Date set forth on Schedule 7.2; and

(p) other Liens securing Indebtedness or other obligations not prohibited under Section 7.2 in an aggregate principal amount outstanding not to exceed \$20,000,000 at any time outstanding.

7.4 Limitation on Fundamental Changes. Consummate any merger, amalgamation, statutory share exchange or consolidation or similar transaction (collectively, to “Merge” or a “Merger”, as applicable) involving the Company and its Significant Subsidiaries, or a sale or other disposition of all or substantially all of the assets of Company and its Subsidiaries taken as a whole (any of the foregoing, a “Business Combination”), except that:

(a) any Subsidiary of the Company may Merge with or into the Company or enter into a Business Combination with the Company (provided that the Company shall be the continuing or surviving person) or Merge with or into, or enter into a Business Combination with, any other Subsidiary;

(b) so long as no Default exists or would result therefrom, any Merger of a Significant Subsidiary, the purpose of which is to effect an asset sale or disposition permitted under this Agreement and not constituting a sale or other disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole; and

(c) any Business Combination shall be permitted if: (A) more than 50% of, respectively, the outstanding equity interests in, and more than 50% of the combined voting power of the then outstanding voting interests entitled to vote generally in the election of directors or similar governing body, as the case may be, of the person resulting from such Business Combination (including, without limitation, a person which as a result of such transaction owns Holdings or all or substantially all of Holdings’ assets either directly or through one or more subsidiaries) shall be owned by persons who are the beneficial owners of the Company immediately prior to such Business Combination, and (B) no Change in Control shall occur.

#### 7.5 RESERVED.

7.6 Limitation on Optional Payments and Modifications of Subordinated Indebtedness. (a) Make any optional payment or prepayment on, or optional redemption or purchase of, any Subordinated Indebtedness; provided that such optional payments, prepayments, redemptions or purchases shall be permitted so long as (i) made with the proceeds of Permitted Refinancing Indebtedness with respect thereto, (ii) such payments do not exceed in the aggregate the amount then available for Restricted Payments pursuant to Section 7.8(e), or (iii) the Leverage Ratio is not greater than 4.0 to 1.0 after giving effect to such optional payment, prepayment, redemption or purchase, or (b) make any amendment, modification or change, or consent or agree to any amendment, modification or change to any of the terms relating to the payment or prepayment of principal of or interest on, any Subordinated Indebtedness (other than any such amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest thereon or any such amendment, modification or change which would not otherwise cause such Subordinated Indebtedness (assuming that such Indebtedness were incurred after the Effective Date) to fail to constitute Subordinated Indebtedness as defined herein).

7.7 Clauses Restricting Subsidiary Distributions. Other than pursuant to the Senior Note Indentures, enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Significant Subsidiary of the Company to (a) make Restricted Payments in respect of any Capital Stock of such Significant Subsidiary held by, or pay any Indebtedness owed to, the Company or any other Subsidiary of the Company, (b) make loans or advances to, or other Investments in, the Company or any other Subsidiary of the Company or (c) transfer any of its assets to the Company or any other Subsidiary of the Company, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions imposed by law, by any self-regulatory organizations or existing under this Agreement, (ii) any restrictions with respect to a Significant

Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Significant Subsidiary, (iii) restrictions and conditions with respect to a Person that is not a Significant Subsidiary on the date hereof, which restrictions and conditions are in existence at the time such Person becomes a Significant Subsidiary and are not incurred in connection with, or in contemplation of, such Person becoming a Significant Subsidiary, (iv) restrictions and conditions no more restrictive than those in the Senior Note Indentures, (v) restrictions and conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions and conditions apply only to the property or assets securing such Indebtedness, (vi) customary provisions in leases and other contracts restricting the assignment thereof, and (vii) restrictions and conditions imposed by the Pension Reserve Letter Agreement, provided that such restrictions and conditions are limited to distributable reserves to be retained by Lazard & Co., Holdings Limited, Lazard & Co., Limited and Lazard & Co., Services Limited with an aggregate value not in excess of £20,000,000 at any one time.

7.8 Restricted Payments. Declare or pay any dividend (other than dividends payable solely in common stock (or equivalent) of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of the Company or any of its Subsidiaries, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any of the Company or any Subsidiary (collectively, "Restricted Payments"). Notwithstanding the foregoing, the Company and each Subsidiary may make the following Restricted Payments:

- (a) amounts necessary for tax distributions in accordance with Article VI of the Company's operating agreement as in effect as of the date hereof;
- (b) distributions made in accordance with the Company's operating agreement, as in effect as of the date hereof, in respect of profit participation interests;
- (c) Restricted Payments made by any Subsidiary of the Company to the Company or any other Subsidiary of the Company or ratably with respect to its Capital Stock;
- (d) pro rata distributions to any holders of Capital Stock in a joint venture;
- (e) Restricted Payments in an amount equal to (i) \$38,000,000 per annum, plus (ii) a cumulative amount from and after May 10, 2005 equal to the sum of (A) 40% of Consolidated Net Income as determined in accordance with the financial statements for the relevant period or periods, plus (B) proceeds received by the Company after the May 10, 2005 from the issuance of its Capital Stock and capital contributions, plus (C) the principal amount of any convertible or exchangeable securities actually converted or exchanged minus (iii) the aggregate amount of restricted payments made during the period from May 10, 2005, to the Effective Date pursuant to Section 7.8(e) of the Existing Credit Agreement 2 and Section 7.8(e) of the Existing Credit Agreement 1 minus (iv) at any time, the aggregate amount of payments made pursuant to Section 7.6(a)(ii) hereto;
- (f) Restricted Payments necessary for any parent of the Company to pay operating expenses attributable to the Company and other similar corporate overhead costs and expenses incurred in the ordinary course of business which are attributable to the Company;
- (g) if no Event of Default has occurred and is continuing, payments of dividends on any preferred stock;
- (h) Restricted Payments made by the Company or by any Significant Subsidiary of the Company, in connection with the purchase of Holdings Capital Stock in an amount equal to 100% of the market value of Holdings Capital Stock that is scheduled to vest during such year under an equity compensation plan authorized and approved by the Board of Directors of the Company;
- (i) dividend payments to employees holding Capital Stock received upon the exercise of compensation options under a benefit plan; and

(j) Restricted Payments made in connection with the Lazard Asset Management Equity Plan.

7.9 Disposition of Designated Subsidiaries. Enter into any Designated Asset Sale, if, after giving effect to such Designated Asset Sale, the Company shall own, directly or indirectly, Capital Stock of any Designated Subsidiary representing less than a majority of (a) the Capital Stock of such Designated Subsidiary, (b) the Capital Stock of such Designated Subsidiary entitled to vote generally in the election of directors or (c) the right to receive dividends or other distributions from such Designated Subsidiary.

#### SECTION 8. RESERVED

#### SECTION 9. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Company shall fail to pay any principal of any Loan when any such amount becomes due in accordance with the terms hereof; or to pay any interest on any Loan, or any other amount payable hereunder, within five (5) days after such interest or other amount becomes due in accordance with the terms hereof; or

(b) Any representation or warranty made by the Company herein or pursuant hereto or which is contained in any certificate or other document furnished at any time under or in connection with this Agreement shall prove to have been incorrect in any material respect on or as of the date made; or

(c) The Company shall default in the observance or performance of any agreement contained in Section 6.3(a) (with respect to the existence of the Company only), Section 6.6(a) or in Section 7 (other than, so long as there are no Loans outstanding under this Agreement, Section 7.1); or

(d) The Company shall default in the observance of the financial covenants set forth in Section 7.1 on the last day of any fiscal quarter on which there are no Loans outstanding under this Agreement and such default shall continue unremedied at the end of the next succeeding fiscal quarter; or

(e) The Company shall default in the observance or performance of any other agreement contained in this Agreement (other than as provided in paragraphs (a) through (d) of this Section), and such default shall continue unremedied for a period of 30 days following notice thereof by the Administrative Agent to the Company; or

(f) The Company or any of its Significant Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Loans) in excess of \$10,000,000 (or in the case of the Company, \$25,000,000) beyond the period of grace, if any, provided in the instrument or agreement (or any extension of such period granted to the Company) under which such Indebtedness was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, such Indebtedness in excess of \$10,000,000 (or in the case of the Company, \$25,000,000) to become due prior to its stated maturity; or

(g) (i) Any Person shall engage in any non-exempt Prohibited Transaction involving any Plan; (ii) any failure to satisfy the minimum funding standards (within the meaning of Sections 412 or 430 of the Code or Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Company or any of its Significant Subsidiaries or any Commonly Controlled Entity; (iii) a filing shall be made pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Single Employer Plan, or there shall be a failure by the Company or any Commonly Controlled Entity to make by its due date a required contribution to any Single Employer Plan or Multiemployer Plan; (iv) a

determination shall be made that any Single Employer Plan is, or is expected to be, in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA); (v) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the Banks’ reasonable opinion, reasonably likely to result in the termination of such Plan for purposes of Title IV of ERISA; (vi) any Single Employer Plan shall terminate for purposes of Title IV of ERISA; (vii) the Company, any of its Significant Subsidiaries or any Commonly Controlled Entity shall, or shall be reasonably likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or there shall be a determination that any Multiemployer Plan is, or is expected to be, in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); (viii) with respect to any Foreign Plan, there shall occur (A) a failure to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Foreign Plan, (B) a failure to register or loss of good standing with applicable regulatory authorities of any such Foreign Plan required to be registered; or (C) a failure of any Foreign Plan to comply with any material provisions of applicable law and regulations or with the material terms of such Foreign Plan; or (ix) any other similar event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (ix) above, such event or condition, together with all other such events or conditions, if any, could subject the Company or any Significant Subsidiary to any tax, penalty or other liabilities that, in the aggregate, would have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Company or any of its Significant Subsidiaries involving in the aggregate a liability (not paid or to the extent not covered by insurance) of \$10,000,000 (or in the case of the Company, \$25,000,000) or more and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

(i) (i) the Company or any of its Significant Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Company or any of its Significant Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Company or any of its Significant Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of 60 days; or (iii) there shall be commenced against the Company or any of its Significant Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Company or any of its Significant Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Company or any of its Significant Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(j) a Change in Control shall occur.

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (i) above with respect to the Company, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative



Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Company declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Company, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Company.

## SECTION 10. RESERVED

## SECTION 11. THE ADMINISTRATIVE AGENT

11.1 Appointment. Each Bank hereby irrevocably designates and appoints Citibank, N.A., as the Administrative Agent of such Bank under this Agreement, and irrevocably authorizes Citibank, N.A., as the Administrative Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Banks, and no implied covenants, function, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

11.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

11.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence, bad faith or willful misconduct), or (ii) responsible in any manner to the Banks for any recitals, statements, representations or warranties made by the Company or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the Notes or for any failure of the Company to perform its obligations hereunder. The Administrative Agent shall not be under any obligation to the Banks to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Company. The Administrative Agent will not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Credit Document or applicable law, including for the avoidance of doubt, any action that may be in violation of the automatic stay under any bankruptcy or insolvency proceeding or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any bankruptcy or insolvency proceeding.

11.4 Reliance by Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of

any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes.

11.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default” or “notice of event of default”, as the case may be. In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Banks jointly; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Banks.

11.6 Non-Reliance on Administrative Agent. Each Bank expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Administrative Agent to such Bank. Each Bank represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Administrative Agent, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

11.7 Indemnification. Each Bank agrees to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Company and without limiting the obligation of the Company to do so), ratably according to the amount of its original Commitment and the amount of the original Commitment of the Administrative Agent, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that the Banks shall not be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Administrative Agent’s gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Notes and all other amounts payable hereunder.

11.8 Agent in Its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company as though the Administrative Agent were not the Administrative Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the same as though it were not the Administrative Agent, and the terms “Bank” and “Banks” shall include the Administrative Agent in its individual capacity.

11.9 Successor Agent. The Administrative Agent may resign as Administrative Agent upon 10 days’ notice to the Company and the Banks. If the Administrative Agent shall resign as Administrative Agent under this Agreement, then the Banks shall appoint a successor agent, which successor agent shall be subject to approval by the Company and the Administrative Agent, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term “Agent” shall mean such successor agent effective upon its appointment, and the former Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent’s resignation hereunder as Administrative Agent, the provisions of this Section 11.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

## SECTION 12. MISCELLANEOUS

12.1 Amendments and Waivers. Neither this Agreement, any Note, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section. The Required Lenders and the Company or, with the written consent of the Required Lenders, the Administrative Agent and the Company may, from time to time, (a) enter into written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement or changing in any manner the rights of the Banks or of the Company hereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Bank’s Commitment, eliminate or reduce the voting rights of any Bank under this Section 12.1, amend, modify or waive any provision of Section 2.10 (except for the reduction of Commitments pursuant to Section 2.19 or the reduction, in connection with an amendment approved by the Required Lenders, of the Commitment of any Bank that does not consent to such amendment if such reduction of the non-consenting Banks was approved by such amendment) or 12.7 (only if such amendment or modification makes the assignment and participation provisions more restrictive to the Bank), in each case without the written consent of each Bank directly affected thereby; (ii) reduce any percentage specified in the definition of Required Lenders without the written consent of all Banks; or (iii) amend, modify or waive any provision of Section 11 without the written consent of the Administrative Agent. Any such waiver and any such amendment, supplement or modification shall be binding upon the Company, the Banks, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Company, the Banks and the Administrative Agent shall be restored to their former position and rights hereunder, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

12.2 Notices. (a) All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or when deposited in the mail, postage prepaid, or, in the case of facsimile notice, when sent, confirmation received, addressed as follows in the case of the Company, the Banks or the Administrative Agent, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Company:

Lazard Group LLC  
30 Rockefeller Plaza  
New York, New York 10020  
Attention: Chief Financial Officer  
Facsimile: (212) 632-6670  
E-mail Address: matthieu.bucaille@lazard.com

With a copy to:  
Lazard Group LLC  
30 Rockefeller Plaza  
New York, New York 10020  
Attention: Assistant Treasurer  
Facsimile: (212) 632-6670  
E-mail Address: kurt.langer@lazard.com

The Administrative Agent:

Citibank, N.A.  
1615 Brett Road, OPS 3  
New Castle, Delaware 19720  
Attention: Robert Ross  
Facsimile: (212) 994-0961 Telephone: (302) 323-5499  
E-mail Address: Robert.Ross@citigroup.com  
Copy to: GLAgentOfficeOps@citi.com

The Banks: address, facsimile number, electronic mail address or telephone number specified in the Bank's Administrative Questionnaire, a form supplied by the Administrative Agent, or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by the Bank in a notice to the Administrative Agent

provided that any notice, request or demand to or upon the Administrative Agent or any Bank pursuant to Sections 2.6, 2.7, 2.8 and 2.9 shall not be effective until received.

(b) The Company hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to the Credit Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing, borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due under the Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under the Agreement or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of the Agreement and/or any borrowing or other extension of credit thereunder (all such non-excluded communications being referred to herein collectively as "Communications"), by transmitting the Communications in an

electronic/soft medium in a format acceptable to the Administrative Agent to oploanswebadmin@citigroup.com. In addition, the Company agrees to continue to provide the Communications to the Administrative Agent in the manner specified in the Credit Documents but only to the extent requested by the Administrative Agent.

(c) The Company further agrees that the Administrative Agent may make the Communications available to the Banks by posting the Communications on Debt Domain or a substantially similar electronic transmission systems (the "Platform").

(d) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth in paragraph (b) of this Section shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Credit Documents. Each Bank agrees that notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Bank for purposes of the Credit Documents. Each Bank agrees to notify the Administrative Agent in writing (including by electronic communication) from time to time of such Bank's e-mail address to which the foregoing notice may be sent by electronic transmission and that the foregoing notice may be sent to such e-mail address.

(e) Nothing herein shall prejudice the right of the Administrative Agent or any Bank to give any notice or other communication pursuant to any Credit Document in any other manner specified in such Credit Document.

12.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Bank, any right, remedy, power or privilege hereunder or under the Notes, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided or provided in the Notes are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

12.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes.

12.5 Payment of Expenses and Taxes. The Company agrees (a) to pay or reimburse the Administrative Agent and the Lead Arranger for all its reasonable and documented out-of-pocket costs and expenses incurred in connection with the preparation and execution, and any amendments or modifications or waivers of the provisions of this Agreement and any other documents prepared in connection therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of one counsel (and, if necessary, one local counsel per jurisdiction) to the Administrative Agent and filing and recording fees and expenses, with statements with respect to the foregoing to be submitted to the Company prior to the Effective Date (in the case of amounts to be paid on the Effective Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (b) to pay or reimburse each Bank and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement and any such other documents, including the reasonable fees and disbursements of one counsel (and, if necessary, one local counsel per jurisdiction) to each Bank and of one counsel (and, if necessary, one local counsel per jurisdiction) to the Administrative Agent, (c) to pay, indemnify, and hold each Bank and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement and any such other documents, and (d) to pay, indemnify, and hold each Bank and the Administrative Agent and their respective officers, directors, employees, affiliates, agents and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties,

actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against the Company under this Agreement (all the foregoing in this clause (d), collectively, the “Indemnified Liabilities”), provided, that the Company shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a court of competent jurisdiction to have resulted from the willful misconduct, bad faith or gross negligence of such Indemnitee. All amounts due under this Section 12.5 shall be payable promptly after written demand therefor. Statements payable by the Company pursuant to this Section 12.5 shall be submitted to the address of the Company set forth in Section 12.2, or to such other Person or address as may be hereafter designated by the Company in a written notice to the Administrative Agent. The agreements in this Section 12.5 shall survive repayment of the Loans and all other amounts payable hereunder. The Banks shall endeavor in good faith to limit the number of counsel retained by them to avoid duplication of expenses.

12.6 Confidentiality. The Banks shall not disclose any information that the Company or any of its Subsidiaries furnishes to the Banks, other than (a) as required by any law, rule or regulation or judicial process (in which case, such Bank shall inform the Company promptly thereof to the extent permitted by law, rule or regulation or judicial process), (b) as requested by any state, federal or foreign authority or examiner regulating banks or banking, (c) to actual or proposed (with the consent of the Company) assignees, transferees and participants; provided that any such disclosure and any such proposed assignee, transferee or participant agrees to treat confidentially all such information and to use such information solely for the purpose of evaluating whether to become an assignee, transferee or participant, as the case may be, (d) to its advisors and attorneys on a “need to know” basis and (e) to the extent such information becomes (A) publicly available other than as a result of a breach of this Section 12.6 or (B) available to the Administrative Agent, any Bank or any of their respective Affiliates on a nonconfidential basis from a source other than the Company.

12.7 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Company may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Bank (and any attempted assignment or transfer by the Company without such consent shall be null and void) and (ii) no Bank may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Administrative Agent’s and each Bank’s Affiliates and their respective directors, officers, employees, agents and advisors) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Bank may assign to one or more assignees (each, an “Assignee”) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent of:

(A) the Company (such consent not to be unreasonably withheld or delayed), provided that no consent of the Company shall be required (x) for an assignment to an affiliate of a Bank from such Bank or (y) if an Event of Default under Sections 9(a) or (i) has occurred; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of all or any portion of a Loan to a Bank, an affiliate of a Bank or an Approved Fund (as defined below).

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Bank, an affiliate of a Bank or an Approved Fund or an assignment of the entire remaining amount of the assigning Bank Commitments or Loans hereunder, the

amount of the Commitments or Loans of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Company and the Administrative Agent otherwise consent, provided that such amounts shall be aggregated in respect of each Bank and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 (which fee may be waived by the Administrative Agent in its discretion); provided that only a single processing and recordation fee shall be payable in respect of multiple contemporaneous assignments to Approved Funds with respect to any Lender; and

(C) the Assignee, if it shall not be a Bank, shall deliver to the Administrative Agent an administrative questionnaire.

For the purposes of this Section 12.7, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Bank, (b) an affiliate of a Bank or (c) an entity or an affiliate of an entity that administers or manages a Bank.

No assignment will be made to any Defaulting Lender or any of its subsidiaries except for as set forth in Section 2.19(c).

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.16, 2.17 and 12.5). Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this Section 12.7 shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Company, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks, and the Commitments of, and principal amount of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Bank and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Bank hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph. The Administrative Agent shall promptly notify the Company of the effectiveness of any assignment under this Section.

(c)(i) Any Bank may, without the consent of the Company or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Bank's rights and obligations

under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Bank's obligations under this Agreement shall remain unchanged, (B) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Company, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Bank will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Bank directly affected thereby pursuant to the proviso to the second sentence of Section 12.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Company agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.16 and 2.17 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.8(b) as though it were a Bank, provided such Participant shall be subject to Section 12.8(a) as though it were a Bank. Each Bank that sells a participation, acting solely for this purpose as an agent of the Company, shall maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement (the "Participant Register"). The entries in the Participant Register shall be conclusive, and such Bank and the Administrative Agent shall treat each person whose name is recorded in the Participant Register pursuant to the terms hereof as the owner of such participation for all purposes of this Agreement, notwithstanding notice to the contrary.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.16 or 2.17 than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. No Participant shall be entitled to the benefits of Section 2.17 unless such Participant complies with Section 2.17(d) as if it were a Bank.

(d) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Bank from any of its obligations hereunder or substitute any such pledgee or Assignee for such Bank as a party hereto.

(e) The Company, upon receipt of written notice from the relevant Bank, agrees to issue Notes to any Bank requiring Notes to facilitate transactions of the type described in paragraph (d) above.

(f) By executing and delivering an Assignment and Assumption, the assigning Bank thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Bank warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment and the outstanding balances of its Loans, in each case without giving effect to assignments thereof that have not become effective, are as set forth in such Assignment and Assumption; (ii) except as set forth in clause (i) above, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other instrument or document furnished pursuant hereto or thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the foregoing, or the financial condition of the Company or the performance or observance by the Company of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto or thereto; (iii) each of the assignee and the assignor represents and warrants that it is legally authorized to enter into such Assignment and Assumption; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of any amendments or consents entered into prior to the date of such Assignment and Assumption and copies of the most recent financial statements delivered pursuant to Section 6.1



and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agents on its behalf and to exercise such powers under this Agreement as are delegated to them by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

12.8 Adjustments; Right of Setoff. (a) If any Bank (a “Benefited Bank”) shall at any time receive any payment of all or part of its Loans or interest thereon (whether voluntarily or involuntarily, pursuant to events or proceedings of the nature referred to in Section 9(i), or otherwise) in a greater proportion than any such payment to any other Bank (other than a Bank that is a Defaulting Lender at such time), if any, in respect of such other Bank’s Loans, or interest thereon, such Benefited Bank shall purchase for cash from the other Bank such portion of such other Bank’s Loans as shall be necessary to cause such Benefited Bank to share the excess payment ratably with the other Bank; provided, however, that if all or any portion of such excess payment is thereafter recovered from such Benefited Bank, such purchase shall be rescinded, and the purchase price returned, to the extent of such recovery, but without interest. The Company agrees that any Bank so purchasing a portion of the other Bank’s Loans may exercise all rights of payment with respect to such portion as fully as if such Bank were the direct holder of such portion.

(b) If an Event of Default shall have occurred and be continuing, in addition to any rights and remedies of the Banks provided by law, each Bank shall have the right, without notice to the Company, any such notice being expressly waived by the Company to the extent permitted by applicable law, upon any Obligations becoming due and payable by the Company (whether at the stated maturity, by acceleration or otherwise), to apply to the payment of such Obligations, by setoff or otherwise, any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank, any affiliate thereof or any of their respective branches or agencies to or for the credit or the account of the Company; provided, however, that no Defaulting Lender shall have any rights under this Section. Each Bank agrees promptly to notify the Company and the Administrative Agent after any such application made by such Company; provided that the failure to give such notice shall not affect the validity of such application.

#### 12.9 WAIVERS OF JURY TRIAL

**THE COMPANY AND THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.**

12.10 Submission to Jurisdiction; Waivers. The Company hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the

Company, as the case may be at its address set forth in Section 12.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

12.11 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Company and the Administrative Agent.

12.12 **Governing Law**. **This Agreement and the Notes and the rights and obligations of the parties under this Agreement and the Notes shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.**

12.13 USA Patriot Act. Each Bank hereby notifies the Company that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Bank to identify the Company in accordance with the USA PATRIOT Act.

*[Remainder of Page Intentionally Left Blank]*

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

LAZARD GROUP LLC

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

*[Signature Page to Credit Agreement]*

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

By: /s/ Michael Vondriska  
Name: Michael Vondriska  
Title: Vice President

*[Signature Page to Credit Agreement]*

State Street Bank and Trust Company,  
as Bank

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

*[Signature Page to Credit Agreement]*

The Bank of New York Mellon,  
as Bank

By: /s/ Thomas Caruso

Name: Thomas Caruso

Title: Managing Director

*[Signature Page to Credit Agreement]*

HSBC Bank USA, N.A.,  
as Bank

By: /s/ Jonathan David

Name: Jonathan David

Title: Managing Director

*[Signature Page to Credit Agreement]*

SECOND AMENDMENT TO AGREEMENT RELATING TO RETENTION AND  
NONCOMPETITION AND OTHER COVENANTS

Second Amendment (the "Second Amendment"), dated as of October 24, 2012 (the "Effective Date"), to Agreement Relating to Retention and Noncompetition and Other Covenants by and among Lazard Ltd, a company incorporated under the Laws of Bermuda ("PubliCo"), Lazard Group LLC, a Delaware limited liability company and successor to Lazard LLC ("Lazard"), on its behalf and on behalf of their subsidiaries and affiliates (collectively with PubliCo, Lazard and its and their predecessors and successors, the "Firm"), and Kenneth M. Jacobs (the "Executive"), dated as of March 18, 2005, and amended on March 23, 2010 (as amended, this "Agreement"); and

WHEREAS, the Firm and the Executive wish to amend this Agreement to modify Schedule I to such Agreement to extend the term of certain provisions of Schedule I of this Agreement beyond March 23, 2013, eliminate the golden parachute excise tax gross-up provision and revise certain other terms.

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Executive, PubliCo and Lazard hereby agree as follows:

Effective as of the Effective Date, Schedule I of this Agreement shall hereby be amended and restated in its entirety in the form attached hereto.

IN WITNESS WHEREOF, the Executive and the Board of Directors of each of Lazard and PubliCo have caused this Second Amendment to be executed and delivered on the date first above written.

October 24, 2012

\_\_\_\_\_  
/s/ Kenneth M. Jacobs  
Kenneth M. Jacobs

October 24, 2012

LAZARD LTD,

by /s/ Scott D. Hoffman  
\_\_\_\_\_  
Scott D. Hoffman  
Managing Director and General Counsel

October 24, 2012

LAZARD GROUP LLC (on its behalf, and on behalf of its subsidiaries and affiliates),

by /s/ Scott D. Hoffman  
\_\_\_\_\_  
Scott D. Hoffman  
Managing Director and General Counsel



## SCHEDULE I

Name (as per Preamble):

Mr. Kenneth M. Jacobs

Effective upon the effective date of the Second Amendment to this Agreement (the "Second Amendment Effective Date"), this Schedule I shall take effect and its provisions shall constitute binding and enforceable agreements of the Firm.

1. Schedule Term. For purposes of this Schedule I, the "Schedule Term" shall mean the period from the Second Amendment Effective Date through March 31, 2016, subject to earlier termination in accordance with this Agreement. Notwithstanding the foregoing, upon a Change in Control (as defined below), the Schedule Term shall automatically be renewed so that the Schedule Term is not less than two years from the effective date of such Change in Control.

2. Compensation. Notwithstanding anything to the contrary contained in Sections 3(c)(i) and (ii) of this Agreement, subject to the Executive's continued employment with the Firm, during the Schedule Term, the Executive shall be entitled to receive (i) an annual base salary of not less than \$900,000 ("Base Salary") and (ii) so long as the Executive remains employed by the Firm through the end of the applicable fiscal year of Lazard (except as otherwise provided below in this Schedule I), an annual bonus to be determined under the terms of the applicable annual bonus plan of Lazard on the same basis as annual bonuses are determined for other executive officers of PubliCo. Any such annual bonus awarded to the Executive shall be paid as follows: (A) subject to significant changes in applicable legal requirements or prevailing market compensation practices following the Second Amendment Effective Date, the first \$2.1 million of any annual bonus award (or, in the event the Base Salary is increased, the amount equal to \$3 million less the amount of the Base Salary paid to the Executive for the applicable fiscal year of Lazard for which the annual bonus was awarded) shall be paid in cash at the time cash bonuses are normally paid by Lazard for such fiscal year (and in all events no earlier than January 1st, and no later than March 15th, of the year following the applicable fiscal year for which the bonus is awarded), and (B) any remaining portion of any such annual bonus that is not paid in cash shall be paid in the form and on the terms and conditions as determined by the Compensation Committee of the Board of Directors of PubliCo (the "Compensation Committee") in consultation with the Executive. For purposes hereof, the term Base Salary shall refer to Base Salary as in effect from time to time, including any increases thereto. Notwithstanding anything to the contrary contained in Section 3(c)(iv) of this Agreement, subject to the Executive's continued employment, the Executive shall continue to be eligible to participate in the employee retirement and welfare benefit plans and programs of the type made available to the senior most executives of the Firm generally, in accordance with their terms and as such plans and programs may be in effect from time to time, including, without limitation, savings, profit-sharing and other retirement plans or programs, 401(k), medical, dental, flexible spending account, hospitalization, short-term and long-term disability and life insurance plans. In addition, during the Schedule Term, subject to the Executive's continued employment, the Executive, shall continue to be entitled to receive fringe benefits and perquisites on the same basis as applied to the Executive immediately prior to the Second Amendment Effective Date subject to the terms of the policies adopted by the Compensation Committee as in effect from time to time.

3. **Severance Pay and Benefits under Certain Circumstances.** Notwithstanding anything to the contrary contained in Section 3(d) of this Agreement, in the event that during the Schedule Term the Executive's employment with the Firm is terminated by the Firm without Cause or by the Executive for Good Reason (in each case, as defined below) (a "Qualifying Termination"), Lazard shall pay the Executive (subject to the Executive delivering a waiver and release in accordance with this paragraph 3 of this Schedule I in the event such Qualifying Termination occurs prior to a Change in Control), in a lump sum in cash on the 61st day after the Date of Termination (as defined below), the aggregate of the following amounts: (i) any unpaid Base Salary through the Date of Termination; (ii) any earned and unpaid bonus amounts for fiscal years of Lazard completed prior to the Date of Termination (determined in accordance with paragraph 2 of this Schedule I and with any such bonus to be paid in full in cash); and (iii) the product of (1) the "Severance Multiple" (as defined below) and (2) the sum of (x) the Base Salary and (y) the average annual bonus (or, to the extent applicable, cash distributions, and including any bonuses paid in the form of equity-based or fund interest awards based on the grant date value of such awards in accordance with the normal valuation methodology used by Lazard) paid or payable (including any such amounts that may be deferred under any plan or arrangement of the Firm) to the Executive for the two completed fiscal years of Lazard immediately preceding the fiscal year during which occurs the Date of Termination (the "Average Bonus"). In addition, upon a Qualifying Termination, for a period of months equal to the product of (A) 12 and (B) the Severance Multiple (the "Benefit Continuation Period"), the Executive and his eligible dependents shall continue to be eligible to participate in the medical and dental benefit plans of Lazard on the same basis as the Executive participated in such plans immediately prior to the Date of Termination. Following the Benefit Continuation Period in the case of a Qualifying Termination, or the Date of Termination in the case of any other termination during the Term other than a termination for Cause, for the remainder of the Executive's life and that of his current spouse, the Executive, his spouse and his eligible dependents shall continue to be eligible to participate in the medical and dental benefit plans of Lazard on the same basis as the Executive participated in such plans immediately prior to the Date of Termination to the extent that the applicable plan permits such continued participation for all or any portion of such period (it being agreed that Lazard will use its reasonable best efforts to cause such continued coverage to be permitted under the applicable plan for the entire period); provided, however, that the Executive (or the Executive's current spouse or estate, as applicable) shall be solely responsible for the full cost of all premiums related to the coverage provided in this sentence.

In addition, in the case of (a) a Qualifying Termination during the Schedule Term or (b) the Executive's death or termination due to Disability during the Schedule Term, with respect to the fiscal year of Lazard during which the Date of Termination occurs, the Executive or his estate, as applicable, shall receive a pro-rata annual bonus payable in cash determined as follows:

(i) if, with respect to the fiscal year during which the Date of Termination occurs (other than (x) as a result of the Executive's death or Disability or (y) following a Change in Control), (A) the Executive was reasonably expected by Lazard to be a "covered employee" (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code")) prior to his Date of Termination, and (B) the annual bonus that the Executive was eligible to receive for such year was originally intended by Lazard to satisfy the performance-based exception under Section 162(m) of the Code (without regard to any entitlement to payment upon termination of employment), the Executive's pro-rata annual bonus shall

equal the product of (1) the amount determined by the Compensation Committee based on the Firm's actual performance for the fiscal year of the Firm in which the Date of Termination occurs on the same basis as annual bonuses are determined for other executive officers of the Firm (which, subject to the limits on any such bonus due to the level of satisfaction of the performance goals previously established for purposes of Section 162(m) of the Code, shall not represent (on an annualized basis) a percentage of the Executive's bonus for the fiscal year preceding the fiscal year in which the Date of Termination occurs that is lower than the average corresponding percentage applicable to active executives of Lazard who received bonuses for such prior fiscal year in amounts within 5% of the Executive's bonus for such prior fiscal year), and (2) a fraction, the numerator of which is the number of days elapsed in the fiscal year of Lazard in which occurs the Date of Termination through the Date of Termination, and the denominator of which is 365 (the "Pro-Ration Fraction"); or

(ii) if, either (A) with respect to the fiscal year during which the Date of Termination occurs, (1) the Executive is not reasonably expected by Lazard to be a "covered employee" (within the meaning of Section 162(m) of the Code) prior to his Date of Termination or (2) such termination is a result of the Executive's death or Disability or occurs following a Change in Control or (B) the annual bonus that the Executive was eligible to receive for the year in which the Date of Termination occurs was not originally intended by Lazard to satisfy the performance-based exception under Section 162(m) of the Code, the pro-rata annual bonus shall equal the product of (x) the Average Bonus and (y) the Pro-Ration Fraction.

The pro-rata annual bonus determined pursuant to clause (i) or (ii) above, as applicable, shall be paid at such time or times as Lazard otherwise makes incentive payments for such fiscal year (and in all events no earlier than January 1st, and no later than March 15th, of the year following the year in which the Date of Termination occurs).

Notwithstanding the foregoing, the payments and benefits (other than any earned and unpaid compensation described in clauses (i) and (ii) of the first paragraph of this paragraph 3 of this Schedule I) payable to the Executive pursuant to this paragraph 3 of this Schedule I upon a Qualifying Termination prior to a Change in Control shall be subject to and conditioned upon the Executive having delivered to the Firm, no later than the 60th day after the Date of Termination, a waiver and general release of claims in favor of the Firm and its affiliates in the form attached hereto as Exhibit A that has become effective and irrevocable in accordance with its terms (such requirement to execute a release, the "Release Requirement"). Notwithstanding the foregoing, the Release Requirement shall lapse upon a Change in Control.

For all purposes of this Agreement, including without limitation, Sections 2(g)(ii) and 5(a), and for all purposes of the outstanding equity-based awards, fund interest awards and any similar awards held by the Executive as of the Date of Termination (as defined in this Schedule I) (collectively, the "Awards"), a resignation by the Executive for Good Reason during the Term shall be treated as a termination of the Executive by the Firm without Cause or as a Termination of Employment by the Firm other than for Cause (as such phrase or similar phrases are defined in the Plan (as defined in paragraph 4 of this Schedule I) or the award agreements governing the Awards), as applicable.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this paragraph 3 of this Schedule I and such amounts shall not be reduced whether or not the Executive obtains other employment. Except as provided in Section 16(f) of this Agreement, the Firm's obligation to make the payments and provide the benefits provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Firm may have against the Executive.

4. Certain Definitions. For purposes of this Agreement and this Schedule I, as applicable, the following terms shall have the following meanings:

"Change in Control" shall have the meaning assigned to it in the Lazard 2008 Incentive Compensation Plan, as it may be amended from time to time, or any successor plan thereto (the "Plan").

Notwithstanding the definition of "Date of Termination" set forth in Section 5 of this Agreement, for all purposes of this Agreement, including Section 5, and this Schedule I, "Date of Termination" shall mean (i) if the Executive's employment is terminated by the Firm for Cause, the date of receipt of the written notice of termination from the Firm or any later date specified therein within thirty (30) days after the Executive's receipt of such notice, as the case may be, (ii) if the Executive's employment is terminated by the Firm other than for Cause or Disability, the date on which the Firm notifies the Executive in writing of such termination, (iii) if the Executive's employment is voluntarily terminated by the Executive without Good Reason, the date as specified by the Executive in the notice of termination, which date shall not be less than three months after the Executive notifies the Firm in writing of such termination, unless waived in writing by the Firm, (iv) if the Executive's employment is terminated by the Executive for Good Reason, the earlier of (A) the last day of the cure period (assuming no cure has occurred) and (B) the date Lazard formally notifies the Executive in writing that it does not intend to cure, unless Lazard and the Executive agree to a later date, which shall in no event be later than thirty (30) days following the first to occur of the dates set forth in clauses (A) and (B) of this clause (iv), and (v) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the date on which the Executive's employment due to Disability is effective for purposes of the applicable long-term disability plan of the Firm, as the case may be. The Firm and the Executive shall take all steps necessary (including with regard to any post-termination services by the Executive) to ensure that any termination of the Executive's employment described in this Agreement, including this Schedule I, constitutes a "separation from service" within the meaning of Section 409A of the Code, and notwithstanding anything contained herein (or in this Agreement) to the contrary, (x) to the extent that any amounts owed to the Executive under this Agreement (including this Schedule I) are payable upon his termination of employment and are subject to Section 409A of the Code, then to the extent required in order to comply with Section 409A of the Code, such amounts shall not be payable to the Executive unless and until his termination of employment constitutes a "separation from service," within the meaning of Section 409A of the Code, including, without limitation, the default presumptions thereof and (y) the date on which such separation from service takes place shall be the "Date of Termination."

Notwithstanding the definition of “Cause” set forth in Section 2(g)(iv) of this Agreement, for all purposes of this Agreement, including Section 2(g)(iv) and this Schedule I, “Cause” shall mean: (A) conviction of the Executive of, or a guilty or *nolo contendere* plea (or the equivalent in a non-United States jurisdiction) by the Executive to, a felony (or the equivalent in a non-United States jurisdiction), or of any other crime that legally prohibits the Executive from working for the Firm; (B) breach by the Executive of a regulatory rule that materially adversely affects the Executive’s ability to perform his duties to the Firm; (C) willful and deliberate failure on the part of the Executive (other than any such failure resulting from incapacity due to physical or mental illness or following the Firm’s termination of the Executive other than for Cause or the Executive’s termination for Good Reason in accordance with this Schedule I) (i) to perform his employment duties in any material respect or (ii) to follow specific reasonable directions received from the Board of Directors of PubliCo, in each case following written notice to the Executive of such failure and, if such failure is curable, the Executive’s failing to cure such failure within a reasonable time (but in no event less than thirty (30) days after actual receipt by Executive of such written notice); or (D) a breach of the Covenants that is (individually or combined with other such breaches) demonstrably and materially injurious to Lazard or any of its affiliates. No act or failure to act, on the part of the Executive, shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Firm. Notwithstanding the foregoing, with respect to the events described in clauses (B), (C)(i) and (D) hereof, the Executive’s acts or failure to act shall not constitute Cause to the extent taken (or not taken) based upon the direct instructions of the Board of Directors of PubliCo or upon the direct advice of counsel to the Firm. Except in the case of a termination of the Executive’s employment under clause (A) of the definition of Cause, the cessation of employment of the Executive following a Change in Control shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the board of directors or similar governing body of the entity that is the ultimate parent of the Firm (such board, referred to as the “Applicable Board”) finding that, in the good faith opinion of the Applicable Board, circumstances constituting Cause exist.

“Good Reason” shall mean (i) the assignment to the Executive of any duties inconsistent in any material respect with the Executive’s positions (including status, offices, titles and reporting requirements), authority, duties or responsibilities from those contemplated by Section 3(b) of this Agreement, or any other action by the Firm which results in a material diminution in such positions (including status, offices, titles and reporting requirements), authority, duties or responsibilities from those contemplated by Section 3(b) of this Agreement, (ii) a material breach by the Firm of the terms of this Agreement, including, without limitation, any material failure by the Firm to comply with paragraph 2 of this Schedule I or the nondisparagement covenant in Section 8 of this Agreement, (iii) without the Executive’s written consent, any requirement that the Executive’s principal place of employment be relocated to a location that increases the Executive’s commute from his primary residence by more than thirty (30) miles or (iv) failure of the Firm to continue, following the expiration of the Schedule Term, the Executive’s employment as Chief Executive Officer of PubliCo and Lazard and Chairman of the Board of Directors of PubliCo pursuant to an agreement (which, for the avoidance of doubt, may be in a form similar to this Schedule I) having terms and conditions that are reasonable and customary at the time of such expiration, except that, in the event the Executive rejects an offer of continued employment consistent with the foregoing, Good Reason shall not exist pursuant to this clause

(iv). In the event of a termination for Good Reason (other than pursuant to clause (iv) of the definition of Good Reason), the notice requirements of Section 1 of this Agreement shall not apply. For the avoidance of doubt, in the event of a termination for Good Reason pursuant to clause (iv) of the definition of Good Reason, the notice requirements of Section 1 of this Agreement shall apply. Notwithstanding the foregoing, a termination for Good Reason shall not have occurred unless (i) the Executive gives written notice to Lazard of termination of employment within ninety (90) days after the Executive first becomes aware of the occurrence of the circumstances constituting Good Reason, specifying in reasonable detail the circumstances constituting Good Reason, and Lazard has failed within thirty (30) days after receipt of such notice to cure (if capable of cure) the circumstances constituting Good Reason, and (ii) the Executive's "separation from service" (within the meaning of Section 409A of the Code) occurs no later than two years following the initial existence of one or more of the circumstances giving rise to Good Reason.

"Severance Multiple" shall equal two (2).

5. Certain Limitations on Payments. In the event that it is determined by the reasonable computation by a nationally recognized certified public accounting firm that shall be selected by the Firm prior to any transaction constituting a change of control (which accounting firm shall in no event be the accounting firm for the entity seeking to effectuate such change of control) and reasonably acceptable to the Executive (the "Accountant"), which determination shall be certified by the Accountant and set forth in a certificate delivered to the Executive setting forth in reasonable detail the basis of the Accountant's determinations, that the aggregate amount of the payments, distributions, benefits and entitlements in the nature of compensation (within the meaning of Section 280G(B)(2) of the Code) by the Firm or any affiliate to or for the Executive's benefit (including any payment, distribution, benefit or entitlement made by any person or entity effecting a change of control), in each case, that constitute "parachute payments" within the meaning of Section 280G of the Code (such payments, the "Parachute Payments") that, but for this paragraph 5 of this Schedule I, would be payable to the Executive, exceeds the greatest amount of Parachute Payments that could be paid to the Executive without giving rise to any liability for any excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law (such tax or taxes being hereafter collectively referred to as the "Excise Tax"), then the aggregate amount of Parachute Payments payable to the Executive shall equal the amount that produces the greatest after-tax benefit to the Executive after taking into account first any positions to mitigate such Excise Tax (including, without limitation, mitigation under a "reasonable compensation" analysis) and second any Excise Tax payable by the Executive. For the avoidance of doubt, this provision shall reduce the amount of Parachute Payments otherwise payable to the Executive, only if doing so would place the Executive in a better net after-tax economic position as compared with not doing so (taking into account the Excise Tax payable in respect of such Parachute Payments). The Firm shall reduce or eliminate the Parachute Payments, as necessary, by first reducing or eliminating the portion of the Parachute Payments provided under this Agreement (the "Agreement Payments") that are payable in cash and then by reducing or eliminating the non-cash portion of the Agreement Payments, in each case, in reverse order beginning with payments or benefits that are to be paid the furthest in time from the Date of Termination. For purposes of reducing the Parachute Payments to the Executive, only the Agreement Payments (and no other Parachute Payments) shall be reduced.

In connection with making determinations under this paragraph 5 of this Schedule I and determining the Excise Tax (if any), the Accountant shall take into account the value of any reasonable compensation for services to be rendered by the Executive before or after the change of control, including, without limitation, the restrictive covenants applicable to the Executive under this Agreement and any other non-competition provisions that may apply to the Executive, and the Firm shall cooperate in the valuation of any such services, including any restrictive covenants. The Firm and the Executive agree that the severance payments payable to the Executive in connection with a Change in Control pursuant to paragraph 3 of this Schedule I are in consideration for, among other things, the restrictions and obligations set forth in Sections 4, 5, 6, 7, 8 and 9 of this Agreement, and that, for purposes of any such restrictions, the notice period (if any) prior to the Date of Termination is intended to and functions as an extension of the period of restriction on the Executive. All fees and expenses of the Accountant in implementing the provisions of this paragraph 5 of this Schedule I shall be borne by the Firm, and the Firm shall reimburse the Executive for all reasonable legal fees incurred with respect to the calculations under this paragraph 5 of this Schedule I and any reasonable legal and accounting fees incurred with respect to disputes related thereto.

6. Section 409A. It is the intention of the parties that the payments and benefits to which the Executive could become entitled pursuant to this Agreement (including this Schedule I), as well as the termination of the Executive's employment under this Agreement, comply with or are exempt from Section 409A of the Code. Any payments that qualify for the "short-term deferral" exception, the "separation pay" exception or another exception under Section 409A of the Code shall be paid pursuant to the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of Section 409A of the Code. In this regard, notwithstanding anything in this Agreement to the contrary, all cash amounts (and cash equivalents) that become payable under paragraph 3 of this Schedule I on account of the Executive's termination of employment which is an "involuntary separation from service" (within the meaning of Treasury Regulation Section 1.409A-1(n)) shall be paid as provided under paragraph 3 of this Schedule I and in no event later than March 15 of the year following the year in which the Date of Termination occurs. In the event the parties determine that the terms of this Agreement, including this Schedule I, do not comply with Section 409A of the Code, they will negotiate reasonably and in good faith to amend the terms of this Agreement and/or Schedule I such that they comply with, or are exempt from, Section 409A of the Code (in a manner that attempts to minimize the economic impact of such amendment on the Executive and the Firm) within the time period permitted by the applicable Treasury Regulations and in accordance with IRS Notice 2010-6 and other applicable guidance. All expenses or other reimbursements owed to the Executive under this Agreement (including this Schedule I) shall be for expenses incurred during the Executive's lifetime or within ten years after his death, shall be payable in accordance with the Firm's policies in effect from time to time, but in any event, to the extent required in order to comply with Section 409A of the Code, and shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive. In addition, to the extent required in order to comply with Section 409A of the Code, no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year and the Executive's right to reimbursement or in-kind benefits shall not be subject to liquidation or exchanged for another benefit. Notwithstanding any other provision of this Schedule I or this Agreement, if (i) the Executive is to receive

payments or benefits by reason of his separation from service (as such term is defined in Section 409A of the Code) other than as a result of his death, (ii) the Executive is a “specified employee” within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Firm as in effect on the date of the Executive’s separation from service) for the period in which the payment or benefit would otherwise commence, and (iii) such payment or benefit would otherwise subject the Executive to any tax, interest or penalty imposed under Section 409A of the Code (or any regulation promulgated thereunder) if the payment or benefit would commence within six months of a termination of the Executive’s employment, then such payment or benefit will instead be paid, with interest at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code (“Interest”) determined as of the Date of Termination, as provided below in this paragraph 6 of this Schedule I. Such payments or benefits that would have otherwise been required to be made during such six-month period will be paid to the Executive (or his estate, as the case may be) in one lump sum payment or otherwise provided to the Executive (or his estate, as the case may be) on the earlier of (A) the first business day that is six months and one day after the Executive’s separation from service or (B) the fifth business day following the Executive’s death. Thereafter, the payments and benefits will continue, if applicable, for the relevant period set forth in this Agreement or this Schedule I, as the case may be.

#### 7. Miscellaneous.

Section 3(b). Section 3(b) of this Agreement is hereby amended to replace the first sentence thereof with the following: During the Schedule Term (as defined in Schedule I attached hereto), the Executive shall continue to (i) serve as the Chief Executive Officer of PubliCo and Lazard, with such authority, duties and responsibilities as are consistent with the authority, duties and responsibilities exercised by the Executive in his capacity as Chief Executive Officer on the Second Amendment Effective Date (as defined in Schedule I attached hereto), including, without limitation, the authority, duties and responsibilities that he exercises as the chief executive officer of a public company, (ii) serve as a member and as the Chairman of the Board of Directors of PubliCo, with such authority, duties and responsibilities as are consistent with the authority, duties and responsibilities exercised by the Executive as Chairman of the Board of Directors of PubliCo on the Second Amendment Effective Date, (iii) report directly to the Board of Directors of PubliCo and (iv) other than in respect of charitable, educational and similar activities that do not materially affect the Executive’s duties to the Firm (or in respect of directorships, trusteeships, or similar posts, in each case, that are approved by the Board of Directors of PubliCo) shall devote his entire working time, labor, skill and energies to the business and affairs of the Firm.

Section 3(c)(ii). Section 3(c)(ii) of this Agreement is hereby amended to replace the reference to the “CEO” with a reference to the “Compensation Committee of the Board of Directors of PubliCo” and to delete the parenthetical that follows.

Section 5(a). Noncompetition. Section 5(a) of this Agreement is hereby amended and restated in its entirety to read as follows: The Executive acknowledges and recognizes the highly competitive nature of the businesses of the Firm. The Executive further acknowledges and agrees that in the course of the Executive’s employment with the Firm, the Executive has been and shall be provided with access to sensitive and proprietary information about the clients, prospective clients, knowledge capital and business practices of the Firm, and has been and shall



be provided with the opportunity to develop relationships with clients, prospective clients, consultants, employees, representatives and other agents of the Firm, and the Executive further acknowledges that such proprietary information and relationships are extremely valuable assets in which the Firm has invested and shall continue to invest substantial time, effort and expense. Accordingly, the Executive hereby reaffirms and agrees that while employed by the Firm (including during any applicable notice period) and thereafter until (i) three months after the Date of Termination for any reason other than a termination by the Firm without Cause or by the Executive for Good Reason or (ii) one month after the Date of Termination by the Firm without Cause or by the Executive for Good Reason (such period, the “Noncompete Restriction Period”), the Executive shall not, directly or indirectly, on the Executive’s behalf or on behalf of any other person, firm, corporation, association or other entity, as an employee, director, advisor, partner, consultant or otherwise, engage in a “Competing Activity,” or acquire or maintain any ownership interest in, a “Competitive Enterprise”; provided, however, that, notwithstanding the foregoing, in the event of a termination by the Executive for Good Reason pursuant to clause (iv) of the definition of Good Reason, the provisions of clause (i) of this sentence shall apply rather than the provisions of clause (ii) of this sentence. For purposes of this Agreement, (i) “Competing Activity” means the providing of services or performance of activities for a Competitive Enterprise in a line of business that is similar to any line of business to which the Executive provided services to the Firm in a capacity that is similar to the capacity in which the Executive acted for the Firm while employed by the Firm, and (ii) “Competitive Enterprise” shall mean a business (or business unit) that (A) engages in any activity or (B) owns or controls a significant interest in any entity that engages in any activity, that in either case, competes anywhere with any activity in which the Firm is engaged up to and including the Executive’s Date of Termination. Further, notwithstanding anything in this Section 5, the Executive shall not be considered to be in violation of this Section 5 solely by reason of owning, directly or indirectly, any stock or other securities of a Competitive Enterprise (or comparable interest, including a voting or profit participation interest, in any such Competitive Enterprise) if the Executive’s interest does not exceed 5% of the outstanding capital stock of such Competitive Enterprise (or comparable interest, including a voting or profit participation interest, in such Competitive Enterprise).

Section 6. Nonsolicitation of Clients. Section 6 of this Agreement is hereby amended to replace the definition of “Client” with the following definition: “Client” means any client or prospective client of the Firm, whether or not the Firm has been engaged by such Client pursuant to a written agreement; provided that an entity which is not a client of the Firm shall be considered a “prospective client” for purposes of this sentence only if the Firm made a presentation or written proposal to such entity during the 12-month period preceding the Date of Termination or was preparing to make such a presentation or proposal at the time of the Date of Termination.

Section 8. Nondisparagement. Section 8 of this Agreement is hereby amended to add the following sentences immediately following the first sentence of such section: The Firm (including, without limitation, any designated spokespersons) and the directors and executive officers of the Firm shall not make any comments or statements to the press, other employees of the Firm, any individual or entity with whom the Firm has a business relationship or any other person that is disparaging to the Executive or his reputation, except for truthful statements as may be required by law. The Firm acknowledges that the nondisparagement provision in favor of the Executive under this Section 8 is reasonable in light of all of the circumstances and

imposes no undue hardship on the Firm. Accordingly, the Executive shall have the same enforcement rights and remedies with respect to such nondisparagement provision as the Firm has with respect to the Covenants (including, for the avoidance of doubt, the rights and remedies set forth in Sections 11 and 13). Further, such nondisparagement provision shall be subject to reformation on the same basis as the Covenants pursuant to Section 10(a).

8. Section 12. Arbitration. Section 12 of this Agreement is hereby amended (i) to replace all references to the New York Stock Exchange, Inc.” and the “NYSE” with references to the “Financial Industry Regulatory Authority” and “FINRA,” as applicable, and (ii) to add the following sentences at the end of such section: Prior to a Change in Control (as defined in Schedule I attached hereto), each party shall bear its own costs and expenses of any such arbitration. Following a Change in Control, Lazard shall pay to the Executive, as incurred, all legal fees and expenses reasonably incurred by the Executive or with respect to the Executive during his lifetime or within ten years after his death in connection with any contest by Lazard, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including any action to compel arbitration or enforce any arbitration award or as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement, and whether or not any such contest is under Section 12 or 13 of this Agreement or otherwise), plus Interest (as defined in Schedule I attached hereto) determined as of the date such legal fees and expenses were incurred; provided that, the Executive shall promptly repay to Lazard all such amounts if the Executive fails to prevail on at least one material issue in dispute in any such contest.

Section 16(b). Paragraphs 2, 3, 4, 5 and 6 of this Schedule I are hereby added to the list of sections in Section 16(b) of this Agreement.

Section 16(d). Section 16(d) of this Agreement is hereby amended to replace all references to the “CEO” with references to the “Board of Directors of PubliCo”.

Section 16(f). Section 16(f) of this Agreement is hereby amended to add the following words at the end thereof: “except to the extent such withholding or offset is not permitted under Section 409A of the Code without the imposition of additional taxes or penalties on the Executive.”

Section 16(i). Section 16 of this Agreement is hereby amended to add the following new subsection:

(i) Notwithstanding any provision of this Agreement to the contrary, to the minimum extent necessary to ensure the provision of non-taxable benefits under Section 105(h) of the Code or any similar law, the Firm shall be entitled to alter the manner in which medical benefits are provided to the Executive following termination of his employment; provided that in no event shall the after-tax cost to the Executive of such benefits be greater than the cost applicable to similarly situated executives of the Firm who have not terminated employment or, following a Change in Control (as defined in Schedule I attached hereto), the cost applicable to the Executive immediately prior to the Change in Control, if more favorable to the Executive.

9. Counterparts. This Second Amendment may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, will constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Second Amendment by facsimile transmission or electronic means (including by “pdf”) shall be effective as delivery of a manually executed counterpart of this Second Amendment.

/s/ KMJ Initialed by the Executive

/s/ SDH Initialed by Lazard

/s/ SDH Initialed by PubliCo

## LAZARD GROUP LLC

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (a)

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

	Nine Months Ended September 30, 2012	Year Ended December 31,				
		2011	2010	2009	2008	2007
Operating income (loss)	\$ 125,532	\$ 241,791	\$ 246,809	\$(181,988)	\$ 42,029	\$ 436,064
Add – Fixed charges	86,100	114,998	121,656	132,785	161,665	154,790
Operating income (loss) before fixed charges	\$ 211,632	\$ 356,789	\$ 368,465	\$ (49,203)	\$ 203,694	\$ 590,854
Fixed Charges:						
Interest (b)	\$ 68,848	\$ 94,211	\$ 102,249	\$ 113,280	\$ 141,413	\$ 136,529
Other (c)	17,252	20,787	19,407	19,505	20,252	18,261
Total fixed charges	\$ 86,100	\$ 114,998	\$ 121,656	\$ 132,785	\$ 161,665	\$ 154,790
Ratio of earnings to fixed charges	2.46	3.10	3.03(d)	–(e)	1.26(f)	3.82
Deficiency in the coverage of operating income (loss) before fixed charges to total fixed charges				\$ 181,988		

Notes (dollars in thousands):

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

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

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

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

(d) Operating income for the year ended December 31, 2010 is presented after giving effect to (i) a restructuring charge of \$87,108, (ii) a charge of \$24,860 relating to the amendment of Lazard's retirement policy with respect to RSU awards. Excluding the impact of such items, the ratio of earnings to fixed charges would have been 3.95.

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

(f) On September 25, 2008, the Company, LAM and LAZ Sub I, LLC, a then newly-formed subsidiary of LFN, completed the merger of LAZ Sub I, LLC with and into LAM (the "LAM Merger"). Prior to the LAM Merger, the common equity interests of LAM were held by LFN, and certain other equity interests of LAM, representing contingent payments should certain specified fundamental transactions occur, were held by present and former employees of LAM. Following the LAM Merger, all equity interests of LAM are owned directly or indirectly by LFN. Operating income for the year ended December 31, 2008 is presented after giving effect to a charge of \$199,550 relating to the LAM Merger. Excluding the impact of such charge, the ratio of earnings to fixed charges would have been 2.49.

I, Kenneth M. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 of Lazard Group LLC (the "Registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 1, 2012

/s/ Kenneth M. Jacobs

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Kenneth M. Jacobs

Chairman and Chief Executive Officer

I, Matthieu Bucaille, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 of Lazard Group LLC (the "Registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 1, 2012

/s/ Matthieu Bucaille

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Matthieu Bucaille  
Chief Financial Officer

November 1, 2012  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Group LLC (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Kenneth M. Jacobs

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Kenneth M. Jacobs

Chairman and Chief Executive Officer

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



November 1, 2012  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Group LLC (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Matthieu Bucaille

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Matthieu Bucaille

Chief Financial Officer

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