
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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)

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.)

30 Rockefeller Plaza

New York, NY 10020

(Address of principal executive offices)

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

As of July 25, 2011, in addition to profit participation interests, there were 127,331,529 common membership interests and two managing member interests outstanding.

TABLE OF CONTENTS

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 operating assets other than indirect ownership as of June 30, 2011 of approximately 94.6% of the common membership interests in Lazard Group and its controlling interest 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 interest: 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.

	<u>Page</u>
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3. Quantitative and Qualitative Disclosures About Market Risk	67
Item 4. Controls and Procedures	67
Part II. Other Information	
Item 1. Legal Proceedings	68
Item 1A. Risk Factors	68
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	68
Item 3. Defaults Upon Senior Securities	68
Item 4. (Removed and Reserved)	68
Item 5. Other Information	68
Item 6. Exhibits	70
Signatures	75

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

	<u>Page</u>
Condensed Consolidated Statements of Financial Condition as of June 30, 2011 and December 31, 2010	2
Condensed Consolidated Statements of Operations for the three month and six month periods ended June 30, 2011 and 2010	4
Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 2011 and 2010	5
Condensed Consolidated Statements of Changes in Members' Equity for the six month periods ended June 30, 2011 and 2010	6
Notes to Condensed Consolidated Financial Statements	8

LAZARD GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2011 AND DECEMBER 31, 2010
(UNAUDITED)
(dollars in thousands)

	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
Cash and cash equivalents	\$822,941	\$1,024,792
Deposits with banks	248,944	356,539
Cash deposited with clearing organizations and other segregated cash	100,162	92,911
Receivables-net:		
Fees	418,126	480,340
Customers and other	100,513	63,490
Related parties	168,684	202,916
	<u>687,323</u>	<u>746,746</u>
Investments	404,325	388,138
Property (net of accumulated amortization and depreciation of \$272,369 and \$250,898 at June 30, 2011 and December 31, 2010, respectively)	153,006	150,524
Goodwill and other intangible assets (net of accumulated amortization of \$18,187 and \$15,007 at June 30, 2011 and December 31, 2010, respectively)	365,441	361,439
Other assets	217,884	215,195
Total assets	<u>\$3,000,026</u>	<u>\$ 3,336,284</u>

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION—(Continued)
JUNE 30, 2011 AND DECEMBER 31, 2010
(UNAUDITED)
(dollars in thousands)

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Deposits and other customer payables	\$ 273,465	\$ 361,553
Accrued compensation and benefits	183,660	498,880
Senior debt	1,076,850	1,076,850
Capital lease obligations	23,101	22,903
Related party payables	246,922	244,193
Other liabilities	483,634	491,458
Subordinated debt	150,000	150,000
Total liabilities	<u>2,437,632</u>	<u>2,845,837</u>
Commitments and contingencies		
MEMBERS' EQUITY		
Members' equity (net of 4,339,875 and 6,847,508 shares of Lazard Ltd Class A common stock, at cost of \$159,763 and \$227,950 at June 30, 2011 and December 31, 2010, respectively)	444,441	404,588
Accumulated other comprehensive loss, net of tax	(4,850)	(35,023)
Total Lazard Group members' equity	439,591	369,565
Noncontrolling interests	122,803	120,882
Total members' equity	562,394	490,447
Total liabilities and members' equity	<u>\$3,000,026</u>	<u>\$3,336,284</u>

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2011 AND 2010
(UNAUDITED)
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
REVENUE				
Investment banking and other advisory fees	\$243,096	\$245,282	\$463,423	\$514,491
Money management fees	230,906	180,899	445,598	358,002
Interest income	6,254	6,341	11,584	12,256
Other	21,785	11,484	43,973	23,873
Total revenue	<u>502,041</u>	<u>444,006</u>	<u>964,578</u>	<u>908,622</u>
Interest expense	24,329	25,198	48,653	51,867
Net revenue	<u>477,712</u>	<u>418,808</u>	<u>915,925</u>	<u>856,755</u>
OPERATING EXPENSES				
Compensation and benefits	286,475	263,018	556,471	563,393
Occupancy and equipment	22,969	21,312	45,677	42,582
Marketing and business development	20,879	18,252	38,990	33,855
Technology and information services	20,582	16,996	40,149	34,648
Professional services	12,340	10,011	21,969	18,003
Fund administration and outsourced services	13,506	10,996	26,757	22,370
Amortization of intangible assets related to acquisitions	1,706	1,769	3,180	3,539
Restructuring	-	-	-	87,108
Other	8,803	8,764	18,384	18,115
Total operating expenses	<u>387,260</u>	<u>351,118</u>	<u>751,577</u>	<u>823,613</u>
OPERATING INCOME	90,452	67,690	164,348	33,142
Provision for income taxes	13,717	13,040	24,106	18,580
NET INCOME	76,735	54,650	140,242	14,562
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	5,550	481	6,792	2,839
NET INCOME ATTRIBUTABLE TO LAZARD GROUP	<u>\$ 71,185</u>	<u>\$ 54,169</u>	<u>\$133,450</u>	<u>\$ 11,723</u>

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2011 AND 2010
(UNAUDITED)
(dollars in thousands)

	Six Months Ended	
	June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 140,242	\$ 14,562
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	11,820	10,122
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	164,151	206,671
Amortization of intangible assets related to acquisitions	3,180	3,539
Loss on extinguishment of debt	–	424
(Increase) decrease in operating assets:		
Deposits with banks	132,672	(44,179)
Cash deposited with clearing organizations and other segregated cash	(845)	(2,190)
Receivables-net	75,337	51,330
Investments	(11,622)	(17,312)
Other assets	6,407	(3,578)
Increase (decrease) in operating liabilities:		
Deposits and other payables	(110,310)	3,395
Accrued compensation and benefits and other liabilities	(372,333)	(301,812)
Net cash provided by (used in) operating activities	<u>38,699</u>	<u>(79,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions relating to equity method investments	–	51,437
Additions to property	(5,676)	(5,465)
Disposals of property	199	254
Proceeds from sales and maturities of available-for-sale securities	–	52,786
Net cash provided by (used in) investing activities	<u>(5,477)</u>	<u>99,012</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contribution from noncontrolling interests	980	2,000
Excess tax benefits from share-based incentive compensation	2,848	–
Other financing activities	1,688	5,554
Payments for:		
Senior borrowings	–	(10,375)
Capital lease obligations	(1,397)	(1,096)
Distributions to noncontrolling interests	(5,862)	(2,327)
Repurchase of common membership interests from members of LAZ-MD Holdings	(794)	–
Purchase of Lazard Ltd Class A common stock	(126,237)	(22,733)
Distributions to members	(35,029)	(30,125)
Settlement of vested share-based incentive compensation	(90,635)	(43,812)
Other financing activities	(44)	(72)
Net cash used in financing activities	<u>(254,482)</u>	<u>(102,986)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>19,409</u>	<u>(23,766)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(201,851)</u>	<u>(106,768)</u>
CASH AND CASH EQUIVALENTS—January 1	<u>1,024,792</u>	<u>899,733</u>
CASH AND CASH EQUIVALENTS—June 30	<u>\$ 822,941</u>	<u>\$ 792,965</u>

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 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
Balance – January 1, 2011 (*)	\$404,588	\$(35,023)	\$369,565	\$120,882	\$490,447
Comprehensive income (loss):					
Net income	133,450		133,450	6,792	140,242
Other comprehensive income (loss) - net of tax:					
Currency translation adjustments		32,162	32,162	11	32,173
Amortization of interest rate hedge		527	527		527
Employee benefit plans:					
Net actuarial loss		(3,630)	(3,630)		(3,630)
Adjustments for items reclassified to earnings		1,114	1,114		1,114
Comprehensive income			163,623	6,803	170,426
Amortization of share-based incentive compensation	152,533		152,533		152,533
Distributions to members and noncontrolling interests, net	(35,029)		(35,029)	(4,882)	(39,911)
Purchase of Lazard Ltd Class A common stock	(126,237)		(126,237)		(126,237)
Delivery of Lazard Ltd Class A common stock in connection with share-based incentive compensation and related tax benefit of \$2,178	(88,457)		(88,457)		(88,457)
Repurchase of common membership interests from LAZ-MD Holdings	(794)		(794)		(794)
Lazard Ltd Class A common stock issued / issuable in connection with business acquisitions and LAM Merger and related amortization	4,420		4,420		4,420
Other	(33)		(33)		(33)
Balance – June 30, 2011 (*)	\$444,441	\$ (4,850)	\$439,591	\$122,803	\$562,394

(*) Includes 127,350,561 and 127,331,529 common membership interests at January 1, 2011 and June 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 SIX MONTH PERIOD ENDED JUNE 30, 2010
(UNAUDITED)
(dollars in thousands)

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
Balance – January 1, 2010 (*)	\$214,163	\$(58,792)	\$155,371	\$127,560	\$282,931
Comprehensive income (loss):					
Net income	11,723		11,723	2,839	14,562
Other comprehensive income (loss) -net of tax:					
Currency translation adjustments		(58,320)	(58,320)	(10)	(58,330)
Amortization of interest rate hedge		539	539		539
Available-for-sale securities:					
Net unrealized loss		(848)	(848)		(848)
Adjustments for items reclassified to earnings		2,361	2,361		2,361
Employee benefit plans:					
Net actuarial loss		(2,871)	(2,871)		(2,871)
Adjustments for items reclassified to earnings		517	517		517
Comprehensive income (loss)			(46,899)	2,829	(44,070)
Amortization of share-based incentive compensation	201,383		201,383		201,383
Distributions to members and noncontrolling interests, net	(30,125)		(30,125)	(327)	(30,452)
Purchase of Lazard Ltd Class A common stock	(22,733)		(22,733)		(22,733)
Delivery of Lazard Ltd Class A common stock in connection with share-based incentive compensation	(43,812)		(43,812)		(43,812)
Lazard Ltd Class A common stock issued / issuable in connection with business acquisitions and LAM Merger and related amortization	3,145		3,145		3,145
Other	(61)		(61)		(61)
Balance – June 30, 2010 (*)	\$333,683	\$(117,414)	\$216,269	\$130,062	\$346,331

(*) Includes 123,686,338 and 126,686,338 common membership interests at January 1, 2010 and June 30, 2010, 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
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, through its subsidiaries held approximately 94.6% and 94.0% of all outstanding Lazard Group common membership interests as of June 30, 2011 and December 31, 2010, respectively. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group.

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 high net worth individuals.

LAZ-MD Holdings LLC (“LAZ-MD Holdings”), an entity owned by Lazard Group’s current and former managing directors, held approximately 5.4% and 6.0% of the outstanding Lazard Group common membership interests as of June 30, 2011 and December 31, 2010, 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 5.4% and 6.0% of the voting power but no economic rights in the Company as of such respective dates. Subject to certain limitations, LAZ-MD Holdings’ interests in Lazard Group are exchangeable for Lazard Ltd Class A common stock, par value \$0.01 per share (“Class A common stock”).

Lazard Group’s principal operating activities are included in two business segments:

- Financial Advisory, which includes providing general strategic and transaction-specific advice on mergers and acquisitions (“M&A”) and other strategic matters, restructurings, capital structure, capital raising and various other corporate finance matters, and
- Asset Management, which includes strategies for the management of equity and fixed income securities and alternative investment and private equity funds, as well as wealth management.

In addition, the Company records selected other activities in its Corporate segment, including management of cash, certain investments and the commercial banking activities of Lazard Group’s Paris-based Lazard Frères Banque SA (“LFB”). The Company also allocates outstanding indebtedness to its Corporate segment.

LFB is a registered bank regulated by the Banque de France and its primary operations include asset and liability management for Lazard Group’s businesses in France through its money market desk and commercial banking operations, deposit taking and, to a lesser extent, financing activities and custodial oversight over assets of various clients. LFB also engages in underwritten offerings of securities in France.

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

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

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, 2010 (the “Form 10-K”). The accompanying December 31, 2010 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management’s knowledge of current events and actions that Lazard may undertake in the future, actual results may differ materially from the estimates. The consolidated results of operations for the three month and six month periods ended June 30, 2011 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”); its French limited liability companies Compagnie Financière Lazard Frères SAS (“CFLF”) along with its subsidiaries, LFB and Lazard Frères Gestion SAS (“LFG”), and Maison Lazard SAS and its subsidiaries; and Lazard & Co., Limited (“LCL”), through Lazard & Co., Holdings Limited, an English private limited company (“LCH”), together with their jointly owned affiliates and subsidiaries.

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

Certain prior period amounts have been reclassified to conform to the manner of presentation in the current period.

2. RECENT ACCOUNTING DEVELOPMENTS

On January 1, 2011, the Company adopted the fair value measurement disclosure guidance regarding presenting purchases, sales, issuances and settlements on a gross basis in the roll forward of activities in Level 3 of the hierarchy of fair value measurements, which did not have a material impact on the Company’s condensed consolidated financial statements.

During May 2011, the FASB amended its fair value measurement guidance, which it states 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 would be 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

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

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 will become effective for interim and annual periods beginning after December 15, 2011 and is to be applied prospectively. Early application is not permitted. The Company does not anticipate that the adoption of the amended fair value measurement guidance will have a material impact on the Company's consolidated financial statements.

During June 2011, the FASB amended its guidance regarding the presentation of comprehensive income, which it states was designed to improve comparability, consistency and transparency. The amendment requires that all changes in comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the one-statement approach, the Company would present total net income, including its components, followed by other comprehensive income, including its components, and a total of comprehensive income. In the two-statement approach, the first statement would present total net income and its components as currently presented by the Company in its statement of operations, followed consecutively by a second statement that would present the components of other comprehensive income, total other comprehensive income and the total of comprehensive income. The amendment is to be applied retrospectively and is effective with interim and annual periods beginning after December 15, 2011, with early adoption permitted.

3. RECEIVABLES - NET

The Company's "receivables - net" represents receivables from fees, customers and other, and related parties.

Receivables are stated net of an allowance for doubtful accounts of \$16,525 and \$15,017 at June 30, 2011 and December 31, 2010, respectively, for accounts deemed past due and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. The Company recorded bad debt expense of \$2,463 and \$3,430 for the three month and six month periods ended June 30, 2011, respectively, and \$2,322 and \$9,190 for the three month and six month periods ended June 30, 2010, respectively. In addition, the Company recorded charge-offs, foreign currency translation and other adjustments, resulting in a net decrease to the allowance for doubtful accounts of \$1,435 and \$1,922 for the three month and six month periods ended June 30, 2011, respectively, and \$937 and \$1,894 for the three month and six month periods ended June 30, 2010, respectively. At June 30, 2011 and December 31, 2010, the Company had receivables deemed past due or uncollectible of \$18,023 and \$17,101, respectively.

Customers and other receivables at June 30, 2011 and December 31, 2010 include \$1,534 and \$2,121, respectively, of loans to managing directors and employees of the Company that are made in the ordinary course of business at market terms.

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

4. INVESTMENTS

The Company's investments and securities sold, not yet purchased, consist of the following at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Debt:		
U.S. Government and agencies	\$ 31,889	\$ 31,900
Fixed income funds (a)	9,589	4,679
Corporate and other debt and interest-bearing deposits	26,868	29,693
	<u>68,346</u>	<u>66,272</u>
Equities (a)	<u>110,634</u>	<u>88,437</u>
Other:		
Interests in LAM alternative asset management funds	39,360	58,656
Private equity	174,704	163,482
Equity method investments	11,281	11,291
	<u>225,345</u>	<u>233,429</u>
Total investments	404,325	388,138
Less:		
Interest-bearing deposits	7,660	7,754
Equity method investments	11,281	11,291
Investments, at fair value	<u>\$385,384</u>	<u>\$ 369,093</u>
Securities sold, not yet purchased, at fair value (included in "other liabilities")	<u>\$ 1,262</u>	<u>\$2,897</u>

(a) At June 30, 2011 fixed income funds and equities include investments with fair values of \$2,051 and \$23,051, respectively, held in connection with previously granted Lazard Fund Interest awards ("Lazard Fund Interests"), which will serve to satisfy the Company's liability upon vesting. Lazard Fund Interests represent grants by the Company to eligible employees of actual or notional interests in several Lazard managed fixed income and equity investment funds (see Note 13 of Notes to Condensed Consolidated Financial Statements).

The Company's debt securities included in the table above are categorized as trading securities. Fixed income funds primarily consist of amounts seeding products of our Asset Management segment, as well as amounts held in connection with Lazard Fund Interests. Corporate and other debt primarily consist of United Kingdom (the "U.K.") government and U.S. state and municipal debt securities.

Equities principally represent the Company's investments in marketable equity securities of large-, mid- and small-cap domestic, international and global companies to seed new Asset Management products and includes investments in public and private asset management funds managed both by LAM and third-party asset managers, as well as amounts held in connection with Lazard Fund Interests.

Interests in LAM alternative asset management funds represent (i) GP interests owned by Lazard in LAM-managed alternative asset management funds and (ii) GP interests consolidated by the Company pertaining to noncontrolling interests in LAM alternative asset management funds, the latter of which aggregated \$5,735 and \$8,219 at June 30, 2011 and December 31, 2010, respectively. Such noncontrolling interests in LAM alternative asset

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

management funds, which represent GP interests held directly by certain of our LAM managing directors or employees of the Company, are deemed to be controlled by, and therefore consolidated by, the Company in accordance with U.S. GAAP. Noncontrolling interests are presented within “members’ equity” on the consolidated statements of financial condition (see Note 12 of Notes to Condensed Consolidated Financial Statements).

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds and direct private equity interests. Such investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies; (ii) Corporate Partners II Limited (“CP II”), a private equity fund targeting significant noncontrolling-stake investments in established public and private companies and (iii) Lazard Senior Housing Partners LP (“Senior Housing”), which acquires companies and assets in the senior housing, extended-stay hotel and shopping center sectors. Private equity investments consolidated but not owned by Lazard relate solely to Lazard’s establishment of a private equity business with the Edgewater Funds (“Edgewater”), a Chicago-based private equity firm, through the acquisition of Edgewater’s management vehicles on July 15, 2009, and aggregated \$74,505 and \$67,206 at June 30, 2011 and December 31, 2010, respectively. The economic interests that the Company does not own are owned by the leadership team and other investors in the Edgewater management vehicles (see Note 8 of Notes to Condensed Consolidated Financial Statements).

On January 24, 2008, Sapphire Industrials Corp. (“Sapphire”), a then newly-organized special purpose acquisition company formed by the Company, completed an initial public offering (the “Sapphire IPO”). Sapphire had been included in equity method investments prior to its dissolution discussed below. Sapphire was formed for the purpose of effecting a business combination within a 24-month period (the “Business Combination”) and net proceeds from the Sapphire IPO were placed in a trust account by Sapphire (the “Trust Account”) pending consummation of the Business Combination. In connection with the Sapphire IPO, the Company purchased warrants from Sapphire for a total purchase price of \$12,500 and Sapphire common stock for an aggregate purchase price of \$50,000. The Company’s investment in Sapphire had been accounted for using the equity method of accounting. On January 6, 2010, Sapphire announced it had not completed the Business Combination and it would dissolve and distribute the funds in the Trust Account to all of its public shareholders, to the extent they were holders of shares issued in the Sapphire IPO. Pursuant to such dissolution, on January 26, 2010, Sapphire made an initial distribution to the Company aggregating \$50,319. All Sapphire warrants expired without value.

During the three month and six month periods ended June 30, 2011 and 2010, the Company recognized gross investment gains and losses in “revenue-other” on its condensed consolidated statements of operations as follows:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2011	2010	2011	2010
Gross investment gains	\$ 8,013	\$3,724	\$13,769	\$13,482
Gross investment losses	\$ 2,235	\$6,368	\$ 3,251	\$11,129

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

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

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2011	2010	2011	2010
Gross unrealized investment gains	\$ —	\$ —	\$ —	\$ 101
Gross unrealized investment losses	\$ 193	\$ 1,497	\$ 313	\$ 1,325

During the six month period ended June 30, 2010, the Company recorded within “accumulated other comprehensive loss, net of tax” (“AOCI”) gross pre-tax unrealized investment gains of \$5,456 and gross pre-tax unrealized investment losses of \$6,013 pertaining to debt securities held at LFB that were designated as “available-for-sale.” With respect to adjustments for items reclassified to earnings, the average cost basis was utilized for purposes of calculating realized investment gains and losses. There were no other-than-temporary impairment charges recognized during the six month period ended June 30, 2010.

During the fourth quarter of 2010, the Company sold its remaining “available-for-sale” debt securities. Accordingly, there were no gross pre-tax investment gains or losses recorded within AOCI during the six month period ended June 30, 2011.

5. FAIR VALUE MEASUREMENTS

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

- Level 1.* Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Lazard has the ability to access.
- Level 2.* Assets and liabilities whose values are based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in non-active markets or 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 management’s 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.

The Company’s investments in U.S. Government and agency debt securities as well as its corporate and other debt securities are considered Level 1 assets with the respective fair values based on unadjusted quoted prices in active markets. The Company’s investments in fixed income funds are considered Level 1 assets when their fair values are based on the reported closing price for the fund or Level 2 assets when their fair values are primarily based on broker quotes as provided by external pricing services.

The fair value of equities is principally classified as Level 1 or Level 2 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; and investments in private asset management funds are classified as Level 2 and are primarily valued based on information provided by fund managers and, secondarily, from external pricing services to the extent managed by LAM.

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

The fair value of interests in LAM alternative asset management funds is classified as Level 2, and is based on information provided by external pricing services.

The fair value of private equity investments is classified as Level 3, and is based on financial statements provided by fund managers, appraisals and internal valuations.

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

The following tables present the categorization of investments and certain other assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010 into the three-level fair value hierarchy in accordance with fair value measurement disclosure requirements:

	June 30, 2011			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Debt:				
U.S. Government and agencies	\$ 31,889	\$ –	\$ –	\$ 31,889
Fixed income funds	3,157	6,432	–	9,589
Corporate and other debt	19,208	–	–	19,208
Equities	88,896	21,603	135	110,634
Other (excluding equity method investments):				
Interest in LAM alternative asset management funds	–	39,360	–	39,360
Private equity	–	–	174,704	174,704
Derivatives	–	2,328	–	2,328
Total Assets	<u>\$ 143,150</u>	<u>\$ 69,723</u>	<u>\$ 174,839</u>	<u>\$ 387,712</u>
Liabilities:				
Securities sold, not yet purchased	\$ 1,262	\$ –	\$ –	\$ 1,262
Derivatives	–	2,200	–	2,200
Total Liabilities	<u>\$ 1,262</u>	<u>\$ 2,200</u>	<u>\$ –</u>	<u>\$ 3,462</u>

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

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Debt:				
U.S. Government and agencies	\$ 31,900	\$ —	\$ —	\$ 31,900
Fixed income funds	—	4,679	—	4,679
Corporate and other debt	21,939	—	—	21,939
Equities	66,269	21,852	316	88,437
Other (excluding equity method investments):				
Interest in LAM alternative asset management funds	—	58,656	—	58,656
Private equity	—	—	163,482	163,482
Derivatives	—	1,874	—	1,874
Total Assets	<u>\$ 120,108</u>	<u>\$ 87,061</u>	<u>\$ 163,798</u>	<u>\$ 370,967</u>
Liabilities:				
Securities sold, not yet purchased	\$ 2,897	\$ —	\$ —	\$ 2,897
Derivatives	—	3,230	—	3,230
Total Liabilities	<u>\$ 2,897</u>	<u>\$ 3,230</u>	<u>\$ —</u>	<u>\$ 6,127</u>

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 six month periods ended June 30, 2011 and 2010.

The following tables provide a summary of changes in fair value of the Company's Level 3 assets for the three month and six month periods ended June 30, 2011 and 2010:

	Three Months Ended June 30, 2011					Ending Balance
	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	
Investments:						
Equities	\$ 129	\$ 3	\$ —	\$ —	\$ 3	\$ 135
Private equity	171,487	3,545	922	(2,052)	802	174,704
Total Level 3 Assets	<u>\$ 171,616</u>	<u>\$ 3,548</u>	<u>\$ 922</u>	<u>\$ (2,052)</u>	<u>\$ 805</u>	<u>\$ 174,839</u>

	Six Months Ended June 30, 2011					Ending Balance
	Beginning Balance	Net Unrealized/Realized Gains (Losses) Included In Revenue-Other	Purchases/Acquisitions	Sales/Dispositions	Foreign Currency Translation Adjustments	
Investments:						
Equities	\$ 316	\$ 3	\$ —	\$ (195)	\$ 11	\$ 135
Private equity	163,482	3,824	13,075	(9,160)	3,483	174,704
Total Level 3 Assets	<u>\$ 163,798</u>	<u>\$ 3,827</u>	<u>\$ 13,075</u>	<u>\$ (9,355)</u>	<u>\$ 3,494</u>	<u>\$ 174,839</u>

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

	Three Months Ended June 30, 2010					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	\$ 298	\$ (4)	\$ 5	\$ –	\$ –	\$ 299
Private equity	136,264	1,535	5,554	(1,190)	(3,754)	138,409
Total Level 3 Assets	<u>\$136,562</u>	<u>\$ 1,531</u>	<u>\$5,559</u>	<u>\$ (1,190)</u>	<u>\$(3,754)</u>	<u>\$138,708</u>
	Six Months Ended June 30, 2010					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	\$ 305	\$ (12)	\$ 6	\$ –	\$ –	\$ 299
Private equity	135,914	4,753	5,554	(1,193)	(6,619)	138,409
Total Level 3 Assets	<u>\$136,219</u>	<u>\$ 4,741</u>	<u>\$5,560</u>	<u>\$ (1,193)</u>	<u>\$(6,619)</u>	<u>\$138,708</u>

With respect to Level 3 assets held at June 30, 2011 and 2010, net gains (losses) included in earnings for the three month and six month periods ended June 30, 2011 and the three month and six month periods ended June 30, 2010 in connection with the change in unrealized gains and losses relating to such assets were \$3,538, \$3,817, \$1,531 and \$4,741, respectively.

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 interest rates, currency exchange 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. Except for derivatives hedging "available-for-sale" debt securities, which were sold in the fourth quarter of 2010 (see Note 4 of Notes to Condensed Consolidated Financial Statements), the Company elected to not apply hedge accounting to its other derivative instruments held. Gains and losses on the Company's derivatives not designated as hedging instruments, as well as gains and losses on derivatives then accounted for as fair value hedges, are included in "interest income" and "interest expense", respectively, or "revenue-other", depending on the nature of the underlying item, on the consolidated statements of operations. Furthermore, with respect to derivatives then designated as fair value hedges, the hedged item was required to be adjusted for changes in fair value of the risk being hedged, with such adjustment accounted for in the consolidated statements of operations.

As a result of the sale of the Company's "available-for-sale" debt securities during the fourth quarter of 2010 as discussed above, there were not any derivatives designated as hedging instruments for the three month and six month periods ended June 30, 2011. During the three month and six month periods ended June 30, 2010,

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

the Company recognized pre-tax losses pertaining to interest rate swaps designated as hedging instruments of \$1,765 and \$3,756, respectively. These losses were substantially offset by gains recognized on the hedged risk portion of such “available-for-sale” securities.

The table below represents the fair values of the Company’s derivative assets and liabilities reported within “other assets” and “other liabilities” on the accompanying condensed consolidated statements of financial condition as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Derivative Assets:		
Forward foreign currency exchange rate contracts	\$ 242	\$ 1,432
Interest rate swaps	51	57
Equity swaps	2,035	385
	<u>\$2,328</u>	<u>\$ 1,874</u>
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	\$1,507	\$ 2,151
Interest rate swaps	323	326
Equity and fixed income swaps	370	753
	<u>\$2,200</u>	<u>\$ 3,230</u>

Gains (losses) with respect to derivatives not designated as hedging instruments on the accompanying condensed consolidated statements of operations for the three month and six month periods ended June 30, 2011 and 2010 (predominantly reflected in “revenue-other”), by type of derivative, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Forward foreign currency exchange rate contracts	\$(3,139)	\$ 7,133	\$ (9,397)	\$12,351
Interest rate swaps	(1)	(10)	(3)	34
Equity and fixed income swaps	(56)	5,382	(2,316)	4,050
	<u>\$(3,196)</u>	<u>\$12,505</u>	<u>\$(11,716)</u>	<u>\$16,435</u>

7. LAM MERGER TRANSACTION

On September 25, 2008, the Company, LAM and LAZ Sub I, LLC, a then newly-formed subsidiary of LFNy, completed the merger of LAZ Sub I, LLC with and into LAM (the “LAM Merger”). Prior to the LAM Merger, the common equity interests of LAM were held by LFNy, and certain other equity interests of LAM, representing contingent payments should certain specified fundamental transactions occur, were held by present and former employees of LAM. Following the LAM Merger, all equity interests of LAM are owned directly or indirectly by LFNy.

The aggregate non-contingent consideration relating to the equity interests of LAM held by present and former employees of LAM and its subsidiaries (the “Transaction Consideration”) consists of (i) cash payments made from the closing of the LAM Merger through January 2, 2009 of approximately \$60,100, (ii) a cash

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

payment on October 31, 2011 of approximately \$90,300 and (iii) an issuance on October 31, 2011 of 2,201,457 shares of Class A common stock (plus additional shares of Class A common stock in an amount determined by reference to the cash dividends paid on Class A common stock since the closing of the LAM Merger), subject, in the case of clause (ii) and (iii) and, with respect to certain present employees of LAM and its subsidiaries, to delayed payment/issuance until the eighth anniversary of the closing of the LAM Merger if the applicable employee is no longer employed by Lazard or its affiliates on October 31, 2011, subject to certain exceptions. The merger agreement also generally provides that if there is a change in control of Lazard Ltd or a sale of LAM, any and all of the Transaction Consideration will be payable as of the date of such change in control. The related liabilities for the present value of the unpaid cash consideration have been recorded in the accompanying condensed consolidated statements of financial condition in “accrued compensation and benefits” and “other liabilities”, and amounted to \$15,473 and \$73,752, respectively, as of June 30, 2011, and \$15,152 and \$71,394, respectively, as of December 31, 2010.

In connection with the LAM Merger, Lazard Group recorded a related party payable to subsidiaries of Lazard Ltd of \$64,305 at June 30, 2011 and December 31, 2010 (see Note 17 of Notes to Condensed Consolidated Financial Statements). Such amount will become members’ equity as the related shares of Class A common stock are issued.

8. 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 current leadership team retained a substantial economic interest in such entities.

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.

In prior years, the Company made certain other business acquisitions. These purchases were affected through an exchange of a combination of cash, Class A common stock, and by Lazard Ltd issuing shares of non-participating convertible Series A and Series B preferred stock, which are or were each convertible into Class A common stock. In connection with such acquisitions, as of June 30, 2011 and December 31, 2010, 1,295,029 shares of Class A common stock were issuable on a non-contingent basis. Additionally, at June 30, 2011 and December 31, 2010, 4,862 shares of Series A preferred stock were convertible into Class A common shares on a non-contingent basis, with the number of Class A common shares dependent, in part, upon future prices of the Class A common stock. Depending upon the future performance of such businesses acquired, at June 30, 2011 and December 31, 2010, 17,159 shares of Series A preferred stock were contingently convertible into shares of Class A common stock. The Class A common stock described above related to such acquisitions is primarily issuable during the remainder of 2011.

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

In connection with Lazard Group's business acquisitions, as well as Lazard Ltd's acquisition of a business and subsequent contribution of such business to Lazard Group, Lazard Group recorded related party payables of \$60,190 at June 30, 2011 and December 31, 2010 to subsidiaries of Lazard Ltd (see Note 17 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.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangible assets as of June 30, 2011 and December 31, 2010 are presented below:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Goodwill	\$ 320,411	\$ 313,229
Other intangible assets (net of accumulated amortization)	45,030	48,210
	<u>\$ 365,441</u>	<u>\$ 361,439</u>

At June 30, 2011 and December 31, 2010, goodwill of \$258,781 and \$251,599, respectively, was attributable to the Company's Financial Advisory segment and, at each such date, \$61,630 of goodwill was attributable to the Company's Asset Management segment.

Changes in the carrying amount of goodwill for the six month periods ended June 30, 2011 and 2010 are as follows:

	<u>Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Balance, January 1	\$ 313,229	\$ 261,703
Foreign currency translation adjustments	7,182	(7,408)
Balance, June 30	<u>\$ 320,411</u>	<u>\$ 254,295</u>

The gross cost and accumulated amortization of other intangible assets as of June 30, 2011 and December 31, 2010, by major intangible asset category, are as follows:

	<u>June 30, 2011</u>			<u>December 31, 2010</u>		
	<u>Gross Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Gross Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Success/performance fees	\$30,740	\$ 1,121	\$29,619	\$30,740	\$ 890	\$29,850
Management fees, customer relationships and non-compete agreements	32,477	17,066	15,411	32,477	14,117	18,360
	<u>\$63,217</u>	<u>\$ 18,187</u>	<u>\$45,030</u>	<u>\$63,217</u>	<u>\$ 15,007</u>	<u>\$48,210</u>

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

Amortization expense of intangible assets for the three month and six month periods ended June 30, 2011 was \$1,706 and \$3,180, respectively, and for the three month and six month periods ended June 30, 2010 was \$1,769 and \$3,539, respectively. Estimated future amortization expense is as follows:

<u>Year Ending December 31,</u>	<u>Amortization Expense (a)</u>
2011 (July 1 through December 31)	\$ 2,778
2012	6,302
2013	12,742
2014	9,803
2015	7,220
Thereafter	6,185
Total amortization expense	\$ 45,030

(a) Approximately 48% of intangible asset amortization is attributable to a noncontrolling interest.

10. SENIOR AND SUBORDINATED DEBT

Senior Debt—Senior debt is comprised of the following as of June 30, 2011 and December 31, 2010:

	<u>Initial Principal Amount</u>	<u>Maturity Date</u>	<u>Annual Interest Rate</u>	<u>Outstanding As Of</u>	
				<u>June 30, 2011</u>	<u>December 31, 2010</u>
Lazard Group 7.125% Senior Notes	\$550,000	5/15/15	7.125%	\$ 528,500	\$ 528,500
Lazard Group 6.85% Senior Notes	600,000	6/15/17	6.85%	548,350	548,350
Lazard Group Credit Facility (a)	150,000	4/29/13	1.88%	–	–
Total				<u>\$1,076,850</u>	<u>\$1,076,850</u>

(a) On April 29, 2010, Lazard Group entered into a \$150,000, three-year senior revolving credit facility with a group of lenders (the “Credit Facility”). The Credit Facility, as amended, replaced the prior 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 June 30, 2011, the annual interest rate for a loan accruing interest (based on the Federal Funds overnight rate), including the applicable margin, was 1.88%. As of June 30, 2011 and December 31, 2010, no amounts were outstanding under the Credit Facility.

Subordinated Debt—Subordinated debt at June 30, 2011 and December 31, 2010 represents a note amounting to \$150,000 at each date. The note had a maturity date of September 30, 2016 and had a fixed interest rate of 3.25% per annum. Until June 30, 2011 the note had a conversion feature which permitted the holder to convert the note into a maximum of 2,631,570 shares of Class A common stock at an effective conversion price of \$57 per share. No conversions had occurred through that date and the note was no longer convertible. On July 22, 2011, the Company repurchased its outstanding 3.25% subordinated note, at a cost, excluding accrued interest, of \$131,829. Such repurchase resulted in a pre-tax gain of \$18,171, which is being recognized by the Company in the third quarter of 2011.

The Credit Facility contains customary terms and conditions, including certain financial covenants. In addition, the Credit Facility, the indenture and supplemental indentures relating to Lazard Group’s senior notes, contain certain covenants (none of which relate to financial condition), events of default and other customary

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

provisions, including a customary make-whole provision in the event of early redemption where applicable. As of June 30, 2011, the Company was in compliance with all of these provisions. All of the Company's senior and subordinated debt obligations are unsecured.

As of June 30, 2011, the Company had approximately \$285,000 in unused lines of credit available to it, including the Credit Facility, and unused lines of credit available to LFB of approximately \$107,000 (at June 30, 2011 exchange rates) and Edgewater of \$20,000. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

The Company's senior and subordinated debt are recorded at historical amounts. At June 30, 2011 and December 31, 2010, the fair value of the Company's senior and subordinated debt was approximately \$1,338,000 and \$1,271,000, respectively, and exceeded the aggregate carrying value by approximately \$111,000 and \$44,000, respectively. The fair value of the Company's senior and subordinated 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.

11. COMMITMENTS AND CONTINGENCIES

Leases—Lazard has various leases and other contractual commitments arising in the ordinary course of business. At June 30, 2011, minimum rental commitments under non-cancelable operating leases, net of sublease income, are approximately as follows:

<u>Year Ending December 31,</u>	
2011 (July 1 through December 31)	\$ 36,267
2012	54,468
2013	57,671
2014	66,289
2015	62,559
Thereafter	808,662
Total minimum lease payments	1,085,916
Sublease proceeds	185,784
Net lease payments	<u>\$ 900,132</u>

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 June 30, 2011, LFB had \$4,671 of such indemnifications and held \$3,144 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.

Private Equity Funding Commitments—At June 30, 2011, the principal unfunded commitment by the Company for capital contributions to private equity investment funds related to CP II, and is an amount not to exceed \$3,022 for potential "follow-on investments" and/or for CP II expenses through the earlier of February 25, 2017 or the liquidation of the fund.

Other Commitments—In the normal course of business, LFB enters into commitments to extend credit, predominately at variable interest rates. Such commitments at June 30, 2011 aggregated \$27,103. 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.

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

See Notes 7, 8 and 14 of Notes to Condensed Consolidated Financial Statements for information regarding commitments relating to the LAM Merger, 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.

In the opinion of management, the fulfillment of the commitments described herein will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Legal—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.

12. MEMBERS' EQUITY

Issuance of Class A Common Shares—During the three month period ended March 31, 2010, 3,000,000 shares of Class A common stock were newly issued by Lazard Ltd to Lazard Group in connection with the settlement of vested restricted stock unit grants denominated in shares of Class A common stock ("RSUs"). Such shares were authorized as part of the 25,000,000 shares of Class A common stock that may be issued under the Lazard Ltd 2005 Equity Incentive Plan (the "2005 Plan").

Secondary Offerings—Pursuant to the applicable Prospectus Supplements, certain selling shareholders of Lazard Ltd (which include current and former managing directors of Lazard (and, from time to time, certain of our directors, executive officers or former executive officers) and their permitted transferees (collectively, the "Selling Shareholders") who hold LAZ-MD Holdings exchangeable interests and/or Class A common stock), may offer to sell shares of Class A common stock pursuant to applicable underwriting and pricing agreements. During the three month period ended March 31, 2010 one such secondary offering occurred, which is described below (no secondary offerings occurred during the three month period ended June 30, 2010 or during the six month period ended June 30, 2011).

In March 2010, certain Selling Shareholders sold 7,869,311 shares of Class A common stock (including (i) 7,262 shares of Class A common stock previously received upon the exchange of a like number of LAZ-MD Holdings exchangeable interests, (ii) 6,180,639 shares of Class A common stock received upon a simultaneous exchange of a like number of LAZ-MD Holdings exchangeable interests (including 5,958,000 shares held by the Estate of Lazard's former Chairman and Chief Executive Officer and related trusts (collectively, the "Estate") and (iii) 1,681,410 shares held by the Estate) at a price of \$35.90 per share (collectively, the "March 2010 Secondary Offering").

Lazard Ltd did not receive any net proceeds from the sales of Class A common stock from the March 2010 Secondary Offering.

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

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

During the six month periods ended June 30, 2011 and 2010, Lazard Group distributed the following amounts to LAZ-MD Holdings and the subsidiaries of Lazard Ltd (none of which related to tax distributions):

	Six Months Ended June 30,	
	2011	2010
LAZ-MD Holdings	\$ 2,174	\$ 7,103
Subsidiaries of Lazard Ltd	32,855	23,022
	<u>\$35,029</u>	<u>\$30,125</u>

Pursuant to Lazard Group’s 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—In addition to the simultaneous exchanges that occurred in connection with the March 2010 Secondary Offering, during the six month periods ended June 30, 2011 and 2010, Lazard Ltd issued 728,385 and 11,465,108 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 January 2010, the Board of Directors of Lazard Ltd authorized, on a cumulative basis, the repurchase of up to \$200,000 in aggregate cost of its Class A common stock and Lazard Group common membership interests through December 31, 2011. The Company’s prior share repurchase program expired on December 31, 2009. In February 2011, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional \$250,000 in aggregate cost of Lazard Ltd Class A common stock and Lazard Group common membership interests through December 31, 2012. The Company expects that the share repurchase program, with respect to the Class A common stock, will continue to be used primarily to offset a portion of the shares that have been or will be issued under the 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, and since the inception of the program in February 2006 through June 30, 2011, purchases by Lazard Group with respect to such program are set forth in the table below (including, in the six month period ended June 30, 2011, purchases of 3,156,416 Class A common shares, at an aggregate cost of \$126,237, and the purchase of 19,032 Lazard Group common membership interests, at an aggregate cost of \$794):

	Number of Shares/Common Membership Interests Purchased	Average Price Per Share/Common Membership Interest
Class A common stock	19,930,075	\$33.92
Lazard Group common membership interests	1,400,089	\$32.66

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

As a result of Lazard Group’s delivery of shares of Class A common stock during the four year and six month period ended June 30, 2011 relating to (i) the settlement of vested RSUs and deferred stock unit grants (“DSUs”), (ii) the incentive plan share awards of shares of restricted Class A common stock and (iii) the issuance of shares of restricted Class A common stock in exchange for RSUs, there were 4,339,875 and 6,847,508 shares of Class A common stock held by Lazard Group at June 30, 2011 and December 31, 2010, respectively. Such Class A common shares are reported, at cost, as a reduction of members’ equity within the accompanying condensed consolidated statements of financial condition.

As of June 30, 2011, \$165,740 of the current \$450,000 share repurchase authorization remained available under the share repurchase program. 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 (see Note 13 of Notes to Condensed Consolidated Financial Statements).

Accumulated Other Comprehensive Income (Loss), Net of Tax—The components of AOCI at June 30, 2011 and December 31, 2010 are as follows:

	June 30, 2011	December 31, 2010
Currency translation adjustments	\$ 58,607	\$ 26,434
Interest rate hedge	(4,084)	(4,611)
Employee benefit plans	(59,111)	(56,595)
Total AOCI	(4,588)	(34,772)
Less amount attributable to noncontrolling interests	262	251
Total Lazard Group AOCI	<u>\$ (4,850)</u>	<u>\$ (35,023)</u>

Noncontrolling Interests—Noncontrolling interests principally represent interests held in (i) Edgewater’s management vehicles that the Company is deemed to control, but does not own, and (ii) various LAM-related GP interests which are deemed to be controlled by the Company.

The tables below summarize net income (loss) attributable to noncontrolling interests for the three month and six month periods ended June 30, 2011 and 2010 and noncontrolling interests as of June 30, 2011 and December 31, 2010 in the Company’s condensed consolidated financial statements:

	Net Income (Loss) Attributable To Noncontrolling Interests			
	Three Months Ended		Six Months Ended	
	2011	2010	2011	2010
Edgewater	\$ 5,882	\$ 1,270	\$ 6,905	\$ 3,877
LAM GPs	(159)	(598)	13	(728)
Other	(173)	(191)	(126)	(310)
Total	<u>\$ 5,550</u>	<u>\$ 481</u>	<u>\$ 6,792</u>	<u>\$ 2,839</u>

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

	Noncontrolling Interests As Of	
	June 30, 2011	December 31, 2010
Edgewater	\$ 115,808	\$ 111,289
LAM GPs	5,735	8,219
Other	1,260	1,374
Total	<u>\$ 122,803</u>	<u>\$ 120,882</u>

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 six month periods ended June 30, 2011 and 2010, is presented below.

Shares Available Under the 2005 Plan and 2008 Plan

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

Restricted and Deferred Stock Units

RSUs 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. Expense relating to RSUs was as follows within the Company's condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Compensation and benefits (*)	\$57,552	\$50,530	\$142,410	\$154,343
Restructuring	-	-	-	46,880
Total	<u>\$57,552</u>	<u>\$50,530</u>	<u>\$142,410</u>	<u>\$201,223</u>

(*) Includes, during the six month period ended June 30, 2010, \$24,860 relating to the January 2010 amendment of the Company's retirement policy (described below).

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

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 six month periods ended June 30, 2011 and 2010, dividend participation rights required the issuance of 140,613 and 163,146 RSUs, respectively.

In January 2010, the Company amended its retirement policy with respect to RSU awards. Such amendment served to modify the retirement eligibility vesting requirements of existing and future RSU awards, and, as noted above, Lazard accelerated the recognition of compensation expense for the affected RSU awards. Accordingly, the Company recorded a non-cash charge to “compensation and benefits” expense of \$24,860 in the three month period ended March 31, 2010 relating to prior years’ awards.

Non-Executive members of the Board of Directors of Lazard Group (who are also 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 26,859 and 31,588 DSUs granted during the six month periods ended June 30, 2011 and 2010, 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. The 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 six month periods ended June 30, 2011 and 2010.

On May 9, 2006, the Board of Directors adopted the Directors’ Fee Deferral Unit Plan, which allows the Company’s Non-Executive Directors to elect to receive additional DSUs pursuant to the 2005 Plan in lieu of some or all of their cash fees. The number of DSUs that shall be granted to a Non-Executive Director pursuant to this election will equal the value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date on which the foregone cash fees would otherwise have been paid. During the six month periods ended June 30, 2011 and 2010, 2,942 and 4,120 DSUs, respectively, had been granted pursuant to such Plan.

DSU awards are expensed at their fair value on their date of grant, which, inclusive of amounts related to the Directors’ Fee Deferral Unit Plan, totaled \$534 and \$562 during the three month and six month periods ended June 30, 2011, respectively, and \$520 and \$558 during the three month and six month periods ended June 30, 2010, respectively.

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

The following is a summary of activity relating to RSUs and DSUs during the six month periods ended June 30, 2011 and 2010:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2011	22,108,635	\$ 35.67	121,737	\$ 34.46
Granted (including 140,613 RSUs relating to dividend participation)	6,309,310	\$ 44.93	29,801	\$ 37.72
Forfeited	(223,365)	\$ 37.90	—	—
Vested/Converted	(7,616,386)	\$ 39.21	(16,120)	\$ 34.76
Balance, June 30, 2011	<u>20,578,194</u>	\$ 37.18	<u>135,418</u>	\$ 35.14
Balance, January 1, 2010	23,367,813	\$ 37.01	103,146	\$ 35.75
Granted (including 163,146 RSUs relating to dividend participation)	6,853,747	\$ 35.98	35,708	\$ 31.25
Forfeited	(315,002)	\$ 34.57	—	—
Vested/Converted	(6,952,061)	\$ 39.88	(20,435)	\$ 35.38
Balance, June 30, 2010	<u>22,954,497</u>	\$ 35.88	<u>118,419</u>	\$ 34.46

During the six month periods ended June 30, 2011 and 2010, 7,616,386 RSUs and 6,952,061 RSUs vested, respectively. In connection with such vested RSUs, the Company satisfied certain employees' tax obligations in lieu of issuing 2,226,829 and 1,288,331 shares of Class A common stock in the respective periods. Accordingly, 5,389,557 and 5,663,730 shares of Class A common stock held by Lazard Group were delivered during the six month periods ended June 30, 2011 and 2010, respectively.

As of June 30, 2011, unrecognized RSU compensation expense, adjusted for estimated forfeitures, was approximately \$348,000, with such unrecognized compensation expense expected to be recognized over a weighted average period of approximately 1.8 years subsequent to June 30, 2011. 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.

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

Restricted Stock

The following is a summary of activity related to shares of restricted Class A common stock during the six month periods ended June 30, 2011 and 2010:

	<u>Restricted Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance, January 1, 2011	95,332	\$ 37.63
Granted (a)	327,238	\$ 43.70
Vested (a)	<u>(327,238)</u>	<u>\$ 43.70</u>
Balance, June 30, 2011	<u>95,332</u>	<u>\$ 37.63</u>
Balance, January 1, 2010	—	—
Granted	54,437	\$ 38.78
Vested	—	—
Balance, June 30, 2010	<u>54,437</u>	<u>\$ 38.78</u>

(a) Includes 143,816 restricted shares pertaining to an award that was accounted for as a liability award through its vesting date.

During the six month period ended June 30, 2011, 327,238 shares of restricted Class A common stock vested. In connection with such vested shares of restricted Class A common stock, the Company satisfied certain employees' tax obligations in lieu of delivering 68,866 shares of Class A common stock by Lazard Group. Accordingly, 258,372 shares of Class A common stock held by Lazard Group were delivered during the six month period ended June 30, 2011.

Expense relating to restricted stock awards is charged to "compensation and benefits" expense within the Company's condensed consolidated statements of operations, and amounted to \$356 and \$8,999 for the three month and six month periods ended June 30, 2011, respectively, and \$160 for the three month and six month periods ended June 30, 2010. 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 June 30, 2011, unrecognized restricted stock expense was approximately \$1,600, with such expense to be recognized over a weighted average period of approximately 1.2 years subsequent to June 30, 2011.

Other Incentive Awards

As described above, in February 2011, the Company granted to eligible employees Lazard Fund Interests, which had an aggregate fair value on the date of grant of approximately \$26,000, with such aggregate fair values excluding potential forfeitures. At June 30, 2011, the aggregate fair value of such liability amounted to \$25,102.

The Lazard Fund Interests granted provide for one-third vesting on March 1, 2013 and two-thirds vesting on March 3, 2014. Compensation expense with respect to the Lazard Fund Interests amounted to \$2,413 and \$5,054 for the three month and six month periods ended June 30, 2011, respectively, and is being recognized over the applicable vesting periods or requisite service periods, the ultimate amount of which will vary based on the then vested value of the underlying Lazard Fund Interests, with such compensation expense to be recognized over a weighted average period of approximately 2.3 years subsequent to June 30, 2011.

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

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

In addition, on June 30, 2009 the Company and Trustees concluded the December 31, 2007 triennial valuation of the U.K. pension plans discussed above, pursuant to which: (i) the Company agreed to contribute, in addition to amounts to cover administrative expenses under the plans, 2.3 million British pounds (\$3,683 at June 30, 2011 exchange rates), during each year from 2011 to 2018 inclusive, subject to adjustment resulting from the December 31, 2010 triennial valuation, which the Company expects to have concluded prior to the contribution payment scheduled for 2011, and (ii) to secure the Company's obligations thereunder, on July 15, 2009 the Company placed in escrow 12.5 million British pounds, with a final redemption date of December 31, 2018. This amount is subject to adjustment based on the results of the December 31, 2010 triennial valuation and subsequent triennial valuations. The aggregate escrow balance has been recorded in "cash deposited with clearing organizations and other segregated cash" and "investments", respectively, on the accompanying condensed consolidated statements of financial condition. Income on the escrow balance accretes to the Company and is recorded in interest income.

During the six month period ended June 30, 2011, no contribution to these U.K. pension plans was required, and no contributions were required to be made to other pension plans.

The following tables summarize the components of total benefit cost (credit) for the three month and six month periods ended June 30, 2011 and 2010:

	Pension Plans		Post-Retirement Medical Plans	
	Three Months Ended June 30,			
	2011	2010	2011	2010
Components of Net Periodic Benefit Cost (Credit):				
Service cost	\$ 169	\$ (88)	\$ 19	\$ 22
Interest cost	7,092	6,702	69	73
Expected return on plan assets	(7,644)	(7,056)	-	-
Amortization of:				
Prior service cost (credit)	762	725	-	(435)
Net actuarial loss	66	198	-	-
Net periodic benefit cost (credit)	<u>\$ 445</u>	<u>\$ 481</u>	<u>\$ 88</u>	<u>\$ (340)</u>

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

	Pension Plans		Post-Retirement Medical Plans	
	Six Months Ended June 30,			
	2011	2010	2011	2010
Components of Net Periodic Benefit Cost (Credit):				
Service cost	\$ 332	\$ 260	\$ 34	\$ 40
Interest cost	14,159	13,787	139	146
Expected return on plan assets	(15,266)	(14,429)	-	-
Amortization of:				
Prior service cost (credit)	1,502	1,476	-	(691)
Net actuarial loss	129	399	-	-
Net periodic benefit cost (credit)	<u>\$ 856</u>	<u>\$ 1,493</u>	<u>\$ 173</u>	<u>\$ (505)</u>

15. RESTRUCTURING PLANS

In the three month period ended March 31, 2010, the Company announced a restructuring plan which included certain staff reductions and realignments of personnel (the “2010 Restructuring Plan”). In connection with the 2010 Restructuring Plan, the Company recorded a charge in the first quarter of 2010 of \$87,108, inclusive of \$46,880 relating to the acceleration of RSUs (in aggregate, the “2010 Restructuring Charge”).

The 2010 Restructuring Charge primarily consisted of compensation-related expenses, including the acceleration of unrecognized expenses pertaining to RSUs previously granted to individuals who were terminated pursuant to the restructuring, severance and benefit payments and other costs. As of June 30, 2011 and December 31, 2010, the remaining liability associated with the 2010 Restructuring Plan was \$13,145 and \$21,381, respectively. In the first quarter of 2009 the Company also announced a restructuring plan (the “2009 Restructuring Plan”). As of June 30, 2011 and December 31, 2010, the remaining liability associated with the 2009 Restructuring Plan was \$5,128 and \$5,427, respectively. During the six month period ended June 30, 2011, other than cash payments of \$8,236 and \$299 for the 2010 Restructuring Plan and the 2009 Restructuring Plan, respectively, there were no adjustments to the amounts relating to the 2010 and 2009 Restructuring Plans. Liabilities relating to the 2010 and 2009 Restructuring Plans are reported within “accrued compensation and benefits” and “other liabilities” on the accompanying condensed consolidated statements of financial condition.

16. 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 a result, Lazard Group’s income from its U.S. operations is generally not subject to U.S. federal income taxes because such income is attributable to 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 \$13,717 and \$24,106 for the three month and six month periods ended June 30, 2011, respectively, and \$13,040 and \$18,580 for the three month and six month periods ended June 30, 2010, respectively, representing effective tax rates of 15.2%, 14.7%, 19.3% and 56.1%, respectively. The difference between the U.S. federal statutory rate of 35.0% and the effective tax rates described

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

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.

17. RELATED PARTIES

Amounts receivable from, and payable to, related parties as of June 30, 2011 and December 31, 2010 are set forth below:

	June 30, 2011	December 31, 2010
Receivables		
LFCM Holdings	\$ 12,764	\$ 24,785
Lazard Ltd Subsidiaries	155,182	178,042
Other	738	89
Total	<u>\$ 168,684</u>	<u>\$ 202,916</u>
Payables		
LFCM Holdings	\$ 118	\$ 458
Lazard Ltd Subsidiaries	245,819	243,735
Other	985	—
Total	<u>\$ 246,922</u>	<u>\$ 244,193</u>

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 also members of LAZ-MD Holdings. In addition to the master separation agreement, which effected the separation and recapitalization that occurred in May 2005, LFCM Holdings entered into certain agreements that addressed various business matters associated with the separation, including agreements related to administrative and support services (the “administrative services agreement”), employee benefits, insurance matters and licensing. In addition, LFCM Holdings and Lazard Group entered into a business alliance agreement. Certain of these agreements are described in more detail in the Company’s Form 10-K.

For the three month and six month periods ended June 30, 2011, amounts recorded by Lazard Group relating to the administrative services agreement amounted to \$578 and \$1,192, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to \$6,200 and \$13,147, respectively. For the three month and six month periods ended June 30, 2010, amounts recorded by Lazard Group relating to the administrative services agreement amounted to \$513 and \$1,059, respectively, and net referral fees for underwriting, private placement, M&A and restructuring transactions under the business alliance agreement amounted to \$3,384 and \$6,729, 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.

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

Receivables from LFCM Holdings and its subsidiaries as of June 30, 2011 and December 31, 2010 primarily include \$1,616 and \$12,775, respectively, related to administrative and support services and reimbursement of expenses incurred on behalf of LFCM Holdings, and \$10,397 and \$11,413, respectively, related to referral fees for underwriting and private placement transactions. Payables to LFCM Holdings and its subsidiaries at June 30, 2011 and December 31, 2010 relate principally to referral fees for Financial Advisory transactions.

Lazard Ltd Subsidiaries

Lazard Group's receivables from subsidiaries of Lazard Ltd at June 30, 2011 and December 31, 2010 include interest-bearing loans of \$152,203 and \$148,488, respectively, including accrued interest thereon. Interest income relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to \$1,891 and \$3,730 for the three month and six month periods ended June 30, 2011, respectively, and \$843 and \$1,652 for the three month and six month periods ended June 30, 2010, respectively. In addition, at December 31, 2010, Lazard Group had a receivable of \$29,271 from Lazard Ltd subsidiaries relating to Lazard Group's sale of certain investments to a Lazard Ltd subsidiary, which was settled in cash in the first quarter of 2011.

As of June 30, 2011 and December 31, 2010, Lazard Group's payables to subsidiaries of Lazard Ltd included \$64,305 related to the LAM Merger (see Note 7 of Notes to Condensed Consolidated Financial Statements), as well as payables at June 30, 2011 and December 31, 2010 aggregating \$60,190, in connection with Lazard Group's business acquisitions, and with respect to Lazard Ltd's acquisition of a business and subsequent contribution of such business to Lazard Group (see Note 8 of Notes to Condensed Consolidated Financial Statements). In addition, as of June 30, 2011 and December 31, 2010, Lazard Group's payables to subsidiaries of Lazard Ltd include interest-bearing loans, plus accrued interest thereon, of \$121,262 and \$119,240, respectively. Interest expense relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to \$1,016 and \$2,022 for the three month and six month periods ended June 30, 2011, respectively, and \$1,080 and \$2,205 for the three month and six month periods ended June 30, 2010, respectively.

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 six month periods ended June 30, 2011, such charges amounted to \$187 and \$375, respectively. For the three month and six month periods ended June 30, 2010, such charges amounted to \$187 and \$375, respectively.

18. REGULATORY AUTHORITIES

LFNY is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934. 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 June 30, 2011, LFNY's regulatory net capital was \$142,556, which exceeded the minimum requirement by \$135,750.

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

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 June 30, 2011, the aggregate regulatory net capital of the U.K. Subsidiaries was \$128,624, which exceeded the minimum requirement by \$83,099.

CFLF, through which non-corporate finance advisory 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 June 30, 2011, the consolidated regulatory net capital of CFLF was \$196,350, which exceeded the minimum requirement set for regulatory capital levels by \$90,589.

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 June 30, 2011, for those subsidiaries with regulatory capital requirements, their aggregate net capital was \$80,680, which exceeded the minimum required capital by \$55,686.

At June 30, 2011, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

Lazard Ltd has 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 Europe, Lazard Ltd is required to be supervised by another regulatory body, either in the U.S. or Europe. The Dodd-Frank Act allows certain securities holding companies seeking consolidated supervision, including Lazard Ltd, to elect to be supervised by the Board of Governors of the Federal Reserve. Lazard Ltd anticipates that the Board of Governors of the Federal Reserve will adopt regulations pursuant to Section 618 of the Dodd-Frank Act in the near future for companies that seek to come under their consolidated supervision. Once we understand the final scope of such regulations, Lazard Ltd will determine whether it will elect to comply with such regulations and register to come under the consolidated supervision of the Federal Reserve. Until such regulations are adopted, however, we cannot determine the full impact of such regulations on us. The Dodd-Frank Act and the rules and regulations that may be adopted thereunder (including regulations that have not yet been proposed) could have other effects on us. We continue to monitor the process as such rules are proposed and adopted.

19. 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 the two business segments as described in Note 1 above – Financial Advisory and Asset Management. In addition, as described in Note 1 above, the Company records selected other activities in its Corporate segment.

The Company’s segment information for the three month and six month periods ended June 30, 2011 and 2010 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 headcount, square footage and other factors.

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Financial Advisory				
Net Revenue	\$249,191	\$245,973	\$478,036	\$ 514,469
Operating Expenses	214,217	213,900	427,783	451,700
Operating Income (a)	<u>\$ 34,974</u>	<u>\$ 32,073</u>	<u>\$ 50,253</u>	<u>\$ 62,769</u>
Asset Management				
Net Revenue	\$244,855	\$189,414	\$471,708	\$ 377,167
Operating Expenses	160,914	136,886	310,118	266,326
Operating Income (a)	<u>\$ 83,941</u>	<u>\$ 52,528</u>	<u>\$161,590</u>	<u>\$ 110,841</u>
Corporate				
Net Revenue	\$ (16,334)	\$ (16,579)	\$ (33,819)	\$ (34,881)
Operating Expenses	12,129	332	13,676	105,587
Operating Loss (a)	<u>\$ (28,463)</u>	<u>\$ (16,911)</u>	<u>\$ (47,495)</u>	<u>\$ (140,468)</u>
Total				
Net Revenue	\$477,712	\$418,808	\$915,925	\$ 856,755
Operating Expenses	387,260	351,118	751,577	823,613
Operating Income (a)	<u>\$ 90,452</u>	<u>\$ 67,690</u>	<u>\$164,348</u>	<u>\$ 33,142</u>

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

	As Of	
	June 30, 2011	December 31, 2010
Total Assets		
Financial Advisory	\$ 731,184	\$ 799,090
Asset Management	689,118	687,323
Corporate	1,579,724	1,849,871
Total	<u>\$ 3,000,026</u>	<u>\$ 3,336,284</u>

(a) Operating income (loss) for the six month period ended June 30, 2010 was significantly impacted by certain charges related to the three month period ended March 31, 2010. Such impact, including the amounts attributable to each of the Company's business segments, is described in the table below:

Financial Advisory

Operating income, as reported above	\$ 62,769
Special item:	
Acceleration of amortization expense pertaining to the amendment of Lazard's retirement policy with respect to RSU awards	19,571
Operating income, excluding impact of special item	<u>\$ 82,340</u>

Asset Management

Operating income, as reported above	\$ 110,841
Special item:	
Acceleration of amortization expense pertaining to the amendment of Lazard's retirement policy with respect to RSU awards	2,902
Operating income, excluding impact of special item	<u>\$ 113,743</u>

Corporate

Operating loss, as reported above	\$(140,468)
Special items:	
Restructuring expense	87,108
Acceleration of amortization expense pertaining to the amendment of Lazard's retirement policy with respect to RSU awards	2,387
Operating loss, excluding impact of special items	<u>\$ (50,973)</u>

Consolidated

Operating income, as reported above	\$ 33,142
Special items:	
Restructuring expense	87,108
Acceleration of amortization expense pertaining to the amendment of Lazard's retirement policy with respect to RSU awards	24,860
Operating income, excluding impact of special items	<u>\$ 145,110</u>

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 (the “MD&A”) included in our Annual Report on Form 10-K for the year ended December 31, 2010 (the “Form 10-K”). All references to “2011”, “2010”, “second quarter”, “first half”, or “the period” refer to, as the context requires, the three month and six month periods ended June 30, 2011 and June 30, 2010.

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

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

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

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

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

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

- business’ possible or assumed future results of operations and operating cash flows,
- business’ strategies and investment policies,
- business’ financing plans and the availability of short-term borrowing,
- business’ competitive position,

Table of Contents

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

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

Business Summary

The Company's principal sources of revenue are derived from activities in the following business segments:

- Financial Advisory, which includes providing general strategic and transaction-specific advice on mergers and acquisitions (“M&A”) and other strategic matters, restructurings, capital structure, capital raising and various other corporate finance matters, and
- Asset Management, which includes strategies for the management of equity and fixed income securities and alternative investment and private equity funds, as well as wealth management.

In addition, the Company records selected other activities in its Corporate segment, including management of cash, certain investments and the commercial banking activities of Lazard Group's Paris-based Lazard Frères Banque SA (“LFB”). The Company also allocates outstanding indebtedness to its Corporate segment.

LFB is a registered bank regulated by the Banque de France and its primary operations include asset and liability management for Lazard Group's businesses in France through its money market desk and commercial banking operations, deposit taking and, to a lesser extent, financing activities and custodial oversight over assets of various clients. LFB engages in underwritten offerings of securities in France and may expand its scope to include placements elsewhere in Europe.

Lazard invests or may invest its own capital usually 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 private equity investments in

[Table of Contents](#)

Corporate Partners II Limited (“CP II”) and Lazard Senior Housing Partners LP (“Senior Housing”), consistent with our obligations to LFCM Holdings LLC (“LFCM Holdings”) and through The Edgewater Funds (“Edgewater”), our Chicago-based private equity firm (see Note 8 of Notes to Condensed Consolidated Financial Statements). We continue to explore and discuss opportunities to expand the scope of our alternative investment and private equity activities in Europe, the U.S. and elsewhere. These opportunities could include internal growth of new funds and direct investments by us, partnerships or strategic relationships, investments with third parties or acquisitions of existing funds or management companies. Also, consistent with our obligations to LFCM Holdings, we may explore discrete capital markets opportunities.

The Company’s consolidated net revenue was derived from the following segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Financial Advisory	52%	59%	52%	60%
Asset Management	51	45	52	44
Corporate	(3)	(4)	(4)	(4)
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Business Environment

Economic and global financial market conditions can materially affect our financial performance. As described above, the Company’s 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 or similar transactions, and our Asset Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and fundraising activity as well as our Asset Management business, but may provide opportunities for our restructuring business, which tends to be counter-cyclical.

Global market performance, capital-raising and M&A activity were mixed during the first half of 2011. Overall, global equity markets at June 30, 2011 were up modestly since December 31, 2010, despite volatility during both the first and second quarters of 2011. While the announced value of M&A activity increased in the second quarter of 2011 as compared to the corresponding period in 2010, M&A activity slowed as compared to the first quarter of 2011 due to economic uncertainty caused by concerns over the public-finance situation in Europe and continuing high U.S. unemployment. Restructuring activity continued at low levels due to the decline in the number of corporate defaults.

During the past few years we have expanded our geographic reach and industry expertise. We believe that in this environment, companies, government bodies and investors will seek independent advice with a geographic perspective, deep understanding of capital structure, informed research and knowledge of global economic conditions, and that our business model as an independent, unconflicted adviser will continue to create opportunities for us to attract new clients and key personnel.

Lazard operates in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for Lazard’s management to predict all risks and uncertainties, nor can Lazard assess the impact of all potentially applicable factors on its 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.

[Table of Contents](#)

Financial Advisory

For the first half of 2011, the value of global completed and announced M&A transactions increased significantly, while the number of such transactions reflected no significant change as compared to the 2010 period, reflecting transactions with higher average values. During the second quarter of 2011 the value of completed and announced transactions increased as compared to the corresponding period in 2010, while the number of such transactions generally declined.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Incr / (Decr)	2011	2010	% Incr / (Decr)
(\$ in billions)						
Completed M&A Transactions:						
Global:						
Value	\$ 784	\$609	29%	\$ 1,483	\$1,128	31%
Number	10,084	10,944	(8)%	20,860	21,311	(2)%
Trans-Atlantic:						
Value	\$ 91	\$ 30	203%	\$ 121	\$ 99	22%
Number	378	392	(4)%	787	768	2%
Announced M&A Transactions:						
Global:						
Value	\$ 774	\$ 608	27%	\$ 1,560	\$ 1,240	26%
Number	10,649	11,024	(3)%	21,723	21,552	1%
Trans-Atlantic:						
Value	\$ 66	\$ 52	27%	\$ 135	\$ 106	27%
Number	409	400	2%	833	765	9%

Source: Dealogic as of July 8, 2011.

We continue to believe that we are relatively well positioned as our clients refinance, restructure and reposition their asset portfolios for growth.

Global restructuring activity during the 2011 six month period decreased from the corresponding prior year period due to the decelerating pace of corporate debt defaults. According to Moody's Investors Service, Inc., in the twelve month period ended June 30, 2011 a total of 43 issuers defaulted, as compared to 121 in the twelve months ended June 30, 2010, which includes a total of 12 issuers in the six month period ended June 30, 2011, as compared to 27 in the corresponding 2010 period. We believe that the number and value of corporate defaults for the full year of 2011 will be significantly lower as compared to 2010, but due to our Restructuring assignments currently in progress, we expect that our Restructuring business will remain active, albeit at a lower level as compared to the prior year. Our Restructuring activities include advising companies on matters relating to debt restructurings, refinancings and other on- and off-balance sheet assignments. Our Restructuring assignments are generally executed over a six- to eighteen-month period.

Our Private Fund Advisory Group, which is part of our Financial Advisory segment and is conducted in the U.S. through Lazard Freres & Co. LLC ("LFNY"), an SEC-registered broker-dealer and municipal advisor and member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board (the "MSRB"), acts as placement agent for investment funds, including investment funds that have historically received capital from certain public pension funds. In April 2009, governmental officials in New York announced a new policy banning the use of placement agents by funds seeking investment contributions from the New York State and New York City public pension funds. The use of placement agents has also been prohibited or otherwise restricted with respect to investments by public pension funds in Illinois, Ohio, California and New Mexico, and similar measures are being considered or have been implemented in other jurisdictions. On June 22, 2011, the SEC approved an amendment to its June 30, 2010 rule which, among other things, will place

[Table of Contents](#)

certain restrictions on the use of placement agents. As amended, the SEC rule will prohibit investment advisors from paying a third-party placement agent for soliciting investment advisory business from a U.S. governmental entity, unless the placement agent is (i) an SEC-registered investment advisor complying with the rule, (ii) an SEC-registered broker-dealer that is a member of FINRA and thus subject to FINRA's forthcoming "pay-to-play" rule, or (iii) a "municipal advisor" that is registered with the SEC under Section 15B of the Securities Exchange Act of 1934, as amended, and subject to the "pay-to-play" rules that will be adopted by the MSRB. We are continuing to evaluate the potential impact of state, local and other restrictions on our Private Fund Advisory business.

Asset Management

As shown in the table below, major global market indices at June 30, 2011 were generally unchanged in most markets as compared to such indices at March 31, 2011 and increased modestly as compared to December 31, 2010, with more significant increases as compared to June 30, 2010.

	Percentage Change June 30, 2011 vs.		
	March 31, 2011	December 31, 2010	June 30, 2010
MSCI World Index	0%	4%	28%
CAC 40	0%	5%	16%
DAX	5%	7%	24%
FTSE 100	1%	1%	21%
TOPIX 100	(3)%	(8)%	1%
MSCI Emerging Market	(2)%	0%	25%
Dow Jones Industrial Average	1%	7%	27%
NASDAQ	0%	5%	32%
S&P 500	0%	5%	28%

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM. Accordingly, since market movements and foreign currency volatility impact the level of our AUM, such items will impact the level of revenues we receive from our Asset Management business. A substantial portion of our AUM is invested in equities, and market movements reflected in the changes in Lazard's AUM during the period generally corresponded to the changes in global market indices. Our AUM at June 30, 2011 increased 4% versus AUM at December 31, 2010, with our average AUM during the first half of 2011 increasing 23%, as compared to our average AUM for the corresponding period of 2010, the latter primarily reflecting significant market appreciation as well as net inflows in the six month period ended December 31, 2010. The higher level of AUM contributed to significantly higher management fee revenues in the 2011 periods.

Financial Statement Overview

Net Revenue

The majority of Lazard's Financial Advisory net revenue is earned from the successful completion of M&A transactions, strategic advisory matters, restructuring and capital structure advisory services, capital raising and similar transactions. The main drivers of Financial Advisory net revenue are overall M&A activity, the level of corporate debt defaults and the environment for capital raising activities, particularly in the industries and geographic markets in which Lazard focuses. In some client engagements, often those involving financially distressed companies, revenue is earned in the form of retainers and similar fees that are contractually agreed upon with each client for each assignment and are not necessarily linked to the completion of a transaction. In addition, Lazard also earns fees from providing strategic advice to clients, with such fees not being dependent on a specific transaction, and may also earn fees from public and private securities offerings for referring opportunities to LFCM Holdings for underwriting and distribution

[Table of Contents](#)

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

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

For hedge funds, incentive fees are calculated based on a specified percentage of a fund's net appreciation, in some cases in excess of established benchmarks. The Company records incentive fees on traditional products and hedge funds at the end of the relevant performance measurement period, when potential uncertainties regarding the ultimate realizable amounts have been determined. The incentive fee measurement period is generally an annual period (unless an account terminates during the year), and therefore such incentive fees are usually recorded in the fourth quarter of Lazard's fiscal year. These incentive fees received at the end of the measurement period are not subject to reversal or payback. Incentive fees on hedge funds generally are subject to loss carryforward provisions in which losses incurred by the 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 interest income and interest expense, including amounts earned at LFB, investment gains and losses on the Company's "seed investments" in LAM equity funds and principal investments in equities and alternative investment funds, investments at LFB, and "equity method" investments. Corporate net revenue can fluctuate due to changes in the fair value of investments classified as "trading", and with respect to "available-for-sale" investments, when realized, or, with respect to "available-for-sale" and "held-to-maturity" investments, when a decline is determined to be other than temporary, as well as due to changes in interest and currency exchange rates and in the levels of cash, investments and indebtedness. As of December 31, 2010, the Company no longer held "available-for-sale" or "held-to-maturity" investments.

[Table of Contents](#)

Although Corporate segment net revenue during the first half of 2011 represented (4)% of Lazard's net revenue, total assets in Corporate represented 53% of Lazard's consolidated total assets as of June 30, 2011, which is attributable to assets associated with LFB, investments in government bonds, fixed income funds, LAM-managed funds and other securities, private equity investments and cash.

Operating Expenses

The majority of Lazard's operating expenses relate to compensation and benefits for employees and managing directors. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of (a) share-based incentive compensation under the Lazard Ltd 2005 Equity Incentive Plan ("2005 Plan") and the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan") and (b) Lazard Fund Interests, with such aggregate amortization generally determined on a straight-line basis over the applicable vesting periods, and not on the basis of revenue recognition (see Note 13 of Notes to Condensed Consolidated Financial Statements) and (iii) a provision for discretionary bonuses and profit pools. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our operating and financial performance, staffing levels, competitive pay conditions, the nature of revenues earned, as well as the mix between current and deferred compensation. As reflected in the tables below, our compensation expense-to-operating revenue ratios for the second quarters of 2011 and 2010 were 57.9% and 59.7%, respectively, and for the six month periods of 2011 and 2010 were 58.3% and 59.9%, respectively (with such ratio for the six month period of 2010 excluding the compensation charge of approximately \$25 million in connection with the accelerated vesting of share-based incentive awards related to the Company's change in retirement policy).

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

Provision for Income Taxes

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 charge attributable to Edgewater and various LAM-related general partnership interests ("GPs") in limited partnerships held directly by certain of our LAM managing directors. 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

Table of Contents

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.

During the first quarter of 2010, the Company reported certain charges (the "2010 special items") that adversely impacted operating results for that period. The impact of such special items on the Company's condensed consolidated statements of operations for the first half of 2010 is described in more detail in the table below. There were no special items recorded in the 2011 periods.

	Six Months Ended June 30, 2010		Total
	Restructuring (a)	RSU Amortization Amendment (b)	
	(\$ in thousands)		
Compensation		\$ 24,860	\$ 24,860
Restructuring	\$ 87,108		87,108
Operating Loss	(87,108)	(24,860)	(111,968)
Income Tax Benefit	5,680	1,363	7,043
Net Loss Attributable to Lazard Group	\$ (81,428)	\$ (23,497)	\$(104,925)

(a) Restructuring plan announced in the first quarter of 2010.

(b) Accelerated amortization expense recognized in connection with the vesting of share-based incentive awards related to the amendment of the Company's retirement policy.

A discussion of the Company's consolidated results of operations for the 2011 and 2010 periods is set forth below, followed by a more detailed discussion of business segment results. For comparability purposes in the discussion that follows, the results for the six month period of 2010 are shown in the table below, on both an "as reported" U.S. GAAP and "excluding special items" non-U.S. GAAP basis that management believes provides the most meaningful comparison between historical, present and future periods. There were no special items in the 2011 periods.

	Three Months Ended June 30,	
	2011	2010
	(\$ in thousands)	
Net Revenue	\$477,712	\$418,808
Operating Expenses:		
Compensation and benefits	286,475	263,018
Non-compensation expense	99,079	86,331
Amortization of intangible assets related to acquisitions	1,706	1,769
Total operating expenses	387,260	351,118
Operating Income	90,452	67,690
Provision for income taxes	13,717	13,040
Net Income	76,735	54,650
Less – Net Income Attributable to Noncontrolling Interests	5,550	481
Net Income Attributable to Lazard Group	\$ 71,185	\$ 54,169
Operating Income, As A % Of Net Revenue	19%	16%

[Table of Contents](#)

	Six Months Ended June 30,			
	2011	2010		Non-U.S. GAAP Excluding Special Items
	U.S. GAAP As Reported	U.S. GAAP As Reported	Impact of Special Items (a)	
	(\$ in thousands)			
Net Revenue	<u>\$915,925</u>	<u>\$856,755</u>		<u>\$ 856,755</u>
Operating Expenses:				
Compensation and benefits	556,471	563,393	\$24,860	538,533
Non-compensation	191,926	169,573		169,573
Amortization of intangible assets related to acquisitions	3,180	3,539		3,539
Restructuring	-	87,108	87,108	-
Total operating expenses	<u>751,577</u>	<u>823,613</u>		<u>711,645</u>
Operating Income	164,348	33,142		145,110
Provision (benefit) for income taxes	24,106	18,580	(7,043)	25,623
Net Income	140,242	14,562		119,487
Less – Net Income Attributable to Noncontrolling Interests	6,792	2,839		2,839
Net Income Attributable to Lazard Group	<u>\$133,450</u>	<u>\$ 11,723</u>		<u>\$ 116,648</u>
Operating Income, As A % Of Net Revenue	<u>18%</u>	<u>4%</u>		<u>17%</u>

(a) Represents charges related to the previously described special items. See Notes 13, 15 and 19 of Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(\$ in thousands)			
Operating revenue				
Total revenue	\$502,041	\$444,006	\$964,578	\$908,622
Add (deduct):				
LFB interest expense (a)	(970)	(1,987)	(2,034)	(4,546)
Revenue related to noncontrolling interests (b)	<u>(7,862)</u>	<u>(2,798)</u>	<u>(11,288)</u>	<u>(7,137)</u>
Operating revenue	<u>\$493,209</u>	<u>\$439,221</u>	<u>\$951,256</u>	<u>\$896,939</u>

(a) The interest expense incurred by LFB is reported as a charge in determining operating revenue because LFB is a commercial bank and we consider its interest expense to be a cost directly related to the revenues of its business.

(b) Revenue related to the consolidation of noncontrolling interests is excluded from operating revenue because the Company has no economic interest in such amount.

[Table of Contents](#)

	Three Months Ended June 31,		Six Months Ended June 31,	
	2011	2010	2011	2010
(\$ in thousands)				
Compensation and benefits expense				
Total compensation and benefits expense	\$286,475	\$263,018	\$556,471	\$563,393
Deduct:				
2010 special item	—	—	—	(24,860)
Amount related to noncontrolling interests (a)	(835)	(832)	(1,913)	(1,700)
Adjusted compensation and benefits expense	<u>\$285,640</u>	<u>\$262,186</u>	<u>\$554,558</u>	<u>\$536,833</u>
Adjusted compensation and benefits expense as a % of Operating Revenue	<u>57.9%</u>	<u>59.7%</u>	<u>58.3%</u>	<u>59.9%</u>
(\$ in thousands)				
Non-compensation expense				
Total non-compensation expense	\$99,079	\$86,331	\$191,926	\$169,573
Deduct:				
Amount related to noncontrolling interests (a)	(324)	(195)	(658)	(397)
Adjusted non-compensation expense	<u>\$98,755</u>	<u>\$86,136</u>	<u>\$191,268</u>	<u>\$169,176</u>
Adjusted non-compensation expense as a % of Operating Revenue	<u>20.0%</u>	<u>19.6%</u>	<u>20.1%</u>	<u>18.9%</u>

(a) Expenses related to the consolidation of noncontrolling interests are excluded because the Company has no economic interest in such amounts.

Certain additional key ratios, statistics and headcount information for the 2011 and 2010 periods are set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
As a % of Net Revenue, by Revenue Category:				
Investment banking and other advisory fees	51%	59%	51%	60%
Money management fees	48	43	49	42
Interest income	1	1	1	1
Other	5	3	5	3
Interest expense	(5)	(6)	(6)	(6)
Net Revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
As Of				
	June 30, 2011	December 31, 2010	June 30, 2010	
Headcount:				
Managing Directors:				
Financial Advisory		138	129	131
Asset Management		68	64	63
Corporate		10	9	8
Other Employees:				
Business segment professionals		1,024	999	984
All other professionals and support staff		1,146	1,131	1,106
Total		<u>2,386</u>	<u>2,332</u>	<u>2,292</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 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. As reflected in the table of consolidated results of operations above, charges related to the 2010 special items had a significant impact on the Company's reported operating results for the six month period of 2010. Lazard management believes that comparisons between periods are most meaningful after excluding the impact of such items.

Three Months Ended June 30, 2011 versus June 30, 2010

The Company reported net income attributable to Lazard Group of \$71 million, as compared to net income of \$54 million in the 2010 period. The changes in the Company's operating results during these periods are described below.

Net revenue and operating revenue increased by \$59 million, or 14%, and \$54 million, or 12%, respectively, as compared to the 2010 period. Fees from investment banking and other advisory activities declined \$2 million, or 1%, and were principally driven by a decline in Restructuring fee revenues, substantially offset by increases in M&A and Strategic Advisory and Capital Markets Advisory revenues. The decline in Restructuring revenue reflects a reduction in restructuring activity as the economy improved and the number of corporate debt defaults declined. Money management fees, including incentive fees, increased \$50 million, or 28%, principally due to a \$32 billion, or 25%, increase in average AUM for the 2011 period, which resulted from market appreciation and net inflows during the last twelve months, and a favorable change in the mix of AUM into higher margin equity products, partially offset by lower incentive fees earned on traditional long-only products in the 2011 period. Other revenue increased \$10 million, or 90%, primarily due to increases in underwriting fees, foreign exchange remeasurement and higher commission revenue. Interest expense decreased \$1 million, or 3%.

Compensation and benefits expense was \$286 million as compared to \$263 million in the 2010 period, an increase of \$23 million, or 9%, with the rate of increase being consistent with the Company's goal to grow compensation expense at a slower rate than revenues.

Non-compensation expense increased \$13 million, or 15%. The increase in non-compensation expense was primarily due to increases related to technology and business development expenses, and the adverse impact of the weakening of the U.S. dollar versus foreign currencies, as well as fund administration expenses related to the growth in AUM.

Amortization of intangible assets remained substantially unchanged as compared to the 2010 period.

Operating income was \$90 million, an increase of \$22 million, as compared to operating income of \$68 million in the 2010 period and, as a percentage of net revenue, was 19% as compared to 16% in the 2010 period.

The provision for income taxes was \$14 million, substantially unchanged from the 2010 period.

Net income attributable to noncontrolling interests increased \$5 million as compared to the 2010 period, principally due to increases relating to Edgewater in the 2011 period.

[Table of Contents](#)

Six Months Ended June 30, 2011 versus June 30, 2010

The Company reported net income attributable to Lazard Group of \$133 million, as compared to net income of \$12 million in the 2010 period. The Company's results in the 2010 period were adversely affected by the 2010 special items, which served to decrease the net income attributable to Lazard Group by \$104 million. Excluding the after-tax impact of the 2010 special items, net income attributable to Lazard Group in the 2011 period increased \$17 million, or 14%, as compared to the 2010 period. The changes in the Company's operating results during these periods are described below.

Net revenue and operating revenue increased \$59 million, or 7%, and \$54 million, or 6%, respectively, as compared to the 2010 period. Fees from investment banking and other advisory activities declined \$51 million, or 10%, and were principally driven by a decline in Restructuring fee revenues, partially offset by increases in M&A and Strategic Advisory and Capital Markets Advisory revenues. The decline in Restructuring revenue reflects a reduction in restructuring activity as the economy improved and the number of corporate debt defaults declined. Money management fees, including incentive fees, increased \$88 million, or 24%, principally due to a \$30 billion, or 23%, increase in average AUM for the 2011 period, which resulted from market appreciation and net inflows during the last twelve months, and a favorable change in the mix of AUM into higher margin equity products, partially offset by lower incentive fees earned on traditional long-only products in the 2011 period. Other revenue increased \$20 million, or 84%, and included an \$8 million increase in underwriting fees, a \$6 million increase in foreign exchange gains (as compared to losses in the 2010 period), a \$3 million increase in investment income and higher commission revenue. Interest expense decreased \$3 million, or 6%.

Compensation and benefits expense was \$556 million as compared to \$563 million in the 2010 period. When excluding the 2010 special item of \$25 million related to the accelerated amortization expense recognized in connection with the vesting of share-based incentive awards related to the amendment of the Company's retirement policy, compensation and benefits expense increased \$18 million, or 3%, with the rate of increase being consistent with the Company's goal to grow compensation expense at a slower rate than revenues.

Non-compensation expense increased \$22 million, or 13%. The increase in non-compensation expense was primarily due to increases related to technology and business development expenses, and the adverse impact of the weakening of the U.S. dollar versus foreign currencies, as well as fund administration expenses related to the growth in AUM.

Amortization of intangible assets remained substantially unchanged as compared to the 2010 period.

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

Operating income was \$164 million, an increase of \$131 million, as compared to operating income of \$33 million in the 2010 period (with such latter amount including the impact of the 2010 special items) and, as a percentage of net revenue, was 18% as compared to 4% in the 2010 period. Excluding the impact of the 2010 special items, operating income in the 2011 period increased \$19 million, or 13%, as compared to operating income of \$145 million in the 2010 period, and, as a percentage of net revenue, was 18%, as compared to 17% in the 2010 period.

The provision for income taxes was \$24 million, an increase of \$5 million as compared to the 2010 period. When excluding the tax benefit of \$7 million related to the 2010 special items, the income tax provision in the 2011 period decreased \$2 million as compared to the 2010 period.

[Table of Contents](#)

Net income attributable to noncontrolling interests increased \$4 million as compared to the 2010 period, principally due to an increase relating to Edgewater in the 2011 period.

Business Segments

The following is a discussion of net revenue and operating income for the Company's business segments - Financial Advisory, Asset Management and Corporate. Each segment's operating expenses include (i) compensation and benefits expenses that are incurred directly in support of the segment and (ii) other operating expenses, which include directly incurred expenses for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourcing, and indirect support costs (including compensation and benefits expense and other operating expenses related thereto) for administrative services. Such administrative services include, but are not limited to, accounting, tax, legal, facilities management and senior management activities. Such support costs are allocated to the relevant segments based on various statistical drivers such as, among other items, headcount, square footage and transactional volume. As reflected in the tables below, each segment's operating results for the six month period of 2010 are presented, as applicable, on an "as reported" and "excluding special items" basis (see Note 19 of Notes to Condensed Consolidated Financial Statements).

Financial Advisory

The following tables summarize the operating results of the Financial Advisory segment for the 2011 and 2010 periods. Operating results for the six month period of 2010 are shown before and after the charge attributable to the Financial Advisory segment related to the 2010 special item.

	Three Months Ended June 30,	
	2011	2010
(\$ in thousands)		
M&A and Strategic Advisory	\$170,568	\$145,854
Capital Markets and Other Advisory	30,290	20,240
Sub-total	200,858	166,094
Restructuring	48,333	79,879
Net Revenue	249,191	245,973
Operating Expenses (c)	214,217	213,900
Operating Income	\$ 34,974	\$ 32,073
Operating Income, As A Percentage Of Net Revenue	14%	13%

	Six Months Ended June 30,			
	2011	2010		Non-
	U.S. GAAP As Reported	U.S. GAAP As Reported	Impact of Special Item (a)	U.S. GAAP Excluding Special Item (b)
(\$ in thousands)				
M&A and Strategic Advisory	\$334,320	\$293,411		\$293,411
Capital Markets and Other Advisory	59,826	40,991		40,991
Sub-total	394,146	334,402		334,402
Restructuring	83,890	180,067		180,067
Net Revenue	478,036	514,469		514,469
Operating Expenses (c)	427,783	451,700	\$19,571	432,129
Operating Income	\$ 50,253	\$ 62,769		\$ 82,340
Operating Income, As A Percentage Of Net Revenue	11%	12%		16%

Table of Contents

	As Of		
	June 30, 2011	December 31, 2010	June 30, 2010
Headcount (d):			
Managing Directors	138	129	131
Other Employees:			
Business segment professionals	684	673	673
All other professionals and support staff	230	222	215
Total	<u>1,052</u>	<u>1,024</u>	<u>1,019</u>

- (a) Represents the portion of the 2010 special item attributable to the Financial Advisory segment (see Note 19 of Notes to Condensed Consolidated Financial Statements).
- (b) A non-U.S. GAAP measure that management believes provides the most meaningful comparison between historical, present and future periods.
- (c) Includes indirect support costs (including compensation and benefits expense and other operating expenses related thereto).
- (d) Excludes headcount related to indirect support functions, with such headcount being included in the Corporate segment.

Net revenue trends in Financial Advisory for M&A and Strategic Advisory and Restructuring are generally correlated to the volume of completed industry-wide M&A transactions and restructurings occurring subsequent to corporate debt defaults, respectively. However, deviations from this relationship can occur in any given year for a number of reasons. For instance, our results can diverge from industry-wide activity where there are material variances from the level of industry-wide M&A activity in a particular market where Lazard has significant market share, or regarding the relative number of our advisory engagements with respect to larger-sized transactions, and where we are involved in significant non-public assignments. Certain Lazard client statistics and global industry statistics are set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Lazard Statistics:				
Number of Clients With Fees Greater Than \$1 Million:				
Total Financial Advisory	49	61	105	125
M&A and Strategic Advisory	35	34	71	68
Percentage of Total Financial Advisory Revenue from Top 10 Clients	38%	35%	25%	25%
Number of M&A Transactions Completed With Values Greater than \$1 billion (a)	16	9	30	15

- (a) Source: Dealogic as of July 8, 2011.

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 (principally in the U.K., France, Italy, Spain and Germany) and the rest of the world (principally in Australia) and therefore may not be reflective of the geography in which the clients are located.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
United States	60%	54%	54%	54%
Europe	35	43	38	43
Rest of World	5	3	8	3
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

[Table of Contents](#)

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 further periods. As reflected in the table of operating results of the Financial Advisory segment above, the portion of the 2010 special item attributable to the Financial Advisory segment had a significant impact on the segment's reported operating results for the six month period of 2010. Lazard management believes that comparisons between periods are most meaningful after excluding the impact of such item.

Three Months Ended June 30, 2011 versus June 30, 2010

M&A and Strategic Advisory, Capital Markets and Other Advisory net revenue, in the aggregate, increased \$35 million, or 21%, as compared to the 2010 period, with M&A and Strategic Advisory net revenue increasing \$25 million, or 17%, and Capital Markets and Other Advisory net revenue increasing \$10 million, or 50%. Partially offsetting these increases was a decline in Restructuring net revenue of \$32 million, or 39%.

The increase in M&A and Strategic Advisory revenue was principally due to higher average fees per M&A and Strategic Advisory transaction. Our major clients, which in the aggregate represented a significant portion of our M&A and Strategic Advisory revenue in the second quarter of 2011, included Asda Stores, Caisse des Dépôts, Hilite International, Lazard Real Estate Partners' Sale of Atria Senior Living Group, Mitsubishi UFJ Financial Group, Smurfit-Stone Container, Stirling Square Capital Partners and A2A, Vodafone and Wind Telecom.

The increase in Capital Markets and Other Advisory revenue principally reflected the increased value of fund closings by our Private Fund Advisory Group and increased underwriting fees from public offerings.

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 was driven by a reduction in global restructuring activity, resulting in a decline in the number of active assignments in the 2011 period as compared to the corresponding prior year period, and a corresponding decrease in completion fees. Notable assignments completed in the second quarter of 2011 included Capmark Financial Group, Pfeleiderer, Satélites Mexicanos and Station Casinos.

Operating expenses remained substantially unchanged as compared to the 2010 period.

Financial Advisory operating income was \$35 million, an increase of \$3 million, as compared to operating income of \$32 million in the 2010 period and, as a percentage of net revenue, was 14% as compared to 13% in 2010.

[Table of Contents](#)

Six Months Ended June 30, 2011 versus June 30, 2010

M&A and Strategic Advisory, Capital Markets and Other Advisory net revenue, in the aggregate, increased \$60 million, or 18%, as compared to the 2010 period, with M&A and Strategic Advisory net revenue increasing \$41 million, or 14%, and Capital Markets and Other Advisory net revenue increasing \$19 million, or 46%. Offsetting these increases was a decline in Restructuring net revenue of \$96 million, or 53%.

The increase in M&A and Strategic Advisory revenue was principally due to higher average fees per M&A and Strategic Advisory transaction. The increase in Capital Markets and Other Advisory revenue principally reflected the increased value of fund closings by our Private Fund Advisory Group and increased underwriting fees from public offerings.

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 was driven by a reduction in global restructuring activity, resulting in a decline in the number of active assignments in the 2011 period as compared to the corresponding prior year period, and a corresponding decrease in completion fees.

Operating expenses decreased \$24 million, or 5%, as compared to the 2010 period. Excluding the impact of the 2010 special item attributable to the Financial Advisory segment, operating expenses decreased \$4 million, or 1%. The principal contributor to the decrease was a decline in compensation expense, partially offset by higher costs related to travel and other business development expenses.

Financial Advisory operating income was \$50 million, a decrease of \$13 million, as compared to operating income of \$63 million in the 2010 period (with such latter amount including the impact of the 2010 special item) and, as a percentage of net revenue, was 11% as compared to 12% in 2010. Excluding the impact of the 2010 special item, operating income in the 2011 period decreased \$32 million, as compared to operating income of \$82 million in the 2010 period, and, as a percentage of net revenue, was 11%, as compared to 16% in the 2010 period.

Asset Management

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

	As of	
	June 30, 2011	December 31, 2010
	(\$ in millions)	
AUM:		
International Equities	\$ 33,348	\$ 32,037
Global Equities	80,791	77,965
U.S. Equities	22,039	21,298
Total Equities	<u>136,178</u>	<u>131,300</u>
European and International Fixed Income	12,764	12,249
Global Fixed Income	1,958	1,705
U.S. Fixed Income	3,217	3,190
Total Fixed Income	<u>17,939</u>	<u>17,144</u>
Alternative Investments	5,877	5,524
Private Equity	1,440	1,294
Cash Management	163	75
Total AUM	<u>\$161,597</u>	<u>\$ 155,337</u>

Table of Contents

Average AUM for the 2011 and 2010 periods is set forth below. Average AUM is based on an average of quarterly ending balances for the respective periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(\$ in millions)			
Average AUM	\$ 161,024	\$ 129,227	\$ 159,129	\$ 129,333

Total AUM at June 30, 2011 increased \$6 billion, or 4%, as compared to that at December 31, 2010. Average AUM for the three month and six month periods in 2011 was 25% and 23% higher, respectively, than the average AUM for the corresponding periods in 2010, principally the result of market appreciation (which was generally consistent with the industry as a whole) and net inflows occurring during the six month period ended December 31, 2010. International, Global and U.S. equities represented 21%, 50% and 14% of total AUM at June 30, 2011, unchanged versus December 31, 2010.

As of June 30, 2011 and December 31, 2010, approximately 90% of our AUM was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors, and, as of such dates, 10% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

As of June 30, 2011, AUM denominated in foreign currencies represented approximately 47% of our total AUM, as compared to 45% at December 31, 2010. Foreign denominated AUM declines in value with the strengthening of the U.S. dollar and increases in value as the U.S. dollar weakens.

The following is a summary of changes in AUM for the 2011 and 2010 periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(\$ in millions)			
AUM—Beginning of Period	\$ 160,451	\$ 134,972	\$ 155,337	\$ 129,543
Net Flows (a)	(327)	2,064	368	5,031
Market and Foreign Exchange Appreciation	1,473	(13,553)	5,892	(11,091)
AUM—End of Period	\$ 161,597	\$ 123,483	\$ 161,597	\$ 123,483

(a) Includes inflows of \$5,310 and \$9,275 and outflows of \$5,637 and \$7,211 for the three month periods in 2011 and 2010, respectively, and inflows of \$11,075 and \$18,281 and outflows of \$10,707 and \$13,250 for the six month periods in 2011 and 2010, respectively.

Inflows in the first half of 2011 were principally in Global Equities due to increased investments in existing accounts, as well as new accounts gained. Outflows in the period occurred primarily in Global and International Equities and, to a lesser extent, certain International and Fixed Income products.

As of July 22, 2011, AUM was \$162.7 billion, a \$1.1 billion increase since June 30, 2011. The change in AUM was due to market/foreign exchange appreciation of \$1.8 billion and net outflows of \$0.7 billion. Market appreciation was approximately 1% of AUM since June 30, 2011, which was generally consistent with the increase in global market indices during that period.

Table of Contents

The following tables summarize the operating results of the Asset Management segment. Operating results for the six month period of 2010 are shown before and after the charge attributable to the Asset Management segment related to the 2010 special item.

	Three Months Ended June 30,	
	2011	2010
(\$ in thousands)		
Revenue:		
Management Fees	\$221,217	\$166,987
Incentive Fees	6,331	12,635
Other Income	17,307	9,792
Net Revenue	244,855	189,414
Operating Expenses (c)	160,914	136,886
Operating Income	<u>\$ 83,941</u>	<u>\$ 52,528</u>
Operating Income, As A Percentage of Net Revenue	<u>34%</u>	<u>28%</u>

	Six Months Ended June 30,			
	2011	2010		
	U.S. GAAP As Reported	U.S. GAAP As Reported	Impact of Special Item (a)	Non- U.S. GAAP Excluding Special Item (b)
(\$ in thousands)				
Revenue:				
Management Fees	\$427,985	\$ 328,783		\$ 328,783
Incentive Fees	11,477	26,422		26,422
Other Income	32,246	21,962		21,962
Net Revenue	471,708	377,167		377,167
Operating Expenses (c)	310,118	266,326	\$ 2,902	263,424
Operating Income	<u>\$161,590</u>	<u>\$ 110,841</u>		<u>\$ 113,743</u>
Operating Income, As A Percentage of Net Revenue	<u>34%</u>	<u>29%</u>		<u>30%</u>

	As Of		
	June 30, 2011	December 31, 2010	June 30, 2010
Headcount (d):			
Managing Directors	68	64	63
Other Employees:			
Business segment professionals	329	315	301
All other professionals and support staff	309	297	276
Total	<u>706</u>	<u>676</u>	<u>640</u>

- (a) Represents the portion of the 2010 special item attributable to the Asset Management segment (see Note 19 of Notes to Condensed Consolidated Financial Statements).
- (b) A non-U.S. GAAP measure that management believes provides the most meaningful comparison between historical, present and future periods.
- (c) Includes indirect support costs (including compensation and benefits expense and other operating expenses related thereto).
- (d) Excludes headcount related to indirect support functions, with such headcount being included in the Corporate segment.

[Table of Contents](#)

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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
United States	58%	58%	60%	56%
Europe	31	31	29	33
Rest of World	11	11	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. Lazard management believes that annual results are the most meaningful basis for comparison among present, historical and future periods. As reflected in the table of operating results of the Asset Management segment above, the portion of the 2010 special item attributable to the Asset Management segment had a significant impact on the segment's reported operating results for the six month period of 2010. Lazard management believes that comparisons between periods are most meaningful after excluding the impact of such item.

Three Months Ended June 30, 2011 versus June 30, 2010

Asset Management net revenue increased \$55 million, or 29%, as compared to the 2010 period. Management fees increased \$54 million, or 32%, as compared to the 2010 period, driven primarily by a 25% increase in average AUM, due principally to the increase in equity market indices since June 30, 2010, and, to a lesser extent, a favorable change in the mix of AUM into higher margin equity products. Incentive fees, consisting of traditional long-only investment strategies, decreased \$6 million, or 50%, as compared to the 2010 period. Other revenue increased \$7 million, or 77%, as compared to the 2010 period, principally due to increased investment income and custody fees.

Operating expenses increased \$24 million, or 18%, as compared to the 2010 period, principally due to higher compensation expense, as well as higher fees for fund administration and business development expenses for travel and market related data due to the increased level of business activity and AUM.

Asset Management operating income was \$84 million, an increase of \$31 million, as compared to operating income of \$53 million in the 2010 period and, as a percentage of net revenue, was 34% as compared to 28% in 2010.

Six Months Ended June 30, 2011 versus June 30, 2010

Asset Management net revenue increased \$95 million, or 25%, as compared to the 2010 period. Management fees increased \$99 million, or 30%, as compared to the 2010 period, driven primarily by a 23% increase in average AUM, due principally to the increase in equity market indices since June 30, 2010, and, to a lesser extent, a favorable change in the mix of AUM into higher margin equity products. Incentive fees, consisting of traditional long-only investment strategies, decreased \$15 million, or 57%, as compared to the 2010 period. Other revenue increased \$10 million, or 47%, as compared to the 2010 period, principally due to increased investment and commission income.

[Table of Contents](#)

Operating expenses increased \$44 million, or 16%, as compared to the 2010 period. Excluding the impact of the 2010 special item attributable to the Asset Management segment, operating expenses increased \$47 million, or 18%, principally due to higher compensation expense, as well as higher fees for fund administration and business development expenses for travel and market related data due to the increased level of business activity and AUM.

Asset Management operating income was \$162 million, an increase of \$51 million, as compared to operating income of \$111 million in the 2010 period (with such latter amount including the impact of the 2010 special item) and, as a percentage of net revenue, was 34% as compared to 29% in 2010. Excluding the impact of the 2010 special item, operating income in the 2011 period increased \$48 million, as compared to operating income of \$114 million in the 2010 period, and, as a percentage of net revenue, was 34%, as compared to 30% in the 2010 period.

Corporate

The following tables summarize the results of the Corporate segment:

	Three Months Ended June 30,	
	2011	2010
(\$ in thousands)		
Interest Income	\$ 3,513	\$ 4,813
Interest Expense	(23,641)	(24,916)
Net Interest (Expense)	(20,128)	(20,103)
Other Revenue	3,794	3,524
Net Revenue (Expense)	(16,334)	(16,579)
Operating Expenses	12,129	332
Operating Loss	<u>\$ (28,463)</u>	<u>\$ (16,911)</u>

	Six Months Ended June 30,			
	2011	2010		Non-U.S. GAAP Excluding Special Items (b)
	U.S. GAAP As Reported	U.S. GAAP As Reported	Impact of Special Items (a)	
(\$ in thousands)				
Interest Income	\$ 6,935	\$ 10,102		\$ 10,102
Interest Expense	(47,375)	(50,689)		(50,689)
Net Interest (Expense)	(40,440)	(40,587)		(40,587)
Other Revenue	6,621	5,706		5,706
Net Revenue (Expense)	(33,819)	(34,881)		(34,881)
Operating Expenses	13,676	105,587	\$89,495	16,092
Operating Loss	<u>\$ (47,495)</u>	<u>\$ (140,468)</u>		<u>\$ (50,973)</u>

[Table of Contents](#)

	As Of		
	June 30, 2011	December 31, 2010	June 30, 2010
Headcount (c):			
Managing Directors	10	9	8
Other Employees:			
Business segment professionals	11	11	10
All other professionals and support staff	607	612	615
Total	628	632	633

- (a) Represents the portion of the 2010 special items attributable to the Corporate segment (see Note 19 of Notes to Condensed Consolidated Financial Statements).
- (b) A non-U.S. GAAP measure that management believes provides the most meaningful comparison between historical, present and future periods.
- (c) Includes headcount related to support functions.

Corporate Results of Operations

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

Three Months Ended June 30, 2011 versus June 30, 2010

Net interest expense and other revenue was substantially unchanged as compared to the 2010 period.

Operating expenses in the 2011 period increased \$12 million, principally due to increased compensation expense.

Six Months Ended June 30, 2011 versus June 30, 2010

Net interest expense and other revenue was substantially unchanged as compared to the 2010 period.

Operating expenses in the 2011 period decreased \$92 million, or 87%, substantially all of which related to the net impact in the prior year's period of the 2010 special items attributable to the Corporate segment. When excluding the impact of the 2010 special items, operating expenses decreased \$2 million, or 15%, principally due to expenses related to secondary offerings in the 2010 period.

Cash Flows

The Company's cash flows are influenced by the timing of the receipt of Financial Advisory and Asset Management fees, the timing of distributions to shareholders and payments of incentive compensation to managing directors and employees. 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.

Lazard Group traditionally pays a significant portion of its incentive compensation during the first four months of each calendar year with respect to the prior year's results.

[Table of Contents](#)

Summary of Cash Flows:

	Six Months Ended	
	June 30,	
	2011	2010
	(\$ in millions)	
Cash Provided By (Used In):		
Operating activities:		
Net income	\$ 140.2	\$ 14.6
Noncash charges (a)	179.2	220.7
Other operating activities (b)	(280.7)	(314.3)
Net cash provided by (used in) operating activities	38.7	(79.0)
Investing activities (c)	(5.5)	99.0
Financing activities (d)	(254.5)	(102.9)
Effect of exchange rate changes	19.4	(23.8)
Net Decrease in Cash and Cash Equivalents	(201.9)	(106.7)
Cash and Cash Equivalents:		
Beginning of Period	1,024.8	899.7
End of Period	\$ 822.9	\$ 793.0

(a) Consists of the following:

Depreciation and amortization of property	\$ 11.8	\$ 10.1
Amortization of deferred expenses, stock units and interest rate hedge	164.2	206.7
Amortization of intangible assets related to acquisitions	3.2	3.5
Loss on extinguishment of debt	–	0.4
Total	\$ 179.2	\$ 220.7

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

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

(d) Consists primarily of distributions to members and noncontrolling interest holders, settlements of vested RSUs and purchases of shares of Class A common stock and common membership interests from LAZ-MD Holdings.

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 principally dependent upon the successful completion of client transactions, the occurrence and timing of which is irregular and not subject to Lazard’s control. In the case of Asset Management, incentive fees earned on AUM are generally not earned until the end of the applicable measurement period, which is generally the fourth quarter of Lazard’s fiscal year, with the respective receivable collected in the first quarter of the following year.

Liquidity is significantly impacted by incentive compensation payments, a significant portion of which historically has been made during the first four 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.

Table of Contents

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 and matters relating to liquidity and to compliance with regulatory net capital requirements. At June 30, 2011, Lazard had approximately \$965 million of cash and liquid securities (including \$32 million of U.S. Government debt and agencies securities and \$111 million of investments in equity securities), with such aggregate amount including approximately \$310 million held at Lazard's foreign operations. 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 June 30, 2011, Lazard had approximately \$285 million in unused lines of credit available to it, including a \$150 million, three-year, senior revolving credit facility with a group of lenders that matures in April 2013 (the "Credit Facility") (see "—Financing" below) and unused lines of credit available to LFB of approximately \$107 million (at June 30, 2011 exchange rates) and Edgewater of \$20 million. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

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

Financing

The table below sets forth our corporate indebtedness as of June 30, 2011 and December 31, 2010. The agreements with respect to this indebtedness are discussed in more detail in our consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Form 10-K.

	Maturity Date	As of		Increase (Decrease)
		June 30, 2011	December 31, 2010	
Senior Debt:				
7.125%	2015	\$ 528.5	\$ 528.5	\$ —
6.85%	2017	548.4	548.4	—
Subordinated Debt (a):				
3.25%	2016	150.0	150.0	—
Total Senior and Subordinated Debt		<u>\$1,226.9</u>	<u>\$ 1,226.9</u>	<u>\$ —</u>

- (a) Until June 30, 2011 the note had a conversion feature which permitted the holder to convert the note into a maximum of 2,631,570 shares of Class A common stock at an effective conversion price of \$57 per share. No conversions had occurred through that date and the note was no longer convertible. On July 22, 2011, the Company repurchased its outstanding 3.25% subordinated note, at a cost, excluding accrued interest, of \$131.8 million. Such repurchase resulted in a pre-tax gain of \$18.2 million, which is being recognized by the Company in the third quarter of 2011.

[Table of Contents](#)

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

As long as the lenders' commitments remain in effect, any loan pursuant to the Credit Facility remains outstanding and unpaid or any other amount is owing to the lending bank group, the Credit Facility includes financial condition covenants that require that Lazard Group not permit (i) its Consolidated Leverage Ratio (as defined in the Credit Facility) for the 12-month period ending on the last day of any fiscal quarter to be greater than 4.00 to 1.00 or (ii) its Consolidated Interest Coverage Ratio (as defined in the Credit Facility) for the 12-month period ending on the last day of any fiscal quarter to be less than 3.00 to 1.00. For the 12-month period ended June 30, 2011 Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 1.67 to 1.00 and its Consolidated Interest Coverage Ratio being 10.83 to 1.00. In any event, no amounts were outstanding under the Credit Facility as of June 30, 2011.

In addition, the Credit Facility, indenture and supplemental indentures relating to Lazard Group's senior notes, contain certain other covenants (none of which relate to financial condition), events of default and other customary provisions. At June 30, 2011, the Company was in compliance with all of these provisions. We may, to the extent required and subject to restrictions contained in our financing arrangements, use other financing sources, which may cause us to be subject to additional restrictions or covenants.

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

Members' Equity

At June 30, 2011, total members' equity was \$562 million as compared to \$490 million at December 31, 2010, including \$123 million and \$121 million of noncontrolling interests on the respective dates. The net activity in members' equity in the six month period ended June 30, 2011 is reflected in the table below (in millions of dollars):

Members' Equity – December 31, 2010	\$ 490
Increase (decrease) due to:	
Net income	140
Amortization of share-based incentive compensation	153
AOCI (including noncontrolling interests' portion thereof)(*)	30
Delivery of Class A common stock in connection with share-based incentive compensation	(88)
Purchase of Class A common stock and Lazard Group common membership interests	(127)
Distributions to members and noncontrolling interests – net	(40)
Other – net	4
Members' Equity – June 30, 2011	<u>\$ 562</u>
(*) Includes:	
Net positive foreign currency translation adjustments	\$ 32
Employee benefit plan and other adjustments	(2)
Total	<u>\$ 30</u>

[Table of Contents](#)

On January 27, 2010, the Board of Directors of Lazard Ltd authorized, on a cumulative basis, a share repurchase program permitting the repurchase of up to \$200 million in aggregate cost of its Class A common stock and Lazard Group common membership interests through December 31, 2011. In February 2011, the Board of Directors of Lazard Ltd authorized the repurchase of up to an additional \$250 million in aggregate cost of Lazard Ltd Class A common stock and Lazard Group common membership interests through December 31, 2012. During the six month period ended June 30, 2011 the Company repurchased 3,156,416 shares of Class A common stock, at an aggregate cost of \$126 million and 19,032 Lazard Group common membership interests at an aggregate cost of \$1 million. As of June 30, 2011, \$166 million of the \$450 million share purchase authorization remained available for future repurchases. In addition to the repurchases of Class A common stock and Lazard Group common membership interests described herein, during the six month period ended June 30, 2011, in order, among other reasons, to help neutralize the dilutive effect of our share-based incentive compensation plans, the Company utilized \$96 million to satisfy certain employees' withholding tax obligations on vested RSUs and vested shares of restricted Class A common stock in lieu of issuing 2,295,695 shares of Class A common stock directly by Lazard Ltd or by delivery of shares held by Lazard Group.

See Note 12 of Notes to Condensed Consolidated Financial Statements for information regarding (i) the issuance of Class A common stock, (ii) secondary offerings of Class A common stock, (iii) exchanges of Lazard Group common membership interests and (iv) the share repurchase program.

Regulatory Capital

We actively monitor our regulatory capital base. Our principal subsidiaries are subject to regulatory requirements in their respective jurisdictions to ensure their general financial soundness and liquidity, which require, among other things, that we comply with certain minimum capital requirements, record-keeping, reporting procedures, relationships with customers, experience and training requirements for employees and certain other requirements and procedures. These regulatory requirements may restrict the flow of funds to affiliates. See Note 18 of Notes to Condensed Consolidated Financial Statements for further information. These regulations differ in the U.S., the U.K., France and other countries in which we operate. Our capital structure is designed to provide each of our subsidiaries with capital and liquidity consistent with its business and regulatory requirements. For a discussion of regulations relating to us, see "Item 1-Business—Regulation" included in the Form 10-K.

Contractual Obligations

The following table sets forth information relating to Lazard's contractual obligations as of June 30, 2011:

	Contractual Obligations Payment Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(\$ in thousands)				
Senior and Subordinated Debt (including interest) (a)	\$ 1,586,245	\$ 208,618	\$ 150,435	\$ 641,280	\$ 585,912
Operating Leases (exclusive of \$185,784 of sublease income) (b)	1,085,916	65,975	115,435	125,569	778,937
LAM Merger cash consideration (c)	90,348	90,348	—	—	—
Capital Leases (including interest)	28,562	4,130	7,358	5,820	11,254
Private Equity Funding Commitments (b)	3,022	3,022	—	—	—
Total (d)	<u>\$ 2,794,093</u>	<u>\$ 372,093</u>	<u>\$ 273,228</u>	<u>\$ 772,669</u>	<u>\$ 1,376,103</u>

(a) Gives effect to the Company's July 2011 repurchase of its 3.25% subordinated note. See Note 10 of Notes to Condensed Consolidated Financial Statements.

(b) See Note 11 of Notes to Condensed Consolidated Financial Statements.

(c) See Note 7 of Notes to Condensed Consolidated Financial Statements.

(d) The table above excludes contingent obligations and any possible payments for uncertain tax positions given the inability to estimate the timing of the latter payments. See Notes 11, 13, 14 and 16 of Notes to Condensed Consolidated Financial Statements regarding information in connection with commitments, incentive plans, employee benefit plans and income taxes, respectively.

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

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

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

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

If, in Lazard's judgment, collection of a fee is not probable, Lazard will not recognize revenue until the uncertainty is removed. We maintain an allowance for doubtful accounts to provide coverage for estimated losses from our fee and customer receivables. We determine the adequacy of the allowance by estimating the probability of loss based on management's 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.

[Table of Contents](#)

At June 30, 2011 and December 31, 2010, the Company had receivables past due of approximately \$18 million and \$17 million, respectively, and its allowance for doubtful accounts was \$17 million and \$15 million at such respective dates.

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 and amortization. These temporary differences, and any net operating loss and tax credit carryforwards, result in deferred tax assets and liabilities, as applicable, 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 any valuation allowance recorded against its net deferred tax assets. At December 31, 2010, the Company recorded deferred tax assets of approximately \$177 million, with such amount partially offset by a valuation allowance of approximately \$92 million due to the uncertainty of realizing the benefits of the book versus tax basis differences and certain net operating loss carry-forwards.

In assessing the realizability of deferred tax assets, management considers 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. Management considers 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, management applies 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. Furthermore, Lazard's interpretation of complex tax laws may impact its recognition and measurement of current and deferred income taxes.

Investments

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

These investments are carried at either fair value on the consolidated statements of financial condition, with any increases or decreases in fair value reflected (i) in earnings, to the extent held by our broker-dealer subsidiaries or when designated as "trading" securities within our non-broker-dealer subsidiaries, and (ii) in AOCI, to the extent designated as "available-for-sale" securities until such time they are realized and reclassified to earnings, or, if designated as "held-to-maturity" securities, amortized cost on the consolidated statements of financial condition. Any declines in the fair value of "available-for-sale" and "held-to-maturity" securities that are determined to be other than temporary are charged to earnings. As of December 31, 2010 and June 30, 2011, there were no 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 AOCI and therefore subject Lazard to market and credit risk.

Table of Contents

Data relating to net investments at June 30, 2011 and December 31, 2010 is set forth below (in millions of dollars):

	June 30, 2011		December 31, 2010	
	\$	%	\$	%
Debt securities (a)	\$ 68	17%	\$ 66	17%
Equity securities (net of \$1 and \$3 of securities sold, not yet purchased, at June 30, 2011 and December 31, 2010, respectively) (b)	109	27	86	22
LAM alternative asset management funds (principally GP interests in LAM-managed hedge funds) (c)	34	8	50	13
Private equity (d)	100	25	96	25
Other (e)	92	23	87	23
Net investments	<u>\$ 403</u>	<u>100%</u>	<u>\$ 385</u>	<u>100%</u>
Total assets	<u>\$3,000</u>		<u>\$3,336</u>	
Net investments, as a percentage of total assets	<u>13%</u>		<u>12%</u>	

- (a) Debt securities primarily consist of securities issued by the U.S. Government and its agencies, and funds seeding products of our Asset Management segment, and, at June 30, 2011, fixed income funds with a fair value of \$2 million held in connection with Lazard Fund Interest awards granted, all of which subject Lazard to market risk.
- (b) The Company's equity securities principally represent investments in marketable equity securities of large-, mid- and small-cap domestic, international and global companies to seed new Asset Management products and includes investments in public and private asset management funds managed both by LAM and third-party asset managers and, at June 30, 2011, equity fund interests with a fair value of \$23 million held in connection with Lazard Fund Interest awards granted. Hedging strategies are employed to reduce market risk, and, in turn, the volatility to earnings. Additional information regarding equity securities as of June 30, 2011 and December 31, 2010 is shown below:

	June 30, 2011	December 31, 2010
Percentage invested in:		
Consumer	31%	28%
Financials	19	28
Industrial	11	9
Other	39	35
Total	<u>100%</u>	<u>100%</u>

- (c) 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.
- (d) Comprised of investments in private equity funds and direct private equity interests that are generally not subject to short-term market fluctuation, but may subject Lazard to market or credit risk. Private equity investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small-to mid-cap European companies; (ii) CP II, a private equity fund targeting significant noncontrolling investments in established public and private companies; and (iii) Senior Housing, which acquires companies and assets in senior housing, extended stay and shopping center sectors. Private equity investments represent approximately 3% of total assets at both June 30, 2011 and December 31, 2010.
- (e) Represents investments (i) accounted for under the equity method of accounting and (ii) private equity and general partnership 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.

[Table of Contents](#)

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

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

Level 2. Assets and liabilities whose values are based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in non-active markets or 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 management's 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.

At June 30, 2011, the Company's investments in U.S Government and agency debt securities as well as its corporate and other debt securities are considered Level 1 assets with the respective fair values based on unadjusted quoted prices in active markets. The Company's investments in fixed income funds are considered Level 1 assets when their fair values are based on the reported closing price for the fund or Level 2 assets when their fair values are primarily based on broker quotes as provided by external pricing services.

The fair value of our equities is principally classified as Level 1 or Level 2 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; and investments in private asset management funds are classified as Level 2 and are primarily valued based on information provided by fund managers and secondarily, from external pricing services to the extent managed by LAM.

The fair value of our interests in LAM alternative asset management funds is classified as Level 2 and is based on information provided by external pricing services.

The fair value of our private equity investments is classified as Level 3 and is based on financial statements provided by fund managers, appraisals and internal valuations.

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

For additional information regarding risks associated with our investments, see "Risk Management—Market and Credit Risks."

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

Assets Under Management

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

Goodwill

In accordance with current accounting guidance, goodwill has an indefinite life and is tested for impairment annually or more frequently if circumstances indicate impairment may have occurred. In this process, Lazard makes estimates and assumptions in order to determine the fair value of its assets and liabilities and to project future earnings using various valuation techniques. Lazard's assumptions and estimates are used in projecting future earnings as part of the valuation, and actual results could differ from those estimates. 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. Those VIEs include company-sponsored venture capital investment vehicles established in connection with Lazard's compensation plans.

Risk Management

The Company encounters risk in the normal course of business and therefore we have designed risk management processes to help manage and monitor such risks considering both the nature of our business and our operating model. The Company is subject to varying degrees of credit, market, operational and liquidity risks (see "—Liquidity and Capital Resources") and monitors these risks at both an entity and on a consolidated basis. Management within each of Lazard's operating locations are principally responsible for managing the risks within its respective businesses on a day-to-day basis.

Market and Credit Risks

Lazard is subject to credit and market risks and therefore has established procedures to assess such risks, as well as specific interest rate and currency risk, and has established limits related to various positions. Market and/or credit risks related to investments are discussed under "Critical Accounting Policies and Estimates—Investments" above.

[Table of Contents](#)

Lazard enters into interest rate swaps and foreign currency exchange contracts to hedge exposures to interest rates and currency exchange rates and uses equity swap contracts to hedge a portion of its market exposure with respect to certain equity investments.

At June 30, 2011 and December 31, 2010, derivative contracts related primarily to interest rate swaps, equity and fixed income swaps and foreign currency exchange rate contracts, and are recorded at fair value. Derivative assets amounted to \$2 million at both June 30, 2011 and December 31, 2010, and derivative liabilities amounted to \$2 million and \$3 million at such respective dates.

With respect to LFB's operations, LFB engages in commercial banking activities that primarily include investing in securities, deposit taking and, to a lesser degree, lending. In addition, LFB may take open foreign exchange positions with a view to profit, but does not sell foreign exchange options in this context, and enters into interest rate swaps, forward foreign exchange contracts and other derivative contracts to hedge exposures to interest rate and currency fluctuations.

The primary market risks associated with LFB's foreign currency exchange hedging and lending activities are sensitivity to changes in the general level of interest rate and foreign exchange risk. The risk management strategies that we employ use various risk sensitivity metrics to measure such risks and to examine behavior under significant adverse market conditions, such as those we are currently experiencing. The following sensitivity metrics provide the resultant effects on the Company's operating income for the six month period ended June 30, 2011:

- LFB's interest rate risk as measured by a 100+/- basis point change in interest rates totaled \$700 thousand.
- Foreign currency risk associated with LFB's open positions, in the aggregate, as measured by a 200+/- basis point change against the U.S. dollar, totaled approximately \$2 thousand.

LFB fully secures its collateralized financing transactions with fixed income securities.

Risks Related to Receivables

We maintain an allowance for doubtful accounts to provide coverage for probable losses from our fee and customer receivables. We determine the adequacy of the allowance by estimating the probability of loss based on management's analysis of the client's creditworthiness and specifically reserve against exposures where we determine the receivables are impaired. At June 30, 2011, total receivables amounted to \$687 million, net of an allowance for doubtful accounts of \$17 million. As of that date, financial advisory and asset management fees, customer and related party receivables comprised 61%, 15% and 24% of total receivables, respectively. At December 31, 2010, total receivables amounted to \$747 million, net of an allowance for doubtful accounts of \$15 million. As of that date, financial advisory and asset management fees, customer and related party receivables comprised 64%, 9% and 27% of total receivables, 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.

Credit Concentration

To reduce the exposure to concentrations of credit from banking activities within LFB, the Company has established limits for corporate counterparties and monitors the exposure against such limits. At June 30, 2011, excluding deposits with inter-bank counterparties, LFB had no exposure to an individual counterparty that exceeded \$33 million, with such amount being fully collateralized.

With respect to activities outside LFB, as of June 30, 2011, the Company's largest individual counterparty exposure was a Financial Advisory fee receivable of \$20 million, the terms of which require payment over a remaining period of 24 months, including accrued interest.

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 June 30, 2011, Lazard estimates that its annual operating income relating to cash and short-term investments and corporate indebtedness would increase by approximately \$10 million in the event interest rates were to increase by 1% and decrease by approximately \$4 million if rates were to decrease by 1%.

As of June 30, 2011, the Company's cash and cash equivalents totaled approximately \$823 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 securities) or in short-term interest earning accounts at a number of leading banks throughout the world, or in short-term certificates of deposit from such banks. On a regular basis, management reviews and updates its list of approved depositor banks as well as deposit and investment thresholds.

Operational Risks

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

Recent Accounting Developments

For a discussion of recently issued accounting pronouncements 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 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. (Removed and Reserved)

Item 5. Other Information

Amended Retention Agreement with Ashish Bhutani

On August 2, 2011, Lazard Ltd, the Company and Ashish Bhutani entered into a First Amendment to Mr. Bhutani's Agreement Relating to Retention and Noncompetition and Other Covenants, dated March 15, 2005 (the "Retention Agreement"). The amended Retention Agreement supersedes Schedule I of the Retention Agreement and reflects Mr. Bhutani's title of Vice Chairman and Managing Director of Lazard and Chief Executive Officer of Lazard Asset Management LLC. Prior to this amendment, the Retention Agreement, which was entered into prior to Lazard Ltd's initial public offering and at a time when Mr. Bhutani was not an executive officer, did not contain the standard provisions and definitions that are contained in our retention agreements with certain of our executive officers, which were generally entered into at the time of or following Lazard Ltd's initial public offering. Kenneth M. Jacobs, the Chairman and Chief Executive Officer of Lazard Ltd and the Company determined it was in the Company's best interest to amend Mr. Bhutani's existing Retention Agreement to bring the terms of Mr. Bhutani's Retention Agreement in line with certain terms set forth in the agreements entered into with other executive officers of the Company, ensure his retention and provide him with customary executive officer protections. The Compensation Committee of Lazard Ltd's Board of Directors agreed with Mr. Jacobs' recommendation.

The amended Retention Agreement has a term ending March 23, 2013, which is the date that the retention agreements with the Company's other executive officers are scheduled to expire, and provides for a minimum annual base salary of \$750,000. In addition, Mr. Bhutani is entitled to an annual bonus to be determined under the applicable annual bonus plan of Lazard on the same basis as annual bonuses are determined for other executive officers. Mr. Bhutani's annual bonus is required to be paid in the same ratio of cash to deferred awards as is applicable to other executives receiving bonuses at a level comparable to Mr. Bhutani, provided that he is employed by Lazard at the end of the applicable fiscal year.

Table of Contents

The amended Retention Agreement provides for certain severance benefits in the event of a termination of employment prior to March 23, 2013 by Lazard other than for cause or by Mr. Bhutani for good reason (which we refer to below as a “qualifying termination”). The level of severance benefits provided to Mr. Bhutani generally depends on whether the applicable termination occurs prior to or following a change in control pursuant to which Lazard is acquired by an entity that has an asset management business (a “Specified Change in Control”).

In the event of a qualifying termination of employment prior to a Specified Change in Control, Mr. Bhutani generally would be entitled to receive in a lump sum (1) any unpaid base salary accrued through the date of termination, (2) any earned but unpaid bonuses for years completed prior to the date of termination, (3) a prorated bonus for the year of termination and (4) a severance payment equal to the sum of his base salary and average annual bonus for the two fiscal years that ended prior to the date of his termination. Upon such a qualifying termination, Mr. Bhutani and his eligible dependents would generally continue to be eligible to participate in our medical and dental benefit plans on the same basis as in effect immediately prior to the date of termination for one year following such termination (which currently requires the executive officer to pay a portion of the premiums). The period of medical and dental benefits continuation described above would generally be credited toward his credited age and service for purpose of our retiree medical program.

In the event of a qualifying termination of Mr. Bhutani on or following a Specified Change in Control, he would receive the payments and benefits described in the preceding paragraph, except that the severance payment would be in the following amount: three times the sum of his base salary and average annual bonus for the two fiscal years that ended prior to the date of his termination. Upon such a qualifying termination, Mr. Bhutani and his eligible dependents would be eligible for continued participation in our medical and dental benefits plans as described in the preceding paragraph, except that the applicable period would be three years following the date of termination of service.

The amended Retention Agreement includes changes to the definitions of “cause” and “good reason”, which are intended to be consistent with the definitions in the retention agreements with certain of the Company’s other executive officers and which are described in Lazard Ltd’s Definitive Proxy Statement on Schedule 14A, filed on March 18, 2011 (File No. 001-32492) (the “Lazard Ltd 2011 Proxy Statement”). In addition, Mr. Bhutani’s amended Retention Agreement also provides that he would be entitled to resign for “good reason” in the event that any person other than he receives the title of Chairman of Lazard’s asset management group, unless such title is given in connection with a merger or acquisition transaction involving Lazard that is approved by the Company’s Board of Directors.

The amended retention agreement does not materially modify Mr. Bhutani’s restrictive covenants relating to confidential information, noncompetition, nonsolicitation of clients, no hire of employees, nondisparagement and transfer of client relationships, which are substantially identical to the restrictive covenants in the retention agreements with the Company’s other executive officers and which are described in the Lazard Ltd 2011 Proxy Statement.

The preceding summary of the amended Retention Agreement contained in this Item 5 is qualified in its entirety by reference to the First Amendment to the Retention Agreement, attached as Exhibit 10.55 hereto, as though it were fully set forth herein.

[Table of Contents](#)

Item 6.	Exhibits
3.1	Lazard Group LLC's Certificate of Formation (incorporated by reference to Exhibit 3.1 to Lazard Group LLC's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
3.2	Lazard Group LLC's Certificate of Amendment of Certificate of Formation of Lazard Group LLC, changing name to Lazard Group LLC (incorporated by reference to Exhibit 3.2 to Lazard Group LLC'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 Lazard Group LLC'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 10.6 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 Lazard Group LLC and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to Lazard Group LLC's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
4.2	First Supplemental Indenture, dated as of May 10, 2005, by and between Lazard Group LLC and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.2 to Lazard Group LLC's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
4.3	Second Supplemental Indenture, dated as of May 10, 2005, by and between Lazard Group LLC and The Bank of New York, as Trustee (incorporated by reference to Exhibit 10.37 to Lazard Group LLC's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
4.4	Amended and Restated Third Supplemental Indenture, dated as of May 15, 2008, by and among Lazard Group LLC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.01 to Lazard Group LLC's Current Report on Form 8-K (Commission File No. 333-126751) filed on May 16, 2008).
4.5	Form of Senior Note (included in Exhibit 4.4).
4.6	\$546 million, 7.125% Senior Notes Due 2015, issued by Lazard Group LLC (incorporated by reference to Exhibit 4.5 to Lazard Group LLC's Quarterly Report (File No. 333-126751) on Form 10-Q filed on November 10, 2005).
4.7	Fourth Supplemental Indenture, dated as of June 21, 2007, between Lazard Group LLC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on June 22, 2007).
10.1	Master Separation Agreement, dated as of May 10, 2005, by and among Lazard Ltd, Lazard Group LLC, 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 the Lazard Ltd, Lazard Group LLC 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).

Table of Contents

- 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 Lazard Ltd, Lazard Group LLC and LAZ-MD Holdings LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on May 8, 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).
- 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 Lazard Ltd, Lazard Group LLC, 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 Lazard Group LLC (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 Lazard Group LLC 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 Lazard Group LLC and LFCM Holdings LLC (incorporated by reference to Exhibit 10.12 to Registrant's Annual Report (File No. 333-126751) 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, 2011, by and among RCPI Landmark Properties, L.L.C. (as the successor in interest to Rockefeller Center Properties), RCPI 30 Rock 22234849, L.L.C. and Lazard Group LLC (as the successor in interest to Lazard Frères & Co. LLC), to the Lease dated as of January 27, 1994, by and among Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.15 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 Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).

Table of Contents

- 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 8, 2008).
- 10.23* Second Amendment, dated as of February 26, 2009, to 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 Agreements 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 Lazard Group LLC 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 Lazard Group LLC and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K (File No. 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).
- 10.30* Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of October 4, 2004, by and between Lazard Group LLC and Matthieu Bucaille (incorporated by reference to Exhibit 10.30 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).

Table of Contents

- 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 Lazard Group LLC 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 J16, 2005).
- 10.33* Acknowledgement Letter, dated as of November 6, 2006, from Lazard Group LLC to certain managing directors of Lazard Group LLC modifying the terms of the retention agreements of persons party to the Amended and Restated Stockholders' Agreement, dated as of November 6, 2006 (incorporated by reference to Exhibit 10.23 to the Registrant's Quarterly Report (File No. 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 Group LLC 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 Letter Agreement, dated as of May 10, 2005, with Bruce Wasserstein family trusts (incorporated by reference to Exhibit 10.31 to Lazard Ltd's Quarterly Report (File No. 001-32492) on Form 10-Q filed on June 16, 2005).
- 10.37 Letter Agreement, dated as of March 16, 2010, among Lazard Ltd, Lazard Group LLC and the Cranberry Dune 1998 Long-Term Trust (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-32492) filed on March 22, 2010).
- 10.38* 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).
- 10.39* 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).
- 10.40* Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the Lazard Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on January 26, 2006).
- 10.41* Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.41 to Registrant's Annual Report (File No. 333-126751) on Form 10-K filed on March 2, 2009).
- 10.42* Form of Agreement evidencing a grant of Deferred Cash Awards to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.42 to Registrant's Annual Report (File No. 333-126751) on Form 10-K filed on March 2, 2009).
- 10.43 Termination Agreement, dated as of March 31, 2006, by and among Banca Intesa S.p.A., Lazard Group LLC, and Lazard & Co. S.r.l. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 4, 2006).
- 10.44 Amended and Restated \$150 Million Subordinated Convertible Promissory Note due 2016, issued by Lazard Funding LLC to Banca Intesa S.p.A. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on May 17, 2006).

Table of Contents

10.45	Amended and Restated Guaranty of Lazard Group LLC to Banca Intesa S.p.A., dated as of May 15, 2006 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on May 17, 2006).
10.46*	Directors' Fee Deferral Unit Plan (incorporated by reference to Exhibit 10.37 to the Registrant's Quarterly Report on Form 10-Q (File No. 333-126751) filed on May 11, 2006).
10.47*	First Amended Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the Lazard 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K (File No. 333-126751) filed on March 1, 2007).
10.48	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).
10.49*	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).
10.50	Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent.
10.51	Amendment No. 1, dated as of August 12, 2010, to the Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K (File No. 333-126751) filed on February 28, 2011).
10.52	Amendment No. 2, dated as of December 17, 2010, to the Senior Revolving Credit Agreement, dated as of April 29, 2010, among Lazard Group LLC, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.48 to the Registrant's Annual Report on Form 10-K (File No. 333-126751) filed on February 28, 2011).
10.53*	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) filed on April 30, 2010).
10.54*	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).
10.55*	First Amendment, dated as of August 2, 2011, to the Agreement Relating to Retention and Noncompetition and Other Covenants, dated as of March 15, 2005, between Lazard Group LLC and Ashish Bhutani.
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Rule 13a-14(a) Certification of Kenneth M. Jacobs.
31.2	Rule 13a-14(a) Certification of Matthieu Bucaille.
32.1	Section 1350 Certification for Kenneth M. Jacobs.
32.2	Section 1350 Certification for Matthieu Bucaille.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: August 4, 2011

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

\$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 April 29, 2010

CITIGROUP GLOBAL MARKETS INC.,
as Lead Arranger

TABLE OF CONTENTS

		<u>Page</u>
SECTION 1.	DEFINITIONS	1
1.1	Defined Terms	1
1.2	Other Definitional Provisions	21
SECTION 2.	AMOUNT AND TERMS OF LOAN COMMITMENTS	21
2.1	Loans	21
2.2	Notes	22
2.3	Interest Rates and Interest Payment Dates	22
2.4	Fees	23
2.5	Computation of Interest and Fees	23
2.6	Procedure for Borrowing	23
2.7	Conversion and Continuation Options	24
2.8	Termination or Reduction of Commitments	24
2.9	Optional Prepayments of Loans	24
2.10	Pro Rata Treatment and Payments	25
2.11	Non-Receipt of Funds by the Administrative Agent	25
2.12	Indemnity	26
2.13	Capital Adequacy	26
2.14	Inability to Determine Interest Rate	26
2.15	Illegality	27
2.16	Requirements of Law	27
2.17	Taxes	28
2.18	Commitment Reductions and Mandatory Prepayments	30
2.19	Defaulting Lender	31
2.20	Mitigation Obligations; Replacement of Lenders	32
SECTION 3.	RESERVED	33
SECTION 4.	REPRESENTATIONS AND WARRANTIES	33
4.1	Financial Condition	33
4.2	No Material Adverse Effect	33
4.3	Existence; Compliance with Law	33
4.4	Power; Authorization; Enforceable Obligations	34
4.5	No Legal Bar	34
4.6	No Material Litigation	35
4.7	No Default	35
4.8	Ownership of Property; Liens	35
4.9	Taxes	35
4.10	Federal Regulations	35
4.11	ERISA	35
4.12	Investment Company Act; Other Regulations	36
4.13	Significant Subsidiaries	36

	<u>Page</u>
4.14	Accuracy of Information, etc 37
4.15	Use of Proceeds 37
SECTION 5.	CONDITIONS PRECEDENT 37
5.1	Conditions of Initial Loans 37
5.2	Conditions to All Loans 38
SECTION 6.	AFFIRMATIVE COVENANTS 39
6.1	Financial Statements 39
6.2	Certificates; Other Information 39
6.3	Conduct of Business and Maintenance of Existence; Compliance 40
6.4	Maintenance of Property; Insurance 40
6.5	Inspection of Property; Books and Records; Discussions 41
6.6	Notices 41
SECTION 7.	NEGATIVE COVENANTS 42
7.1	Financial Condition Covenants 42
7.2	Limitation on Indebtedness 42
7.3	Limitation on Liens 44
7.4	Limitation on Fundamental Changes 45
7.5	RESERVED 46
7.6	Limitation on Optional Payments and Modifications of Subordinated Indebtedness 46
7.7	Clauses Restricting Subsidiary Distributions 46
7.8	Restricted Payments 47
7.9	Disposition of Designated Subsidiaries 48
SECTION 8.	RESERVED 48
SECTION 9.	EVENTS OF DEFAULT 48
SECTION 10.	RESERVED 51
SECTION 11.	THE ADMINISTRATIVE AGENT 51
11.1	Appointment 51
11.2	Delegation of Duties 51
11.3	Exculpatory Provisions 51
11.4	Reliance by Agent 51
11.5	Notice of Default 52
11.6	Non-Reliance on Administrative Agent 52
11.7	Indemnification 53
11.8	Agent in Its Individual Capacity 53
11.9	Successor Agent 53
SECTION 12.	MISCELLANEOUS 53
12.1	Amendments and Waivers 53
12.2	Notices 54

	<u>Page</u>	
12.3	No Waiver; Cumulative Remedies	56
12.4	Survival of Representations and Warranties	56
12.5	Payment of Expenses and Taxes	56
12.6	Confidentiality	57
12.7	Successors and Assigns; Participations and Assignments	57
12.8	Adjustments; Right of Setoff	61
12.9	WAIVERS OF JURY TRIAL	61
12.10	Submission to Jurisdiction; Waivers	61
12.11	Counterparts	62
12.12	Governing Law	62
12.13	USA Patriot Act	62

SCHEDULES:

- Schedule 1.1A - Commitments
- Schedule 4.13 - Significant Subsidiaries
- Schedule 7.2 - Existing Indebtedness

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 April 29, 2010, 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 and The Bank of New York Mellon, as parties to this Agreement, and permitted assignees pursuant to subsection 12.7 (individually, a “Bank”).

“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.

“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 P-1 by Moody’s, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers 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 A by Moody’s; (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 Aaa by Moody’s 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 35% 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 35% 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, (c) failure of the

Managing Directors to hold, directly or indirectly, Holdings Capital Stock or securities convertible or exchangeable into Holdings Capital Stock (including, without limitation, Exchangeable Interests, restricted stock, restricted stock units or other issuances under Holdings' equity incentive plan) constituting at least 7.5% (on an as exchanged basis) of the amount of Holdings Capital Stock outstanding as of the Effective Date (or, in the case of the formation of any Parent Company, references to Holdings Capital Stock in this clause (c) shall refer to the Capital Stock of the Parent Company generally entitled to elect the directors of the Parent Company (with such percentage to be based upon the shares of such Capital Stock received by holders of Holdings Capital Stock received pursuant to the formation of such Parent Company)) or (d) 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, including provisions for minority interests to the extent exceeding cash distributions to the related minority interest holders (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). In addition, 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 Indebtedness in respect of (i) the Intesa Notes and (ii) any Indebtedness of equal or junior ranking to the Intesa Notes.

"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 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 (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“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 Lazard Frères SAS and each of their respective successors.

“Disposition Amount”: as defined in Section 2.18.

“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 1/100th 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”: 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.

“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.

“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 March 29, 2010 among the Lead Arranger, the Administrative Agent and the Company.

“FOCUS Report”: a Financial and Operational Combined Uniform Single Report required to be filed on a quarterly basis with the SEC and the NASD or the Exchange, as applicable, or any report which is required in lieu of such report, or any equivalent reporting statement required by the applicable regulatory agency for any Designated Subsidiary.

“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 five 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 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.

“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.

“Intesa Notes”: that certain subordinated convertible promissory note, dated March 26, 2003 and amended and restated as of May 15, 2006, in the principal amount of \$150,000,000, issued by Lazard Funding Limited LLC in favor of Banca Intesa S.p.A.

“Intesa Strategic Alliance”: that certain strategic alliance entered into between the Company and Banca Intesa S.p.A. in September 2002, pursuant to which Banca Intesa S.p.A. acquired a 40% interest in Lazard & Co. S.r.l.

“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.

“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.

“London Lease Commitment”: as to the Company, its liability for certain operating lease commitments related to its office facilities in London with no assured substantive future use or benefit to the Company.

“Long Term Indebtedness”: at any date of determination, Indebtedness (including Capital Lease Obligations) of the Company maturing after twelve months from such date.

“Long Term Investments”: Investments of the Company other than those Investments which are listed on a national exchange and for which there is an active quoted price.

“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.

“Minority Interests”: the collective reference to any capital contributions made by a third party to the Company and 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.

“Moody's”: Moody's Investors Service, Inc.

“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 Capital”: as defined in Rule 15c3-1, including the appendices thereto, as promulgated by the SEC under the Act (17 CFR 240.15c3-1), as such rule may be amended from time to time, or any rule or regulation of the SEC which replaces Rule 15c3-1.

“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 Cash 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 House”: the business operations of the Company headquartered in Paris.

“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.

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

“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	Applicable Margin		
	Eurodollar Loans	Federal Funds Rate Loans	Commitment Fee
≥ BBB or Baa2	275 bps	175 bps	45 bps
≥ BBB- or Baa3	300 bps	200 bps	55 bps
≥ BB+ or Ba1	325 bps	225 bps	65 bps
< BB+ or Ba1	350 bps	250 bps	75 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 either Moody’s or 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 Ratings established by Moody’s and S&P 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(f)(3) of the Code.

“Ratings”: a rating of the Company’s senior unsecured non-credit enhanced indebtedness for borrowed money assigned by S&P or Moody’s; 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 Moody’s or S&P, or both, 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 10K, 10Q or 8K 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 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.

"Working Capital": as reflected on the balance sheet of the Company at any date of determination, the Members' Equity and any other Capital Stock of the Company plus, without duplication, the sum of (a) "mandatory" convertible or exchangeable indebtedness, (b) Long Term Indebtedness, (c) Subordinated Indebtedness, (d) Minority Interests, (e) reserves for the London Lease Commitment, (f) other liabilities related to retiree medical and pension liabilities and deferred compensation relating to the Company's statutory profit sharing plan in its Paris House, (g) deferred income related to the Intesa Strategic Alliance or similar arrangements that may be entered into in the future, (h) deferred income tax liabilities, (i) valuations attributable to any Swap Agreement and (j) issuances of preferred stock after the Effective Date to the extent not included in Members' Equity (provided that there shall be excluded from each of clauses (a) through (j) any obligations maturing within twelve months of such date), less, without duplication, the sum of (i) Long Term Investments, (ii) intangibles (including, but not limited to, goodwill), (iii) deferred financing costs, (iv) property, plant, equipment and

leasehold improvements, (v) amounts related to deferred income tax assets, (vi) any assets related to bonuses, pension and other post-retirement benefit obligations, (vii) valuations attributable to any Swap Agreement, (viii) any advances or prepayments and (ix) any assets that will not convert into cash within twelve months of such date (provided that the deductions in clauses (i) through (ix) shall be reduced by any reserves or accumulated amortization or accumulated depreciation for such items).

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 3:00 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, in the case of Eurodollar Loans, and upon one (1) Business Day's notice, in the 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, each payment (including each prepayment) by the Company on account of principal of and interest on the Loans 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, 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 generally to 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 of the facts stated therein.

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 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 capital reserves with respect to this Agreement, any Note or any Eurodollar Loan made by it, (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 withholding taxes imposed by reason of Section 1471 through Section 1474 of the Code);

(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 generally to 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.

2.17 Taxes. (a) All payments made by 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 withholding taxes imposed by reason of Section 1471 through Section 1474 of the Code (other than by reason of a change in law imposed after the date hereof but not including changes in the rate of such withholding taxes); 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 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 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 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 the Company fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority, the Company shall indemnify the Administrative Agent and the Banks for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Bank as a result of any such failure.

(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 (including any documentation necessary to prevent withholding under Section 1471 through Section 1474 of the Code). Without limiting the generality of the foregoing, each Bank (or Assignee) that is not a "U.S. 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, or Form W-81MY (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). 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.

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 3. RESERVED

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, 2007, December 31, 2008 and December 31, 2009, 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). Neither the Company nor any of its Subsidiaries, as of the Effective Date, has any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph.

4.2 No Material Adverse Effect. Since December 31, 2009, 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, could 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 could 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, as to each such Significant Subsidiary, the percentage of each class of Capital Stock owned by the Company 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 could 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 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 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 which by its terms is made as of a specified date shall be required to be true and correct 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 amount 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 31st 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; 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);

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, and in the case of clause (b) above, subject to normal year-end audit adjustments and the absence of footnotes.

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 and (ii) setting forth quarterly computations with respect to compliance with Section 7.1 of this Agreement;

(b) as soon as available, but in any event not later than 45 days after the end of each of the quarterly periods of each fiscal year of each Designated Subsidiary, a copy of the Statement of Financial Condition and Computation of Net Capital of such

Designated Subsidiary as of the end of such quarter included in Part II of such Designated Subsidiary's FOCUS Report, Annual Audit Report, amendment to Form ADV or amendment to Form BD (as applicable) for such quarter, certified as correct as of the date thereof, subject to changes resulting from subsequent audit adjustments, by an authorized officer of such Designated Subsidiary;

(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;

(d) promptly, such additional financial and other information, confidential or otherwise, 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; and

(e) within 5 days after the same are sent, copies of all financial statements and reports that Holdings or the Company sends to the holders of any class of its debt securities or public equity securities and, within five (5) days after the same are filed, copies of all financial statements and reports that Holdings or the Company may make to, or file with, the SEC.

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 amount 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 June 30, 2010, 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 June 30, 2010, 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) [Reserved];

(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 Leverage Ratio shall not be greater than 3.5 to 1.0;

(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 \$10,000,000 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 (other than LFNy);

(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 \$125,000,000 at any one time outstanding; provided that, immediately after giving effect to the incurrence of such additional Indebtedness, the Leverage Ratio shall not be greater than 3.5 to 1.0;

(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;

(p) Indebtedness under the Intesa Notes and any Permitted Refinancing Indebtedness incurred to Refinance such Indebtedness; and

(q) 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) deposits to secure the performance of bids, 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); and

(n) other Liens securing Indebtedness or other obligations not prohibited under Section 7.2 in an aggregate principal amount outstanding not to exceed \$5,000,000 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 3.5 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). For the avoidance of doubt, the Intesa Notes can be repaid in accordance with their terms and such payments will not constitute optional payments or prepayments subject to this Section 7.6; provided that, any Senior Indebtedness incurred to make such payment or prepayment shall be subject to Section 7.2(n).

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, and (vi) customary provisions in leases and other contracts restricting the assignment thereof.

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) so long as at the time of declaration the Working Capital of the Company is greater than zero, 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 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) [Reserved];
- (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);

(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 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.

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: Global Controller
Facsimile: (212) 632-6670
E-mail Address: richard.hittner@lazard.com

With a copy to:

Lazard Group LLC
30 Rockefeller Plaza
New York, New York 10020
Attention: Global Treasurer

Facsimile: (212) 632-6670
E-mail Address: robert.starr@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 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 gross negligence or willful misconduct 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, (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 and (d) to its advisors and attorneys.

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 a Bank, an affiliate of a Bank, or an Approved Fund (as defined below) 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.

(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; 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.

(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.

(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. 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 non-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/ Michael J. Castellano

Name: Michael J. Castellano

Title: Chief Financial Officer

[Signature Page to Credit Agreement]

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

By: /s/ Maureen R. Maroney

Name: Maureen R. Maroney

Title: Authorized Signatory

[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/ Terence Law

Name: Terence Law

Title: Managing Director

[Signature Page to Credit Agreement]

Commitment Amounts

Bank	Amount
Citibank, N.A.	\$ 60,000,000
State Street Bank and Trust Company	\$ 60,000,000
The Bank of New York Mellon	\$ 30,000,000
TOTAL	\$150,000,000

Significant Subsidiaries

<u>Name of Subsidiary</u>	<u>Country of Organization</u>
Lazard Frères & Co. LLC	United States
Lazard Asset Management LLC	United States
Lazard International Holdings, Inc.	United States
Lazard Funding Limited LLC	United States
Lazard & Co., Holdings Limited	United Kingdom
Lazard & Co., Limited	United Kingdom
Lazard Frères SAS	France
Lazard Frères Gestion SAS	France
Lazard Frères Banque SA	France
Maison Lazard SAS	France
Compagnie Financière Lazard Frères SAS	France

Existing Indebtedness

1. Indebtedness under the Senior Notes, including related contract adjustment payment obligations.
2. Subordinated convertible promissory note, dated March 26, 2003 and amended and restated as of May 15, 2006, in the principal amount of \$150,000,000, issued by Lazard Funding Limited LLC in favor of Banca Intesa S.p.A.
3. Capital Lease Obligations in an amount of \$22,572,000.

THIS NOTE IS SUBJECT TO THE PROVISIONS OF THE CREDIT AGREEMENT DATED AS OF APRIL 29, 2010 AMONG THE UNDERSIGNED, THE BANKS PARTY THERETO, AND CITIBANK, N.A., AS ADMINISTRATIVE AGENT AND AS BANK.

[FORM OF REVOLVING CREDIT NOTE]

[\$_____]

New York, New York
[_____], 20[___]

FOR VALUE RECEIVED, the undersigned, LAZARD GROUP LLC, hereby unconditionally promises to pay on April 29, 2013 or such other date as the amounts hereunder may become due and payable as provided in the Credit Agreement hereinafter referred to, to the order of [_____] (the "Bank"), at the office of the Bank specified in the Credit Agreement, in lawful money of the United States of America and in immediately available funds, the principal amount of the lesser of (a) [_____(\$_____)], and (b) the aggregate unpaid principal amount of all loans made by the Bank to the undersigned pursuant to Section 2.1 of the Credit Agreement. The undersigned further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time from the date hereof at the applicable rates and on the dates provided for in Section 2.3 of the Credit Agreement, until paid in full (both before and after judgment).

This Note is one of the Notes referred to in the Credit Agreement dated as of April 29, 2010 (as from time to time amended, supplemented or otherwise modified, the "Agreement") among the undersigned, the Bank, the other financial institutions party thereto, and Citibank, N.A., a national banking association, as Administrative Agent and as a bank, and the terms thereof are incorporated herein by reference and the holder hereof is entitled to the benefits thereof. This Note is subject to optional prepayment in whole or in part only as permitted by Section 2.9 of the Agreement.

In case an Event of Default, as defined in the Agreement, shall occur or be continuing, all amounts then remaining unpaid on this Note shall become, or may be declared to be, due and payable in the manner, with the effect and subject to the conditions provided therein.

This Note shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

LAZARD GROUP LLC

By: _____
Name: _____
Title: _____

[Signature Page to Note]

[FORM OF OPINION OF CRAVATH, SWAINE & MOORE LLP]

Lazard Group LLC
Credit Agreement dated as of April 29, 2010

Ladies and Gentlemen:

We have acted as special New York counsel to Lazard Group LLC, a Delaware limited liability company (the "Borrower"), in connection with the Credit Agreement dated as of April 29, 2010 (the "Credit Agreement"), among the Borrower, the lending institutions party thereto (the "Banks") and Citibank, N.A., as administrative agent for the Banks (the "Administrative Agent"). This opinion is being delivered to you pursuant to Section 5.1(d) of the Credit Agreement. Capitalized terms used but not defined herein have the meanings assigned to them in the Credit Agreement.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary or appropriate for purposes of this opinion, including:

- (i) the Credit Agreement, and
- (ii) such other documents as we have deemed necessary or appropriate as a basis for the opinions set forth below.

We have also relied, with respect to certain factual matters, on the representations and warranties of the Borrower contained in the Credit Agreement and have assumed compliance by the Borrower with the terms of the Credit Agreement.

In rendering our opinion, we have assumed (a) the genuineness of all signatures, (b) that each party to the Credit Agreement has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization and has all necessary power, authority and legal right to execute and deliver the Credit Agreement and to perform its obligations thereunder and that the Credit Agreement is a legal, valid and binding obligation of each party thereto (other than the Borrower), (c) the due authorization, execution and delivery of the Credit Agreement by all parties thereto, (d) the authenticity of all documents submitted to us as originals, (e) the conformity to original documents of all documents submitted to us as copies and (f) that insofar as any obligation under the Credit Agreement is to be performed in, or by a party organized under the laws of, any jurisdiction outside the State of New York, its performance will not be illegal or ineffective in any jurisdiction by virtue of the law of that jurisdiction. In rendering our opinion, we also have relied upon the opinion, dated the date hereof and addressed to you, of _____.

Based on the foregoing and subject to the qualifications hereinafter set forth, we are of opinion as follows:

1. The Credit Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject in each case to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law. The foregoing opinion is subject to the following qualifications: (a) insofar as provisions contained in the Credit Agreement provide for indemnification or limitations on liability, the enforceability thereof may be limited by public policy considerations, (b) the availability of a decree for specific performance or an injunction is subject to the discretion of the court requested to issue any such decree or injunction, (c) we express no opinion as to the effect of the laws of any jurisdiction other than the State of New York where any Bank may be located or where enforcement of the Credit Agreement may be sought that limit the rates of interest legally chargeable or collectible and (d) we express no opinion herein as to any provision in the Credit Agreement (i) that relates to the subject matter jurisdiction of any Federal court of the United States of America, or any Federal appellate court, to adjudicate any controversy related to the Credit Agreement, (ii) that contains a waiver of an inconvenient forum, (iii) that relates to a right of set-off in respect of purchases of participating interests in Loans or with respect to parties that may not hold mutual debts or (iv) that provides for liquidated damages.

2. Assuming that the Borrower complies with the provisions of the Credit Agreement relating to the use of proceeds of the Loans, the execution and delivery by the Borrower of the Credit Agreement and the performance by the Borrower of its obligations thereunder do not violate any law of the United States of America or of the State of New York.

We understand that you are satisfying yourselves as to the status under Section 548 of the Bankruptcy Code and applicable state fraudulent conveyance laws of the obligations of the Borrower under the Credit Agreement and we express no opinion thereon.

We are admitted to practice only in the State of New York, and we express no opinion as to matters governed by any laws other than the laws of the State of New York and the Federal law of the United States of America.

This opinion is rendered only to the Administrative Agent and the Banks party to the Credit Agreement as of the date hereof and is solely for their benefit in connection with the Credit Agreement and the transactions thereunder. This opinion may not be relied upon by any other person or for any other purpose or used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. We are opining as to the matters herein only as of the date hereof, and do not undertake any obligation to update this opinion.

Very truly yours,

Citibank, N.A., as Administrative Agent and
the Banks party to the Credit Agreement as of the date hereof

In care of:
Citibank, N.A., as Administrative Agent
161S Brett Road, OPS 3
New Castle, Delaware 19720

[FORM OF OPINION OF GENERAL COUNSEL TO COMPANY]

To: The Banks and the Administrative Agent referred to below c/o Citibank, N.A., as Administrative Agent

Ladies and Gentlemen:

I am General Counsel of Lazard Group LLC, a Delaware limited liability company (the "Company"), and have acted as counsel to the Company in connection with the Credit Agreement dated as of April [29], 2010 (the "Credit Agreement") among the Company, the Banks party thereto, and Citibank, N.A. as Administrative Agent. Unless otherwise indicated, capitalized terms used and not defined herein shall have the meaning assigned to them in the Credit Agreement. This opinion is being rendered to you at the request of the Company and pursuant to Section 5.1(d) of the Credit Agreement.

For the purposes of this opinion, I, or attorneys working under my direction, have reviewed the following documents:

the Credit Agreement; and

such other documents as I have deemed necessary or appropriate as a basis for the opinions set forth below.

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of the opinions expressed below. In such examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to authentic original documents of all documents submitted to me as copies and the legal capacity of all individuals executing such documents. As to questions of fact material to this opinion which I did not independently establish or verify, I have, with your consent, relied upon the statements, certificates and representations of officers and other representatives of the Company. In addition, I have obtained and relied upon such certificates and assurances from public officials as I have deemed necessary.

I have also assumed the valid authorization, execution and delivery of the Credit Agreement by each party thereto other than the Company, and I have assumed that each such other party has been duly organized and is validly existing and in good standing under its jurisdiction of organization, and that each such other party has the legal capacity, power and authority to perform its obligations thereunder, and that, except as expressly opined to below, the Credit Agreement constitutes the valid and binding obligation of all such other parties, enforceable against them in accordance with its terms.

I am a member of the Bar of the State of New York, and I have not considered, and I express no opinion as to, the laws of any jurisdiction other than the laws of the State of New York, the Limited Liability Company Act of the State of Delaware and the federal laws of the United States of America, in each case as in effect on the date hereof. My opinions below as to compliance with certain statutes, rules and regulations are based upon a review of those statutes, rules and regulations which, in my experience, are normally applicable to transactions of the type contemplated by the Credit Agreement.

Based upon the foregoing, and subject to the comments and qualifications set forth below, it is my opinion that:

The Company (a) is a limited liability company duly formed and validly existing and in good standing under the Limited Liability Company Act of the State of Delaware, (b) has the requisite power and authority to conduct its business as now conducted and except where the failure to do so, in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every other jurisdiction where its ownership, lease, or operation of property or the conduct of its business requires such qualification and (c) has the requisite power and authority to execute, deliver and perform the Credit Agreement.

The execution, delivery and performance of the Credit Agreement by the Company and the borrowings by the Company under the Credit Agreement will not (i) violate the organizational or governing documents of the Company, any other material Requirement of Law or any material Contractual Obligation of the Company or (ii) result in the creation or imposition of any Lien on any of its properties or revenues pursuant to any such Requirement of Law or Contractual Obligation. No consent or authorization of, filing with, or other act by or in respect of any Governmental Authority, is required to be obtained or made by the Company in connection with the borrowings under the Credit Agreement or with the execution, delivery and performance of the Credit Agreement by the Company, or in connection with the validity or enforceability of the Credit Agreement against the Company.

The Credit Agreement has been duly authorized, executed and delivered by the Company.

To the best of my knowledge, there is no litigation, proceeding, or governmental investigation pending or threatened against the Company or against any of its properties or revenues (a) with respect to the Credit Agreement or (b) which is reasonably likely to be adversely determined and, if adversely determined, would reasonably be expected to have, a Material Adverse Effect, except as disclosed to the Banks prior to the Effective Date (including, without limitation, any disclosure made in a filing with the Securities and Exchange Commission).

This opinion is rendered only to the Administrative Agent and the Banks party to the Credit Agreement as of the date hereof and is solely for their benefit in connection with the Credit Agreement and the transactions thereunder. This opinion may not be relied upon by any other person or for any other purpose or used, circulated, quoted or otherwise referred to for any

other purpose without my prior written consent. I am opining as to the matters herein only as of the date hereof, and do not undertake any obligation to update this opinion.

Very truly yours,

[FORM OF OPINION WILMER CUTLER PICKERING HALE AND DORR LLP]

Citibank, N.A.,
State Street Bank and Trust Co., and
The Bank of New York Mellon
c/o Citibank, N.A.
as Administrative Agent
1615 Brett Road, OPS 3
New Castle, Delaware 19720
Attn: Robert Ross

Ladies and Gentlemen:

You have requested our opinion in connection with the Credit Agreement dated April 29, 2010 (“Credit Agreement”), by and among Lazard Group LLC, a Delaware limited liability company (“Lazard Group”), and Citibank, N.A., State Street Bank and Trust Co., and The Bank of New York Mellon (collectively, “Banks”), relating to Loans (as defined in the Credit Agreement) made by the Banks to Lazard Group, that neither Lazard Group nor any of its Subsidiaries (as defined in the Credit Agreement) 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 (“Act”).

We have examined and relied upon originals, or copies certified to our satisfaction, of such company records, documents, certificates, and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion set forth below. In our examination of the documents described above, we have assumed the genuineness of all signatures, the legal capacity of all individual signatories, the completeness of all corporate records provided to us, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the authenticity of the originals of such latter documents. We also have examined and relied upon the documents filed by Lazard Ltd, a holding company organized under Bermuda law as an exempted Bermuda limited company, and Lazard Group with the Securities and Exchange Commission, including all exhibits thereto and incorporated by reference (“SEC Filings”). We assume, with your permission, that all of the facts included in the SEC Filings are accurate and complete in all material respects, and that the agreements included as exhibits to the SEC Filings contain the substantially final terms of such agreements.

We are of the opinion that neither Lazard Group nor any of its Subsidiaries is an “investment company”, or a company “controlled” by a registered “investment company” within the meaning of the Act.

This opinion may not be relied upon by or furnished to any other party (other than Lazard and its affiliates and their counsel) without our prior written consent. This opinion is provided to you as a legal opinion only and not as a guaranty or warranty of the matters discussed herein.

We assume no obligation to advise you of changes that may be brought to our attention after the date of this opinion. Our opinion is based on the Act, the regulations thereunder, and administrative decisions and interpretations completed at the date of this opinion, and we do not opine as to any law, regulation, rule, or governmental policy or decision that may be enacted, determined, or adopted after the date hereof, nor assume any responsibility to advise you of future changes in our opinion. We do not express any conclusions as to the effect of any other Federal laws of the United States or of the laws of any other jurisdiction.

Very truly yours,

By: _____

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement, dated as of April 29, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lazard Group LLC (the "Company"), the Banks party thereto and Citibank, N.A., a national banking association, as administrative agent for the Banks (in such capacity, the "Administrative Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor identified on Schedule 1 hereto (the "Assignor") and the Assignee identified on Schedule 1 hereto (the "Assignee") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in and to the Assignor's rights and obligations under the Credit Agreement with respect to those credit facilities contained in the Credit Agreement as are set forth on Schedule 1 hereto (individually, an "Assigned Facility"; collectively, the "Assigned Facilities"), in a principal amount for each Assigned Facility as set forth on Schedule 1 hereto.
2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Credit Document or any other instrument or document furnished pursuant thereto, other than that the Assignor has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim and (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company, any of its Affiliates or any other obligor or the performance or observance by the Company, any of its Affiliates or any other obligor of any of their respective obligations under the Credit Agreement or any other Credit Document or any other instrument or document furnished pursuant hereto or thereto.
3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements delivered pursuant to Section 6.1 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent or any 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 the Credit Agreement, the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, the other Credit

Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.17(d) of the Credit Agreement.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance by it and recording by the Administrative Agent pursuant to the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the date of such acceptance and recording by the Administrative Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to the Effective Date or accrue subsequent to the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and under the other Credit Documents and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Schedule 1
to Assignment and Acceptance with respect to
the Credit Agreement, dated as of April 29, 2010,
among Lazard Group LLC (the "Company"), the Banks party thereto
and Citibank, N.A., as Administrative Agent

Name of Assignor: _____

Name of Assignee: _____

Effective Date of Assignment: _____

<u>Credit Facility Assigned</u>	<u>Principal Amount Assigned</u>	<u>Commitment Percentage Assigned</u>
	\$ _____	____._____%

[Name of Assignee]

[Name of Assignor]

By: _____
Title: _____

By: _____
Title: _____

Accepted for Recordation in the Register:

Required Consents (if any):

CITIBANK, N.A.,
as Administrative Agent

LAZARD GROUP LLC

By: _____
Title: _____

By: _____
Title: _____

CITIBANK, N.A.,
as Administrative Agent

By: _____
Title: _____

[FORM OF COMPLIANCE CERTIFICATE]

This Compliance Certificate is delivered pursuant to Section 5.2(c) of the Credit Agreement, dated as of April 29, 2010 (as amended, supplemented or otherwise modified from time to time (the "Credit Agreement"), among Lazard Group LLC (the "Company"), the Banks party thereto, and Citibank, N.A., a national banking association, as administrative agent (in such capacity, the "Administrative Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

1. I am the duly elected, qualified and acting Chief Financial Officer of the Company.

2. I have reviewed and am familiar with the contents of this Certificate.

3. I have reviewed the terms of the Credit Agreement and have made or caused to be made under my supervision, a review in reasonable detail of the transactions and condition of the Company during the accounting period covered by the financial statements attached hereto as Attachment 1 (the "Financial Statements"). Such review did not disclose the existence during or at the end of the accounting period covered by the Financial Statements, and I have no knowledge of the existence, as of the date of this Certificate, of any condition or event which constitutes a Default or Event of Default.¹

4. Attached hereto as Attachment 2 are the computations showing compliance with the covenants set forth in Section 7.1 of the Credit Agreement.

¹ NOTE: If Default or Event of Default under Section 7.1 has occurred during such accounting period, explain below.

IN WITNESS WHEREOF, I have executed this Certificate this ____ day of _____, 20__.

Name:

Title:

[Attach Financial Statements]

The information described herein is as of _____, _____, and pertains to the period from _____, _____ to _____, _____.

[Set forth Covenant Calculations]

[FORM OF]
 U.S. TAX COMPLIANCE CERTIFICATE
 (For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement, dated as of April 29, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lazard Group LLC, a Delaware limited liability company (the "Company"), the several Banks, 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"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

Pursuant to the provisions of Section 2.17(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s) in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), (iii) it is not a "10-percent shareholder" of the Company within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a "controlled foreign corporation" related to the Company as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Company with a certificate of its non-U.S. person status on Internal Revenue Service Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Company and the Administrative Agent and (2) the undersigned shall have at all times furnished the Company and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, __, 20[]

[FORM OF]
U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement, dated as of April 29, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lazard Group LLC, a Delaware limited liability company (the "Company"), the several Banks, 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"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

Pursuant to the provisions of Section 2.17(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its partners/members is a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) none of its partners/members is a "10-percent shareholder" of the Company within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a "controlled foreign corporation" related to the Company as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Company with Internal Revenue Service Form W-8IMY accompanied by an Internal Revenue Service Form W-8BEN (or other applicable form) from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Company and the Administrative Agent and (2) the undersigned shall have at all times furnished the Company and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, __, 20[]

[FORM OF]
U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement, dated as of April 29, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lazard Group LLC, a Delaware limited liability company (the "Company"), the several Banks, 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"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

Pursuant to the provisions of Section 2.17(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), (iii) it is not a "10-percent shareholder" of the Company within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a "controlled foreign corporation" related to the Company as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished its participating Non-U.S. Lender with a certificate of its non-U.S. person status on Internal Revenue Service Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Non-U.S. Lender in writing (2) the undersigned shall have at all times furnished such Non-U.S. Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, __, 20[]

[FORM OF]
U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Agreement, dated as of April 29, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lazard Group LLC, a Delaware limited liability company (the "Company"), the several Banks, 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"). Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

Pursuant to the provisions of Section 2.17(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) with respect to such participation, neither the undersigned nor any of its partners/members is a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) none of its partners/members is a "10-percent shareholder" of the Company within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a "controlled foreign corporation" related to the Company as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished its participating Non-U.S. Lender with Internal Revenue Service Form W-8IMY accompanied by an Internal Revenue Service Form W-8BEN (or other applicable form) from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Non-U.S. Lender and (2) the undersigned shall have at all times furnished such Non-U.S. Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, __, 20[]

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

First Amendment (the "First Amendment"), dated as of August 2, 2011 (the "Effective Date"), to Agreement Relating to Retention and Noncompetition and Other Covenants by and between Lazard Group LLC, a Delaware limited liability company, and successor to Lazard LLC ("Lazard"), on its behalf and on behalf of its subsidiaries and affiliates (collectively with Lazard, and its and their predecessors and successors, the "Firm"), and Ashish Bhutani (the "Executive"), dated as of March 15, 2005 (the "Agreement"); and

WHEREAS, the Firm and the Executive wish to amend the Agreement to (i) make Lazard Ltd, a company incorporated under the laws of Bermuda ("PubliCo"), a party to the Agreement, as amended by the First Amendment, through PubliCo's execution of the First Amendment, and (ii) revise certain terms of the Agreement in order to be consistent with certain terms applicable to other executive officers of Lazard and PubliCo.

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, Lazard and PubliCo hereby agree as follows:

Effective as of the Effective Date, PubliCo shall become a party to the Agreement and Schedule I of the Agreement shall hereby be amended and restated in the form attached hereto.

IN WITNESS WHEREOF, the Executive and the Board of Directors of each of Lazard and PubliCo have caused this First Amendment to be executed and delivered on the date first above written.

August 2, 2011

by

/s/ Ashish Bhutani

Ashish Bhutani

August 2, 2011

LAZARD GROUP LLC,

(on its behalf, and on behalf of its
subsidiaries and affiliates)

by

/s/ Scott D. Hoffman

Name: Scott D. Hoffman

Title: Managing Director and
General Counsel

August 2, 2011

LAZARD LTD,

by

/s/ Scott D. Hoffman

Name: Scott D. Hoffman

Title: Managing Director and
General Counsel

SCHEDULE I

Name (as per Preamble):	Mr. Ashish Bhutani
-------------------------	--------------------

Effective upon the effective date of the First Amendment to this Agreement (the "First Amendment Effective Date"), this Schedule I shall take effect and its provisions shall constitute binding and enforceable agreements of the Firm.

1. **Title.** Notwithstanding anything to the contrary contained in Section 3(b) of this Agreement, from the First Amendment Effective Date through March 23, 2013, the Executive shall serve as a Vice Chairman and Managing Director of Lazard and Chief Executive Officer of Lazard Asset Management LLC.

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 period from the First Amendment Effective Date through March 23, 2013, the Executive shall be entitled to receive (i) an annual base salary of not less than \$750,000 ("Base Salary") and (ii) so long as the Executive remains employed by the Firm through the end of the applicable fiscal year of Lazard, an annual bonus to be determined under the terms of the applicable annual bonus plan of Lazard on the same basis as annual bonus is determined for other executive officers of PubliCo, with such bonus to be paid in the same ratio of cash to deferred awards as is applicable to executives of the Firm receiving bonuses at a level comparable to the bonus of the Executive. For purposes hereof, the term Base Salary shall refer to Base Salary as in effect from time to time, including any increases. Notwithstanding anything to the contrary contained in Section 3(c)(iv) of this Agreement, during the portion of the Term commencing on the First Amendment Effective Date, subject to the Executive's continued employment, the Executive shall 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.

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 period commencing on the First Amendment Effective Date and concluding on March 23, 2013, 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, in a lump sum in cash within thirty (30) days after the Date of Termination, the aggregate of the following amounts: (i) any unpaid Base Salary through the Date of Termination; (ii) any earned and unpaid cash bonus amounts for fiscal years of Lazard completed prior to the Date of Termination (determined in accordance with paragraph 2 above 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 awards based on the grant date value of such equity awards in

accordance with the normal valuation methodology used by Lazard) paid or payable 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, (i) for a period of months equal to the product of (1) 12 and (2) the Severance Multiple, 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, 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 efforts to cause such continued coverage to be permitted under the applicable plan for the entire period), which benefits continuation period shall not run concurrently with or reduce the Executive's right to continued coverage under COBRA and (ii) to the extent permitted under the applicable plan, the Executive will receive additional years of age and service credit equal to the Severance Multiple for purposes of determining his eligibility for and right to commence receiving benefits under the retiree health care benefit plans of Lazard Group. For purposes of the provision of the health care benefits as provided above, the amount of such health care benefits provided in any given calendar year shall not affect the amount of such benefits provided in any other calendar year, and the Executive's right to the health care benefits may not be liquidated or exchanged for any other benefit.

In addition, in the case of a Qualifying Termination, with respect to the fiscal year of Lazard during which the Date of Termination occurs, the Executive shall receive a pro-rata annual bonus payable in cash determined as follows:

(i) if (A) the Date of Termination occurs prior to or on March 23, 2013 and (B) with respect to the fiscal year during which the Date of Termination occurs, (1) 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 (the "Code")) prior to his Date of Termination, and (2) 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 bonus is 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 (A) the Date of Termination occurs prior to or on March 23, 2013 and (B) with respect to the fiscal year during which the Date of Termination occurs, 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, the pro-rata annual bonus shall equal the product of (1) the Average Bonus and (2) 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 prior to March 15 of the year following the year in which the Date of Termination occurs).

For all purposes of this Agreement, including without limitation, Sections 2(g)(ii) and Section 5(a), a resignation on or prior to March 23, 2013 by the Executive for Good Reason shall be treated as a termination of the Executive by the Firm without Cause.

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 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 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 the Agreement and this Schedule I, as applicable, the following terms shall have the following meanings:

Notwithstanding the definition of "Date of Termination" set forth in Section 5 of the Agreement, for purposes of the 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 notice of termination from the Firm or any later date specified therein within 30 days 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 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 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 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 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. 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 the Agreement, including Schedule I, constitutes a "separation from service" within the meaning of Section 409A of the Code, and notwithstanding anything contained herein to the contrary, 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 the Agreement, from and after the First Amendment Effective Date, 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 (i) to perform his employment duties in any

material respect or (ii) to follow specific reasonable directions received from the Firm, 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 30 days); 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. Notwithstanding the foregoing, with respect to the events described in clauses (B) and (C)(i) 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.

"Good Reason" shall mean (i) the assignment to the Executive of any duties inconsistent in any material respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect as of the First Amendment Effective Date, or any other action by the Firm which results in a material diminution in such position, authority, duties or responsibilities from the level in effect as of the First Amendment Effective Date, (ii) any person, other than the Executive, is given the title of "Chairman of Lazard Asset Management LLC" or Chairman of Lazard's asset management group, unless (A) such person receives such title in connection with a merger or acquisition transaction involving the Firm, on the one hand, and an unrelated company that has an asset management business, on the other hand, and (B) such transaction is approved by the Board of Directors of PubliCo, (iii) 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, or (iv) 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 30 miles. In the event of a termination for Good Reason, the notice requirements of Section 1 shall not 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 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 one (1); provided, however, that if the Date of Termination occurs on or following the date of a Change of Control pursuant to which the Company is acquired by an entity that has an asset management business, the Severance Multiple shall equal three (3).

5. Section 409A. It is the intention of the parties that the payments and benefits to which the Executive could become entitled in connection with termination of employment under this Agreement comply with or are exempt from the definition of "nonqualified deferred compensation" under Section 409A of the Code. In this regard, notwithstanding anything in this Agreement to the contrary, all cash amounts that become payable under Section 3 of this Schedule I on account of the Executive's termination of employment shall be paid no 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, they will negotiate reasonably and in good faith to amend the terms of this Agreement and/or Schedule I such that they comply (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.

6. Miscellaneous.

Your HoldCo Interests (as per Section 2(b)) are 0.75% and your Profit Interests (as per Section 2(d)) are 0.75%.

Section 5(a). Section 5(a) of the 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 connection with the Reorganization, and in the course of the Executive's subsequent 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. The Executive hereby reaffirms and agrees that while employed by the Firm and thereafter until (i) three months after the Executive's date of termination of employment for any reason other than a termination by the Firm without Cause or (ii) one month after the date of the Executive's termination by the Firm without Cause (in either case, the date of termination, the "Date of Termination," and 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." 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. Section 6 of the 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 12. Section 12 of this Agreement is hereby amended 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.

Section 16(b). Paragraphs 2, 3, 4 and 5 of this Schedule I are hereby added to the list of Sections in Section 16(b) of this Agreement.

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.”

/s/ AB

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.

	Six Months Ended June 30, 2011	Year Ended December 31,				
		2010	2009	2008	2007	2006
		(dollars in thousands)				
Operating income (loss)	\$ 164,348	\$ 246,809	\$ (181,988)	\$ 42,029	\$ 436,064	\$ 333,676
Add—Fixed charges	58,530	121,656	132,785	161,665	154,790	119,698
Operating income (loss) before fixed charges	<u>\$ 222,878</u>	<u>\$ 368,465</u>	<u>\$ (49,203)</u>	<u>\$ 203,694</u>	<u>\$ 590,854</u>	<u>\$ 453,374</u>
Fixed Charges:						
Interest (b)	\$ 48,653	\$ 102,249	\$ 113,280	\$ 141,413	\$ 136,529	\$ 104,348
Other (c)	9,877	19,407	19,505	20,252	18,261	15,350
Total fixed charges	<u>\$ 58,530</u>	<u>\$ 121,656</u>	<u>\$ 132,785</u>	<u>\$ 161,665</u>	<u>\$ 154,790</u>	<u>\$ 119,698</u>
Ratio of earnings to fixed charges	<u>3.81</u>	<u>3.03(d)</u>	<u>– (e)</u>	<u>1.26(f)</u>	<u>3.82</u>	<u>3.79</u>
Deficiency in the coverage of operating income (loss) before fixed charges to total fixed charges			<u>\$ 181,988</u>			

Notes (dollars in thousands):

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

- earnings for the years 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, and (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) 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 June 30, 2011 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: August 4, 2011

/s/ Kenneth M. Jacobs

Kenneth M. Jacobs

Chairman and Chief Executive Officer

I, Matthieu Bucaille, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 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: August 4, 2011

/s/ Matthieu Bucaille

Matthieu Bucaille

Chief Financial Officer

August 4, 2011
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 June 30, 2011 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Kenneth M. Jacobs

Kenneth M. Jacobs
Chairman and Chief Executive Officer

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

August 4, 2011
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 June 30, 2011 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Matthieu Bucaille

Matthieu Bucaille
Chief Financial Officer

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