As filed with the Securities and Exchange Commission on February 11, 2005

Registration No. 333-121407

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LAZARD LTD

(Exact name of Registrant as specified in its charter)

Bermuda	**6199**	**98-0437848**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda
(441) 295-1422
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Scott D. Hoffman, Esq.
Lazard Ltd
30 Rockefeller Plaza
New York, New York 10020
(212) 632-6000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Adam D. Chinn, Esq.
Craig M. Wasserman, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
(212) 403-1000

Kris F. Heinzelman, Esq.
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Proposed Maximum Offering Price (1)	Amount of Registration Fee (2)
Class A common stock, par value $0.01 per share	$ 850,000,000	$ 100,045

(1) Estimated solely for purposes of calculating the amount of the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended.
(2) Registration fee previously paid in connection with the initial filing of this Registration Statement.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated February 11, 2005.

Shares

LAZARD

Class A Common Stock

This is an initial public offering of shares of Class A common stock, which we refer to as common stock, of Lazard Ltd, or "Lazard". All of the shares of common stock are being sold by Lazard.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $ and $. Lazard intends to apply for listing of the common stock on the New York Stock Exchange under the symbol "LAZ".

See " Risk Factors" beginning on page 21 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Lazard	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Lazard at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2005.

Goldman, Sachs & Co.

Citigroup

Lazard

Merrill Lynch & Co.

Morgan Stanley

Credit Suisse First Boston **JPMorgan**

Prospectus dated , 2005.

Our Core Values

Integrity. We take great pride in the tradition of integrity that we have developed over 156 years.

Independence. We are dedicated to offering our clients independent, trusted and unbiased advice. We limit our participation in conflicting business activities.

Excellence. We endeavor to deliver service of exceptional quality to our clients, custom-tailored to their unique needs.

Intellectual Capital. Our people are our product, and intellectual capital is our principal asset. We therefore focus on attracting, training and retaining the best talent.

Clients. We take a client-centric perspective, attuned to their local needs. We emphasize a long-term approach to client relationships.

Heritage. Our heritage is distinctively Euro-American with deep, long-standing roots through local offices in our key markets. We link these offices together through a global network of industry expertise for the benefit of our clients.

Culture. Ours is an entrepreneurial culture that celebrates the individual while emphasizing teamwork. We strive to innovate and adapt as our markets change.

Ownership. Our managing directors are among our largest owners. We manage our business with an owner's orientation focused on long-term stockholder returns.

Citizenship. We are deeply aware of the importance of our conduct to our employees, business partners, clients, regulators, investors and the public at large. Above all, we must earn and maintain their trust in all our daily endeavors.

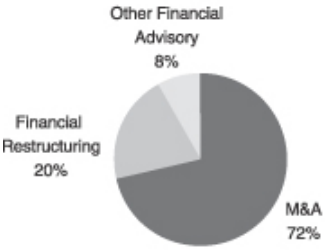
Our Business

Financial Advisory

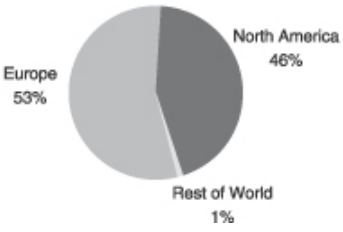
- Net revenue of $617 million (12 months ended September 30, 2004)
- 130 managing directors, over 520 other professionals as of September 30, 2004

Net Revenue
12 Months Ended September 30, 2004

BY PRACTICE AREA



BY OFFICE LOCATION

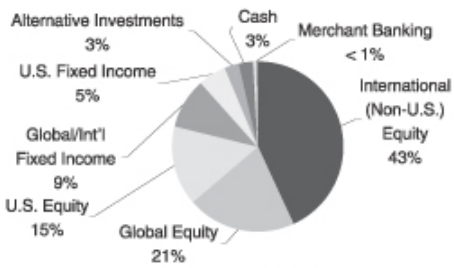


Asset Management

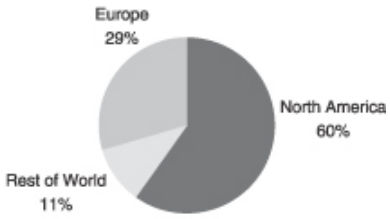
- Net revenue of $415 million (12 months ended September 30, 2004)
- 35 managing directors, over 260 other professionals as of September 30, 2004

Assets Under Management
$78.5 Billion as of September 30, 2004

BY PRODUCT



BY OFFICE LOCATION



INTRODUCTORY NOTE

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

This is a public offering of Class A common stock of Lazard Ltd, which will be the holding company for the public's common equity interests in Lazard LLC, which we refer to in this prospectus as "Lazard Group."

Unless the context otherwise requires, the terms:

- "historical partners" refers to two general classes of members of Lazard Group, which consist of Eurazeo S.A., descendants and relations of our founders, several historical partners of our predecessor entities, several current and former managing directors and the other members of these classes,
- "Lazard," "we," "us" and "our" refer to Lazard Ltd, a newly-formed company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group and the businesses, subsidiaries, assets and liabilities that Lazard Group will retain after the completion of the transactions described in this prospectus,
- "Lazard Group" refers to Lazard LLC, a Delaware limited liability company that is the current holding company for our businesses, which will be renamed Lazard Group LLC in connection with this offering and in which Lazard will acquire a controlling interest upon completion of this offering,
- "LAZ-MD Holdings" refers to LAZ-MD Holdings LLC, a newly-formed Delaware limited liability company that after the completion of the transactions described in this prospectus will hold equity interests in Lazard Group and the Class B common stock of Lazard Ltd,
- "LFCM Holdings" refers to LFCM Holdings LLC, a newly-formed Delaware limited liability company that will hold the businesses to be separated from Lazard Group in connection with this offering as described in this prospectus,
- "managing directors" refers to our managing directors and the managing directors of the businesses to be separated from Lazard Group in connection with this offering as described in this prospectus,
- "net revenue from continuing operations" means our historical net revenue excluding the net revenue of the businesses to be separated from Lazard Group in connection with this offering as described in this prospectus,
- "operating revenue" means our consolidated total revenue less (1) total revenue attributable to the separated businesses and (2) interest expense related to Lazard Frères Banque, SA, our Paris-based banking affiliate,
- "our business" refers to all of the businesses, subsidiaries, assets and liabilities of Lazard Group after giving effect to the completion of the transactions described in this prospectus, and
- "working members" refers to the two classes of members of Lazard Group that consists of current and former managing directors.

The Bermuda Monetary Authority has classified us as a non-resident of Bermuda for exchange control purposes. Accordingly, the Bermuda Monetary Authority does not restrict our ability to engage in transactions in currencies other than Bermuda dollars, to transfer funds in and out of Bermuda or to

pay dividends to non-Bermuda residents who are stockholders, other than in Bermuda dollars. We have received consent under the Exchange Control Act 1972 from the Bermuda Monetary Authority for the issue and transfer of the common stock to and between non-residents of Bermuda for exchange control purposes, provided that our shares remain listed on an appointed stock exchange, which includes the New York Stock Exchange, or the "NYSE." This prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus.

We report our financial statements in U.S. dollars and prepare our financial statements, including all of the financial statements included in this prospectus, in conformity with accounting principles generally accepted in the U.S., or "U.S. GAAP." We have adopted a fiscal year end of December 31. In this prospectus, except where otherwise indicated, references to "$" or "dollars" are to the lawful currency of the U.S.

The Lazard logo and the other trademarks, trade names and service marks of Lazard mentioned in this prospectus, including Lazard®, are the property of, and are used with the permission of, Lazard Group and its subsidiaries.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock, which we refer to in this prospectus as our common stock. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under "Risk Factors."

Lazard

We are a preeminent international financial advisory and asset management firm that 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. We believe that what sets us apart is our dedication to:

- competing on the basis of our intellectual (rather than financial) capital, which is personified by our team of highly skilled professionals,
- demanding excellence and superior quality in all that we do,
- cultivating long-term, senior-level relationships with clients, through deep roots in local markets,
- linking together our local offices through a global network of industry expertise,
- remaining focused on our chosen lines of business to provide the highest degree of expertise and continuous innovation,
- emphasizing our tradition of integrity in all our dealings, and
- offering independent, trusted and unbiased advice.

Lazard was founded in 1848, expanded shortly thereafter to provision the needs of the California gold rush, and eventually evolved its business exclusively into financial services. Having recently united the historical New York, Paris and London "Houses" of Lazard under Lazard Group, we operate today from 27 cities in key business and financial centers across 15 countries in Europe, North America, Asia and Australia. We believe that the mix of our activities across business segments, geographic regions, industries and investment strategies helps to diversify and stabilize our revenue stream.

Our Strategic Positioning

We focus primarily on two business segments, Financial Advisory (including our Mergers and Acquisitions and Financial Restructuring practices) and Asset Management. Since January 2002, when new senior management joined our firm, we have made significant reinvestments in the intellectual capital of our business to strengthen ourselves for future growth and profitability. As a result of our strategic initiatives, we believe that we are now positioned such that:

- Our Mergers and Acquisitions practice is poised to capitalize on any future growth in the mergers and acquisitions market. This practice comprised 45% of our net revenue from continuing operations for the nine months ended September 30, 2004. During the fourth quarter of 2004, we experienced an increased rate of revenue growth in comparison to revenue growth during the first nine months of 2004, such that we estimate that full year 2004 Mergers and Acquisitions net revenue will be up approximately 14% from 2003. This reflects an improvement relative to the increase in net revenue of 9% for the nine months ended September 30, 2004 over the comparable period in 2003 due to an increase in net revenue of approximately 28% in the fourth quarter of 2004 over the same period in 2003.

  Our Financial Restructuring practice, which comprised 7% of our net revenue from continuing operations for the nine months ended September 30, 2004, provides countercyclical balance to

our Mergers and Acquisitions practice. Following the recent economic recovery, and consistent with our expectation, this practice has experienced a substantial cyclical decline in revenue over the last year. With our leading position in this practice area, we believe that we are positioned to benefit from any resurgence in corporate credit defaults and financial distress.

- Our Asset Management business, which comprised 41% of our net revenue from continuing operations for the nine months ended September 30, 2004, is benefiting from new strategic and management initiatives. We have recently transitioned the senior management of our largest Asset Management subsidiary to the next generation of leadership. We have been making significant efforts to improve our investment management capabilities and to enhance and expand our platform of traditional and alternative investment products. During the nine months ended September 30, 2004, we have grown our Asset Management net revenue by 29% versus the comparable period in 2003. We believe that the improvement in our investment performance and the successful launches of several new investment strategies reflect the initial results of our efforts, and we believe that there are substantial opportunities to build further on this success.

We believe that our increase in business activity since September 30, 2004 reflects both the results of our recent strategic initiatives as well as improved market conditions generally. For a further discussion of our performance since September 30, 2004, see "—Recent Developments" below. Despite these results, we face a number of competitive challenges and potential risks. See "Risk Factors" for a discussion of the factors you should consider before buying shares of our common stock.

Our Business Model

We have a focused business model. We generate Financial Advisory revenue primarily from fees earned upon the closing of mergers and acquisitions, restructurings and other engagements on which we have provided advisory services. We generate Asset Management revenue primarily from investment advisory fees calculated as a percentage of the assets under our management, or "AUM." Employment costs are our largest expense, a significant portion of which is paid in the form of discretionary bonuses. Our policy will be to set our total compensation and benefits expense, including amounts payable to our managing directors, at a level not to exceed 57.5% of our operating revenue, such that after considering other operating costs, we may realize our operating profit margin goal. For more information on our compensation and benefits expenses, see "Unaudited Pro Forma Financial Information" and "Risk Factors—Risks Related to the Separation—Our financial performance depends on our ability to achieve our target compensation expense."

Financial Advisory

Our Financial Advisory business provides advice in connection with a wide range of strategic and financial matters that are typically of great importance to our clients. Our goal is to continue to grow our business by fostering long-term, senior-level relationships with existing and new clients as their independent advisor on strategic transactions such as mergers, acquisitions, restructurings and other financial matters. Our Mergers and Acquisitions services include general strategic advice and transaction-specific advice regarding domestic and cross-border mergers and acquisitions, divestitures, privatizations, special committee assignments, takeover defenses, strategic partnerships, joint ventures and specialized real estate advisory services. We provide advice to managements and boards of directors, business owners, governments, institutions, investors and other interested parties on a worldwide basis. Our dedicated industry specialty groups include: consumer, financial institutions, financial sponsors, healthcare and life sciences, industrial, power and energy, real estate and technology, media and telecommunications. We also currently provide various corporate finance services, such as fund-raising for alternative investment firms and public and private financings.

Our Financial Restructuring practice, which specializes in helping companies in financial distress, is an important strategic component of our Financial Advisory business. We believe we are the leading financial restructuring advisory firm in the world, having advised on most of the largest and highest profile corporate restructurings over the last several years. We believe that we have been able to secure our leading position in this practice area through a combination of our restructuring and industry-related expertise and our independent position. This practice complements our Mergers and Acquisitions practice because it is generally more active when our Mergers and Acquisitions practice is less active. In addition, our Financial Restructuring practice often generates follow-on relationships and assignments that survive the completion of restructuring-related engagements.

In 2003, Financial Advisory net revenue totaled $691 million, accounting for 66% of our net revenue from continuing operations, and was earned from a diverse group of 370 clients. Fifty percent of Financial Advisory net revenue was generated in Europe, 49% in North America and 1% in the rest of the world in the same year.

Since January 2002, when new senior management joined our firm, our focus in our Financial Advisory business has been on:

- making a significant reinvestment in our intellectual capital with the addition of many senior professionals who we believe have strong client relationships and industry expertise. We have recruited or promoted 68 new managing directors from January 2002 through September 2004, contributing to a 48% increase, net of departures, in Financial Advisory managing director headcount over that period, with the result that approximately half of our Financial Advisory managing directors have joined our firm or been promoted since January 2002. While we will continue opportunistically to hire outstanding individuals to this practice, we anticipate that our recent managing director expansion program in this practice is now substantially complete,
- increasing our contacts with existing clients to further enhance our long-term relationships and our efforts in developing new client relationships,
- expanding the breadth and depth of our industry expertise and adding new practice areas,
- coordinating our industry specialty groups on a global basis, and
- broadening our global presence by adding six new regional offices and entering into strategic alliances in new geographies.

As a result, our Financial Advisory practice today consists of an experienced group of advisors with specialties across a wide range of industries and practice areas, operating, we believe, with increased quality and frequency of client contact. We made these investments during a period of financial market weakness, when many of our competitors were reducing senior staffing, to position us to capitalize more fully on any financial services industry recovery. We believe that it generally takes a new managing director from one to two years from the date of hiring to produce revenue at his or her full capacity. As a result, we believe that many of our new managing directors have not yet reached their full revenue generating potential.

In addition to the recent expansion of our Financial Advisory team, we believe that the following external market factors may enable our Financial Advisory practice to benefit from future growth in the global mergers and acquisitions advisory business:

- increasing demand for independent, unbiased financial advice, and
- a potential increase in cross-border mergers and acquisitions and large capitalization mergers and acquisitions, two of our areas of historical specialization, which have experienced greater than average declines in recent years.

Asset Management

Our Asset Management business provides investment management and advisory services to institutional clients, financial intermediaries, private clients and investment vehicles around the world. Our goal in our Asset Management business is to produce superior risk-adjusted investment returns and provide investment solutions customized for our clients. As of September 30, 2004, total AUM was $78.5 billion, of which approximately 80% 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. As of the same date, approximately 20% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

Many of our equity investment strategies share an investment philosophy that centers on fundamental security selection with a focus on the trade-off between a company's valuation and its financial productivity. As of September 30, 2004, 79% of our AUM was invested in equities, 15% in fixed income, 3% in alternative investments, 3% in cash and less than 1% in merchant banking funds. As of the same date, approximately 54% of our AUM was invested in international (*i.e.*, non-U.S.) investment strategies, 25% was invested in global investment strategies and 21% was invested in U.S. investment strategies.

We operate our Asset Management business through two principal subsidiaries, Lazard Asset Management LLC, or "LAM," in New York, San Francisco, London, Milan, Frankfurt, Hamburg, Tokyo, Sydney and Seoul (aggregating $69.3 billion in total AUM as of September 30, 2004), and Lazard Frères Gestion, or "LFG," in Paris (aggregating $8.8 billion in total AUM as of September 30, 2004). These operations provide our business with a global presence and a local identity. We also manage $0.5 billion of merchant banking funds.

In 2003, Asset Management net revenue was $350 million, accounting for 33% of our net revenue from continuing operations. Sixty-three percent of Asset Management net revenue was generated in North America, 30% in Europe and 7% in the rest of the world.

Our strategic plan in our Asset Management business is to focus on delivering superior investment performance and client service and broadening our product offerings and distribution in selected areas in order to continue to drive business results. In March 2004, we undertook a senior management transition at LAM to put in place the next generation of leadership and to better position the business to execute our strategic plan. Over the past several years, in an effort to improve LAM's operations and expand our business, we have:

- Ÿ focused on enhancing our investment performance,
- Ÿ improved our investment management platform by hiring ten senior equity analysts and filling the newly established position of Head of Risk Management,
- Ÿ strengthened our marketing capabilities by establishing a global consultant relations effort aimed at improving our relations with the independent consultants who advise many of our clients on the selection of investment managers,
- Ÿ expanded our product platform by "lifting-out" experienced portfolio managers to establish new products in the hedge fund area and in thematic investing, and
- Ÿ launched new products such as "Lazard European Explorer," a European long/short strategy, and "Lazard Global Total Return and Income Fund, Inc.," a closed-end fund.

We believe that LAM has long maintained an outstanding team of portfolio managers and global research analysts. We intend to maintain and supplement our intellectual capital to achieve our goals. We also believe that LAM's specific investment strategies, global reach, unique brand identity and

access to multiple distribution channels will allow it to leverage into new investment products, strategies and geographic locations. In addition, we plan to expand our participation in merchant banking activities through investments in new and successor funds.

Competitive Advantages

We attribute our success and distinctiveness to a combination of long-standing advantages from which we and our predecessor partnerships have benefited, including:

- **Experienced People.** Our professionals concentrate on solving complex financial problems and executing specialized investment strategies. We strive to maintain and enhance our base of highly talented professionals and pride ourselves on being able to offer clients more senior-level attention than may be available from many of our competitors.
- **Independence.** We are an independent firm, free of many of the conflicts that can arise at larger financial institutions as a result of their varied sales, trading, underwriting, research and lending activities. We believe that recent instances of perceived or actual conflicts of interest, and a desire to avoid any potential future conflicts, have increased the demand by managements and boards of directors for trusted, unbiased advice from professionals whose main product is advice.
- **Reputation.** Our firm has a brand name with over 150 years of history. We are focused on providing world-class professional advice in complex strategic and financial assignments, utilizing both our global capabilities and deeply rooted, local know-how.
- **Focus.** We are focused on two primary businesses—Financial Advisory and Asset Management—rather than on a broad range of financial services. We believe this focus has helped, and will continue to help, us attract clients and recruit professionals who want to work in a firm where these activities are the central focus.
- **Global Presence with Local Relationships.** We believe that linking our talented indigenous professionals, deep local roots and industry expertise across offices enables us to be a global firm while maintaining a local identity. We believe this approach enables us to build close, local relationships with our clients and to develop insight into both local and international commercial, economic and political issues affecting their businesses. We do not regard any single jurisdiction as our home country.
- **Balance**. Our Financial Advisory business includes both our Mergers and Acquisitions practice and our Financial Restructuring practice, which historically have been countercyclical to each other, thus helping to stabilize our revenue stream. Our Asset Management business helps provide further stability, principally because we generate significant recurring client business from year to year. Our revenue is also geographically diversified: in 2003 we derived 52% of our net revenue from continuing operations from offices in North America, 45% from offices in Europe and 3% from offices in the rest of the world.
- **Strong Culture.** We believe that our people are united by a desire to be a part of an independent firm in which their activities are at the core and by a commitment to excellence and integrity in their activities. This is reinforced by the significant economic stake our managing directors have in our success. In our opinion, the strength of our many long-term client relationships is a testament to our distinctive culture and approach to providing superior advice to our clients.

Notwithstanding these competitive strengths, we face a number of competitive challenges and potential risks. See “Risk Factors” for a discussion of the factors you should consider before buying shares of our common stock.

Our Initial Public Offering

We decided to become a public company in order to:

- Ÿ incentivize our key employees, who also will be our primary owners, to grow the profitability of our business and enhance our ability to retain and recruit talented professionals,
- Ÿ better align the interests of all of our owners by using the net proceeds from this offering, and the net proceeds from the additional financing transactions, primarily to redeem membership interests in our firm held by the historical partners, and
- Ÿ provide us with publicly traded securities, which we could use to finance strategic acquisitions in the future.

This offering is a public offering of Class A common stock of Lazard Ltd, which will be the holding company for the public's common equity interests in Lazard Group. Lazard Group holds our Financial Advisory and Asset Management businesses. This offering is one of a series of concurrent securities offerings that Lazard Ltd and Lazard Group intend to complete, which other offerings we refer to in this prospectus as the "additional financing transactions."

Our History

Our origins date back to 1848 when our founders, the Lazard brothers, formed Lazard Frères & Co. as a dry goods business in New Orleans, Louisiana, with a combined contribution of $9,000. Shortly thereafter, the Lazard brothers moved to the gold rush town of San Francisco, California, where they opened a business selling imported goods and exporting gold bullion. The business progressively became involved in financial transactions, first with its retail clients and then increasingly with commercial clients. Over time, the business expanded into the banking and foreign exchange businesses.

Seeking to expand operations to Europe, the Lazard brothers opened offices in Paris and London in 1858 and 1870, respectively. By 1876, Lazard's businesses had become solely focused on providing financial services. In 1880, Alexander Weill, the founding brothers' cousin, assumed control of Lazard.

Through the early and mid-twentieth century, the three Lazard Houses in London, Paris and New York continued to grow their respective operations independently of each other, with the New York House coming under the leadership of André Meyer in 1944. Under Mr. Meyer and continuing with Felix Rohatyn, the New York House further developed its reputation as a preeminent mergers and acquisitions advisory firm. Michel David-Weill, a descendant of the founding families, joined Lazard Frères et Cie. in Paris in 1956, ascended to a leadership role within the French operations and later moved to the New York House, where he became senior partner in 1977.

Lazard has conducted an asset management business in Paris since 1969, establishing a separate subsidiary, LFG, for those operations in 1995. In 1970, the New York House entered the institutional asset management business by establishing LAM to complement its financial advisory business.

Throughout the twentieth century, Lazard's Paris and New York Houses were owned by the Houses' individual partners and by relations of their founders. For much of that period, the London House was majority-owned by Pearson plc, until the sale in 2000 by Pearson of its interests to a predecessor of Eurazeo S.A.

The unification of the Houses of Lazard under a single global firm was completed as of January 3, 2000, with their merger to form Lazard LLC. We believe that this combination has enabled us to offer our clients the benefits of a more unified global firm while preserving the advantages of our century-old, local

roots. Bruce Wasserstein joined Lazard in early 2002 as Head of Lazard. Under Mr. Wasserstein's direction, Lazard has pursued a strategy of growing its Financial Advisory and Asset Management businesses by attracting senior investment bankers and investment advisory professionals to our firm.

Lazard's history as a preeminent financial advisor has contributed to its ability to secure key advisory roles in some of the most important, complex and recognizable mergers and acquisitions of the last 75 years. Since 1999, we have advised on nearly 1,000 completed mergers and acquisitions, having a cumulative value in excess of $1 trillion. During this period, we have participated in many prominent transactions, advising:

- Nextel Communications in its pending merger-of-equals with Sprint Corporation (to create a company with a combined equity market value of approximately $70 billion),
- Telecom Italia Mobile in its pending €21 billion sale of the remaining public interests to Telecom Italia (integrating Italy's largest phone carrier and leading mobile operator),
- Mitsubishi Tokyo Financial Group in its pending merger with UFJ Holdings (the first contested transaction among Japanese banks, creating the world's largest financial institution as measured by assets as of the date of this prospectus),
- Hollinger International Inc. in its £730 million sale of the Telegraph Group Limited to Press Holdings International (owned by the Barclay brothers) in 2004 (the largest single title newspaper transaction as of the date of this prospectus),
- Fisher Scientific International Inc. in its $3.7 billion acquisition of Apogent Technologies Inc. in 2004 (creating a leading life sciences business),
- Bank One Corporation in its $59 billion sale to JPMorgan Chase & Co. in 2004 (creating the second largest bank in the U.S. as of the date of this prospectus),
- Canary Wharf Group PLC in its £5 billion sale of a majority interest to an investment consortium in 2004 (the largest ever public-to-private transaction for a listed real estate company as of the date of this prospectus),
- Alcan Inc. in its $7 billion acquisition of Pechiney in 2004 (creating the world's largest aluminum company based on revenue as of the date of this prospectus),
- Telecom Italia in its €25 billion sale of minority stockholder interests to Olivetti in 2003 (simplifying the ownership structure of one of Europe's largest telecommunications firms),
- Caisse des Dépôts et Consignations in its €16 billion partnership with Group Caisse d'Epargne in 2003 (completing the restructuring of the French public finance sector and creating a major universal bank), and
- Pfizer Inc. in its $89 billion acquisition of Warner-Lambert Company in 2000 (the largest unsolicited acquisition at the time) and in its $61 billion acquisition of Pharmacia (the largest announced acquisition in 2002).

In recent years, we have been an advisor in most of the largest and highest profile corporate restructurings around the world. Since 1999, we have advised on over 100 in and out-of-court restructurings comprising in excess of $300 billion of debt restructured. Our restructuring assignments have included, in the U.S., WorldCom Inc. ($38 billion of debt) and Reliant Resources ($9 billion of debt), in Italy, Parmalat ($27 billion of debt), in the U.K., Marconi Corporation plc ($8 billion of debt), in France and the U.K., Eurotunnel plc ($12 billion of debt) and in Korea, Daewoo ($50 billion of debt).

We were incorporated in Bermuda on October 25, 2004. Our registered office in Bermuda is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, with a general telephone number of (441) 295-1422. Our principal executive offices are located in the U.S. at 30 Rockefeller Plaza, New York, New York 10020, with a general telephone number of (212) 632-6000, in France at 121 Boulevard Haussmann, 75382 Paris Cedex 08, with a general telephone number of 33-1-44-13-01-11, in the U.K. at 50 Stratton Street, London W1J 8LL, with a general telephone number of 44-207-187-2000 and in Italy at via Dell'Orso 2, 20121 Milan, with a general telephone number of 39-02-723121. In total, we maintain offices in 27 cities worldwide. We maintain an Internet site at *www.lazard.com.* **Our website and the information contained on that site, or connected to that site, are not incorporated into this prospectus.**

Lazard's Organizational Structure

Lazard Ltd is a Bermuda holding company. After completion of this offering, Lazard Ltd will have no material assets other than ownership of approximately % of the common membership interests of Lazard Group, the Delaware limited liability company that holds our business. The remaining % of Lazard Group's common membership interests will be held by LAZ-MD Holdings, a holding company that will be owned by current and former managing directors of Lazard Group. The Lazard Group common membership interests held by LAZ-MD Holdings will be effectively exchangeable over time on a one-for-one basis for shares of our common stock, as described in "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

Lazard Ltd will hold a controlling interest in, and consolidate the financial statements of, Lazard Group. LAZ-MD Holdings' ownership interests in Lazard Group will be accounted for as a minority interest in our consolidated financial results after this offering.

Lazard Group distributions will be allocated to holders of Lazard Group common membership interests on a pro rata basis. As we will hold approximately % of the outstanding Lazard Group common membership interests immediately after this offering, we will receive approximately % of the aggregate distributions in respect of the Lazard Group common membership interests.

We will use the net proceeds of this offering and the additional financing transactions primarily to recapitalize Lazard Group, which transaction we refer to in this prospectus as the "recapitalization." As part of the recapitalization, Lazard Group will redeem outstanding membership interests of its historical partners.

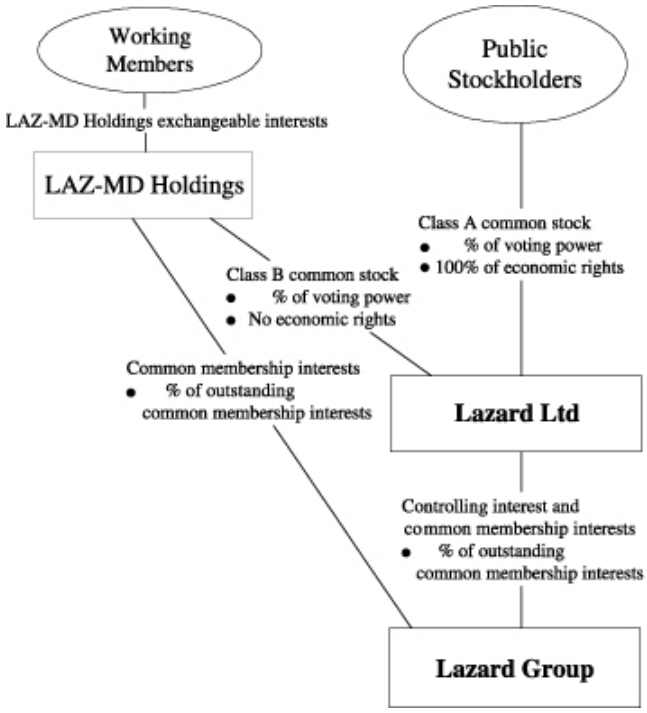
Prior to completing the recapitalization, Lazard Group will transfer its capital markets business, which is comprised of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, its merchant banking fund management activities other than its existing merchant banking business in France and specified non-operating assets and liabilities, to LFCM Holdings. We refer to these businesses, assets and liabilities as the "separated businesses" and these transfers collectively as the "separation." For a more detailed description of the separation and the separated businesses, see "The Separation and Recapitalization Transactions and the Lazard Organizational Structure," "Certain Relationships and Related Transactions—Relationships with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement" and "Risk Factors—Risks Related to the Separation."

Except as otherwise expressly noted, this prospectus describes Lazard Group's business as if the separation were complete for all purposes and for all periods described. The historical consolidated financial data of Lazard Group included in this prospectus, however, reflect the historical results of operations and financial position of Lazard Group, including the separated businesses. In addition to

other adjustments, the pro forma financial data included in this prospectus reflect financial data for Lazard Group and Lazard Ltd giving effect to the separation, as well as other adjustments made as a result of this offering and the additional financing transactions.

Each share of our common stock will entitle its holder to one vote per share. The share of our Class B common stock is intended to allow our managing directors to individually vote in proportion to their indirect economic interests in us. This will be effected by LAZ-MD Holdings, which holds our Class B common stock, entering into a stockholders' agreement with its members pursuant to which the members individually will be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. This means that if a member held a LAZ-MD Holdings exchangeable interest that was effectively exchangeable for 1,000 shares of our common stock, that member would be entitled to direct LAZ-MD Holdings how to vote 1,000 votes represented by our Class B common stock. Our Class B common stock will be entitled, on all matters submitted to a vote of the stockholders of Lazard Ltd, to the number of votes equal to the number of shares of our common stock that would be issuable if all of the then outstanding Lazard Group common membership interests issued to LAZ-MD Holdings were exchanged for shares of our common stock. We refer to this stockholders' agreement as the "LAZ-MD Holdings Stockholders' Agreement." Immediately after this offering, our Class B common stock will have % of the voting power of our company, which percentage will decrease proportionately as Lazard Group common membership interests are exchanged for shares of our common stock. In order to seek to avoid the possibility that LAZ-MD Holdings would be deemed to be an "investment company" for purposes of the U.S. Investment Company Act of 1940, as amended, or the "Investment Company Act," the voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. Our public stockholders initially will hold all shares of our common stock, representing approximately % of the voting power in our company and 100% of our capital stock on an economic basis. The Class B common stock will not have any economic rights.

The graphic below illustrates our expected pro forma ownership structure immediately following completion of this offering, assuming no exercise of the underwriters' over-allotment option. The graphic below does not display all of the subsidiaries of Lazard Ltd, Lazard Group and LAZ-MD Holdings (including those through which Lazard Ltd holds its interests in Lazard Group), all of the minority interests in Lazard Group (including the participatory interests to be granted to managing directors) or other securities we expect to issue or grant in connection with the additional financing transactions. For a more detailed graphic, we refer you to "The Separation and Recapitalization Transactions and the Lazard Organizational Structure" and, for a further discussion of minority interests, to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures and Indicators—Minority Interest."



The working members will receive, in exchange for their interests in Lazard Group, membership interests in LAZ-MD Holdings, including LAZ-MD Holdings exchangeable interests, in connection with the separation and recapitalization transactions. These LAZ-MD Holdings exchangeable interests are effectively exchangeable for shares of our common stock on the eighth anniversary of this offering. In addition, the LAZ-MD Holdings exchangeable interests held by our working members who continue to provide services to us or LFCM Holdings will, subject to certain conditions, generally be effectively exchangeable for shares of our common stock in equal increments on and after each of the third, fourth and fifth anniversaries of this offering. LAZ-MD Holdings and Lazard also have the right to cause the holders of LAZ-MD Holdings exchangeable interests to exchange all such remaining interests during the 30-day period following the ninth anniversary of this offering. Upon full exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock, the Class B common stock would cease to be outstanding, and all of the Lazard Group common membership interests formerly owned by LAZ-MD Holdings would be owned by Lazard Ltd. Pursuant to a master separation

agreement that we will enter into with Lazard Group, LAZ-MD Holdings and LFCM Holdings, a stockholders' committee will be formed and will have the ability to accelerate the exchangeability of these LAZ-MD Holdings exchangeable interests, with the prior approval of our board of directors. See "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests."

In connection with the separation and recapitalization transactions, our managing directors who are managing directors of LAM will retain their equity interests and phantom equity rights in LAM, which we refer to in this prospectus as "LAM equity units," and, accordingly, will not hold any membership interests in LAZ-MD Holdings. For a discussion of the LAM equity units, see "Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Financial Measures and Indicators—Minority Interest."

We anticipate that Lazard Ltd will be structured as a partnership for U.S. federal income tax purposes, though Lazard Ltd will be organized as a company under Bermuda law. We intend to operate our business in a manner that does not result in the allocation of any income or deductible expenses to our stockholders, other than amounts that we distribute to our stockholders.

We intend to undertake several transactions concurrently with this offering, including the additional financing transactions, in order to establish this organizational structure and effect the recapitalization of Lazard Group. For more information about these transactions, see "The Separation and Recapitalization Transactions and the Lazard Organizational Structure." Under the terms of the master separation agreement that we intend to enter into regarding the separation, we may withdraw the proposed transactions, including this offering, without liability at any time prior to the time that this offering is effected. See "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement" and "Risk Factors—Risks Related to the Separation."

Material U.S. Federal Income Tax and Bermuda Tax Considerations

Lazard Ltd is not subject to any Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax. In addition, under current Bermuda law, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by our stockholders in respect of our common stock.

We intend to operate our business so that, with respect to our common shares, each shareholder will generally be required to report on its U.S. federal income tax return only the amount of cash actually distributed to such shareholder. Lazard Ltd, our parent holding company, made an election to be treated as a partnership for U.S. federal income tax purposes. As a result, each stockholder will be required to report on its income tax return its allocable share of Lazard Ltd's income, gains, losses and deductions.

Because Lazard Ltd is a partnership for U.S. federal income tax purposes, Lazard Ltd itself will not pay any U.S. federal income tax, although Lazard Ltd's U.S. subsidiaries generally will be subject to U.S. federal income tax on a net income basis on their share of the income of Lazard Group and its subsidiaries, and Lazard Ltd's non-U.S. subsidiaries generally will be subject to U.S. federal income tax on a net income basis on the income of Lazard Group and its subsidiaries that is "effectively connected" with their conduct of a trade or business in the United States.

For additional information concerning the material tax consequences of investing in our common shares, see "Material U.S. Federal Income Tax and Bermuda Tax Considerations."

Relationship with LAZ-MD Holdings and LFCM Holdings

In addition to LAZ-MD Holdings' equity and voting interests in Lazard Ltd and Lazard Group as described above in "—Lazard's Organizational Structure," we will have ongoing relationships with LAZ-MD Holdings and LFCM Holdings and its subsidiaries after the separation and this offering, including several agreements with LAZ-MD Holdings and LFCM Holdings that are intended to define and regulate Lazard's ongoing relationship with LAZ-MD Holdings and LFCM Holdings after the separation and this offering. For a further discussion, see "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings."

Bermuda Law

The Companies Act 1981 of Bermuda, as amended, which we refer to in this prospectus as the "Companies Act," which applies to Lazard Ltd, differs in certain material respects from laws generally applicable to U.S. corporations and their stockholders. These differences include:

- Ÿ voting rights of stockholders,
- Ÿ the ability of a company to pay dividends,
- Ÿ stockholders' ability to call meetings,
- Ÿ access to books and records by the general public and stockholders,
- Ÿ duties of directors,
- Ÿ the rights of stockholders to bring class action derivative lawsuits,
- Ÿ the rights of stockholders in mergers and similar transactions and in takeovers, and
- Ÿ the scope of indemnification available to directors and officers.

For more information on the rights under the Companies Act, including where relevant, information on Lazard Ltd's bye-laws, and a comparison to Delaware corporate law, see "Description of Capital Stock—Delaware Law" and "Certain Relationships and Related Transactions—Certain Relationships with Our Directors, Executive Officers and Employees—Director and Officer Indemnification."

The Offering

Common stock offered by Lazard Ltd(a)	shares
Capital stock to be outstanding immediately following this offering:	
Class A common stock(b)	shares
Class B common stock	1 share
Lazard Group common membership interests to be outstanding immediately after the offering:	
Owned by Lazard	interests
Owned by LAZ-MD Holdings(c)	interests
Additional Financing Transactions	Concurrently with this offering, Lazard Ltd, Lazard Group or one or more of their subsidiaries intend to sell additional securities to raise estimated net proceeds of approximately $. These additional financing transactions may involve one or more registered public offerings or private placements, including to foreign investors. The terms of the additional financing transactions have not yet been finalized. The completion of these additional financing transactions and this offering will be conditioned upon the completion of each of the other financings.
Use of Proceeds	We will use the net proceeds from this offering, as well as the net proceeds from the additional financing transactions, primarily to redeem membership interests held by the historical partners, through the transactions described below.

(a) Excludes all of the shares of common stock that may be purchased by the underwriters pursuant to the exercise of the underwriters' over-allotment option. Unless specifically noted, information in this prospectus does not give effect to the possible exercise, in whole or in part, of the underwriters' over-allotment option.

(b) Includes the shares of common stock to be sold pursuant to this offering, but excludes (1) shares of our common stock that will be issuable in connection with future exchanges of common membership interests in Lazard Group held by LAZ-MD Holdings, which Lazard Group common membership interests will be effectively exchangeable for shares of our common stock on a one-for-one basis, (2) shares of our common stock issuable in connection with the other exchangeable securities that we expect to issue as part of the additional financing transactions and (3) shares of our common stock reserved for issuance in connection with our equity incentive plans. If, immediately following this offering, LAZ-MD Holdings exchanged all of its Lazard Group common membership interests, LAZ-MD Holdings would own shares of our common stock, representing approximately % of our outstanding common stock (approximately % if the underwriters' over-allotment option is exercised in full). See "Description of Capital Stock."

(c) The Lazard Group common membership interests held by LAZ-MD Holdings will be effectively exchangeable over time, on a one-for-one basis, for shares of our common stock, as described in "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

By Lazard Ltd	Based upon an initial public offering price of $ per share (the midpoint of the range of initial public offering prices set forth on the cover page of this prospectus), we expect to receive net proceeds from our sale of common stock in this offering of approximately $ after deducting underwriting discounts and commissions and estimated expenses. We will contribute all of the net proceeds of this offering to Lazard Group in exchange for the issuance of common membership interests in Lazard Group, representing % of the outstanding Lazard Group common membership interests, and for our controlling interest in Lazard Group. The price of each of the Lazard Group common membership interests that we acquire will equal the amount of net proceeds per share that we receive from this offering.
By Lazard Group	Lazard Group will use the net proceeds from the sale of the common membership interests to Lazard, along with the net proceeds of the additional financing transactions, primarily to redeem all of the classes of membership interests held by the historical partners for an aggregate redemption price of approximately $1.6 billion. In addition, an estimated $150 million of additional net proceeds will be transferred to LAZ-MD Holdings and LFCM Holdings. These funds will be available to fund the operating requirements of the separated businesses, LAZ-MD Holdings' obligation to redeem its capital interests over time pursuant to the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings and for general corporate purposes. Any remaining amounts of net proceeds will be retained by Lazard Group for its general corporate purposes.
Voting Rights	Each share of our common stock will entitle its holder to one vote per share. The share of our Class B common stock is intended to allow our managing directors to individually vote in proportion to their indirect economic interests in us. Pursuant to the LAZ-MD Holdings stockholders' agreement, the members of LAZ-MD Holdings will individually be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. The single share of Class B common stock held by LAZ-MD Holdings will be entitled to votes (representing approximately % of the voting power in our company), which is the number of Lazard Group common membership interests held by LAZ-MD Holdings immediately after the separation and recapitalization transactions. Specifically, on all matters submitted to a vote of our stockholders, the single share of Class B common stock held by LAZ-MD Holdings will entitle LAZ-MD Holdings to the number of votes equal to the number of shares of our common stock that would be issuable if all of the then outstanding Lazard Group common membership

	interests issued to LAZ-MD Holdings were exchanged for shares of our common stock on the applicable record date. The voting power of the Class B share will decrease proportionately as Lazard Group common membership interests are exchanged for shares of our common stock. In order to seek to avoid the possibility that LAZ-MD Holdings would be deemed to be an "investment company" for purposes of the Investment Company Act, the voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. See "The Separation and Recapitalization Transactions and the Lazard Organizational Structure" and "Description of Capital Stock." For a description of the LAZ-MD Holdings stockholders' agreement addressing how LAZ-MD Holdings will vote its share of Class B common stock, see "Certain Relationships and Related Transactions—LAZ-MD Holdings Stockholders' Agreement."
Economic Rights	Pursuant to our bye-laws, each share of our common stock is entitled to equal economic rights. However, the Class B common stock will have no rights to dividends or any liquidation preference.
Dividend Policy	We currently intend to declare quarterly dividends on all outstanding shares of our common stock and expect our initial quarterly dividend to be approximately $ per share, payable in respect of the quarter of 2005. We expect that the initial dividend will be prorated for the portion of that quarter following the closing of this offering. The declaration of this and any other dividends and, if declared, the amount of any such dividend, will be subject to our actual future earnings, cash flow and capital requirements, the amount of distributions to us from Lazard Group and the discretion of our board of directors. For a discussion of the factors that will affect the determination by our board of directors to declare dividends, see "Dividend Policy."
Risk Factors	For a discussion of factors you should consider before buying shares of common stock, see "Risk Factors."
Proposed NYSE Symbol	LAZ

Summary Consolidated Financial Data

The following table sets forth the historical summary consolidated income statement data for Lazard Group, including the separated businesses, for all periods presented. The table also presents certain pro forma consolidated financial data for Lazard Ltd and Lazard Group on a consolidated basis.

The historical financial statements do not reflect what our results of operations and financial position would have been had we been a stand-alone, public company for the periods presented. Specifically, our historical results of operations do not give effect to the matters set forth below.

- Ÿ The separation, which is described in more detail in "The Separation and Recapitalization Transactions and the Lazard Organizational Structure" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Ÿ Payment for services rendered by Lazard Group's managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members' capital, or in some cases as minority interest, rather than as employee compensation and benefits expense. As a result, Lazard Group's operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors to us in employee compensation and benefits expense.
- Ÿ U.S. corporate federal income taxes, since Lazard Group has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group's income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on Lazard Group's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to the New York City Unincorporated Business Tax, or "UBT," attributable to Lazard Group's operations apportioned to New York City.
- Ÿ Minority interest expense reflecting LAZ-MD Holdings' ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.
- Ÿ The use of proceeds from this offering and the additional financing transactions.
- Ÿ The incremental expense related to the additional financing transactions.

The unaudited pro forma data set forth below are derived from the unaudited pro forma financial statements included elsewhere in this prospectus. The data reflect the separation and recapitalization transactions and the completion of this offering and the additional financing transactions as if they had occurred as of January 1, 2003, and are included for informational purposes only and do not purport to represent what our results of operations would actually have been had we operated as a separate, independent company during the periods presented, nor do the pro forma data give effect to any events other than those discussed above and in the related notes. As a result, the pro forma operating results are not necessarily indicative of the operating results for any future period. See "Unaudited Pro Forma Financial Information" included elsewhere in this prospectus.

The historical consolidated statement of income data for the years ended December 31, 2000, 2001, 2002 and 2003 have been derived from Lazard Group's consolidated financial statements audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited

consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 are included elsewhere in this prospectus. The audited consolidated financial statements for the year ended December 31, 2000 are not included in this prospectus. The historical combined statement of income data for the year ended December 31, 1999 has been derived from Lazard Group's unaudited combined financial statements, which are not included in this prospectus. The historical consolidated statement of income data for the nine months ended September 30, 2003 and 2004 have been derived from Lazard Group's unaudited consolidated financial statements, which are included elsewhere in this prospectus. The September 30, 2003 and 2004 as well as the December 31, 1999 financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. Historical results are not necessarily indicative of results for any future period and interim results are not necessarily indicative of results for any future interim period.

The summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Financial Information" and Lazard Group's historical consolidated financial statements and related notes included elsewhere in this prospectus. See also "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

Summary Consolidated Financial Data

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1999(a)	2000	2001	2002	2003	2003	2004
	($ in thousands, except as otherwise noted and except for per share data)						
Lazard Group—Historical Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)	$ 662,555	$ 766,856	$ 551,356	$ 532,896	$ 690,967	$480,162	$406,126
Asset Management (c)	385,529	457,124	410,237	454,683	350,348	225,361	289,956
Corporate (d)	71,352	34,432	(14,392)	(4,768)	6,500	(6,073)	4,734
Capital Markets and Other	365,985	294,388	224,854	183,468	135,569	106,619	134,112
Net Revenue (e)	1,485,421	1,552,800	1,172,055	1,166,279	1,183,384	806,069	834,928
Employee Compensation and Benefits	474,503	570,064	524,417	469,037	481,212	351,392	401,901
Other Operating Expenses	265,532	306,339	288,676	321,197	312,818	201,305	237,461
Operating Income	745,386	676,397	358,962	376,045	389,354	253,372	195,566
Income Allocable to Members Before Extraordinary Item	676,898	558,708	305,777	297,447	250,383	171,924	128,809
Net Income Allocable to Members	676,898	558,708	305,777	297,447	250,383	171,924	134,316(f)
Lazard Group—Pro Forma Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$480,162	$406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (g)							
Operating Income (h)							
Net Income (i)							
Lazard Ltd Consolidated—Pro Forma Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$480,162	$406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (g)							
Operating Income (h)							
Net Income (Before LAZ-MD Holdings' Minority Interest) (j)							
Net Income (After LAZ-MD Holdings' Minority Interest) (k)							
Pro Forma Diluted Net Income Per Share, as Adjusted for this Offering (l)							
Pro Forma Diluted Weighted Average Common Shares, as Adjusted for this Offering (l)							
Other Lazard Group Historical Data							
Dollar Value of Mergers and Acquisitions ("M&A") Deals Completed (in millions) (m)	$ 171,311	$ 383,061	$ 154,848	$ 86,512	$ 187,426	$156,280	$167,399
Number of M&A Deals Completed Greater than $1 Billion (n)	19	47	29	21	28	22	24
Assets Under Management (in millions):							
Ending	$ 82,440	$ 79,510	$ 73,108	$ 63,685	$ 78,371	$ 67,838	$ 78,494
Average (o)	76,567	81,147	75,705	69,791	66,321	63,309	78,711
Managing Director Headcount (as of the end of each period):							
Financial Advisory	85	100	88	103	118	118	130
Asset Management	14	15	19	19	24	24	35
Corporate	8	8	8	8	8	8	9
Capital Markets and Other	22	24	30	30	32	32	32
Total	129	147	145	160	182	182	206

***Notes ($ in thousands)*:**

(a) The unification of the Houses of Lazard, which previously operated as separate firms or private limited companies, was completed as of January 3, 2000. Financial data for the periods commencing January 1, 2000 represent the consolidated results of operations for the merged entity, Lazard Group. Accordingly, data presented for 1999, the year prior to the merger, represent "combined" rather than "consolidated" data. Management believes that such combined data has been prepared on a comparable basis, in all material respects, to what the consolidated results of operations would have been for Lazard Group had the merger been consummated on January 1, 1999.

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

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
M&A	$ 636,893	$ 724,550	$ 492,083	$ 393,082	$ 419,967	$ 290,374	$ 315,373
Financial Restructuring	9,700	34,100	55,200	124,800	244,600	174,300	51,200
Other Financial Advisory	15,962	8,206	4,073	15,014	26,400	15,488	39,553
Financial Advisory Net Revenue	$ 662,555	$ 766,856	$ 551,356	$ 532,896	$ 690,967	$ 480,162	$ 406,126

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

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
Management and Other Fees	$ 379,829	$ 405,124	$ 386,237	$ 381,256	$ 312,123	$ 223,386	$ 284,638
Incentive Fees	5,700	52,000	24,000	73,427	38,225	1,975	5,318
Asset Management Net Revenue	$ 385,529	$ 457,124	$ 410,237	$ 454,683	$ 350,348	$ 225,361	$ 289,956

(d) "Corporate" includes interest income (net of interest expense), investment income from certain long-term investments and net money market revenue earned by Lazard Frères Banque SA, which we refer to in this prospectus as "LFB."

(e) Net revenue is presented after reductions for dividends relating to Lazard Group's mandatorily redeemable preferred stock issued in March 2001. Preferred dividends are reflected in corporate net revenue and amounted to $6,312, $8,000, $8,000, $6,000 and $6,000 in the years ended December 31, 2001, 2002 and 2003 and the nine months ended September 30, 2003 and 2004, respectively.

(f) Net income allocable to members for the nine months ended September 30, 2004 is shown after an extraordinary gain of approximately $5,507 related to the January 2004 acquisition of the assets of Panmure Gordon.

(g) Represents net revenue after giving effect to the separation and recapitalization and the incremental interest expense related to the additional financing transactions.

(h) Represents operating income after giving effect to the separation and recapitalization, including the pro forma adjustments related to the additional financing transactions and to employee compensation and benefits expense. See "Unaudited Pro Forma Financial Information."

(i) Represents Lazard Group net income after giving effect to the adjustments described in notes (g) and (h) above and a provision for estimated income taxes related thereto at the estimated effective tax rate for the applicable period. Lazard Group 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 has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on Lazard Group's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to UBT attributable to Lazard Group's operations apportioned to New York City.

(j) Represents Lazard's consolidated net income after giving effect to the adjustments described in notes (g), (h) and (i) above, and a provision for income taxes based on an estimated effective tax rate, but before minority interest expense relating to LAZ-MD Holdings' ownership of Lazard Group common membership interests. See "Risk Factors—Risks Related to Our Business—In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our pro forma financial statements."

(k) Represents Lazard's consolidated net income as described in note (j) above, shown after minority interest expense, which will be recorded to reflect LAZ-MD Holdings' ownership of Lazard Group common membership interests, and an adjustment to income taxes based on an estimated effective tax rate.

(l) Calculated after giving effect to the adjustments as described in note (k) above and based on million weighted average diluted shares outstanding.

(m) *Source:* Thomson Financial. Represents the U.S. dollar value of completed transactions globally in which Lazard Group acted as an advisor to a party to the transaction. The types of transactions included by Thomson are global M&A, partial company sales, asset sales, joint ventures, spin-offs and restructuring assignments in which a change in control occurs. The value of a completed transaction is equal to the consideration paid for the equity of the target plus net debt assumed (net debt equals the liabilities assumed less cash held by the target).

(n) *Source:* Thomson Financial. Represents the number of completed M&A transactions globally in which Lazard Group acted as an advisor to a party to the transaction and in which the value of the transaction was greater than $1 billion.

(o) Calculated using the average of quarter-end AUM balances during the respective period.

Recent Developments

During the fourth quarter of 2004, we experienced an increased rate of revenue growth in comparison to revenue growth during the first nine months of 2004, such that we estimate that full year 2004 Mergers and Acquisitions net revenue will be up approximately 14% from 2003. This reflects an improvement relative to the increase in net revenue of 9% for the nine months ended September 30, 2004 over the comparable period in 2003 due to an increase in net revenue of approximately 28% in the fourth quarter of 2004 over the same period in 2003. In addition, we believe that the level of our business activity has increased as evidenced by our involvement in several prominent recently announced transactions, including our representation of Telecom Italia Mobile in its pending €21 billion sale of the remaining public interests to Telecom Italia, Mitsubishi Tokyo Financial Group in its pending merger with UFJ Holdings and Nextel Communications in its pending $70 billion merger-of-equals with Sprint Corporation. We also recently announced our entry into strategic alliances with prominent, locally-based advisory firms in Brazil and Argentina, which we believe should better position us to take advantage of opportunities in those countries.

In our Asset Management business, our current AUM have risen to approximately $86 billion as of December 31, 2004, from $78.5 billion as of September 30, 2004, reflecting recent market appreciation. This growth contributes to our expectation of approximately 25% year-over-year management fee revenue growth for 2004. For the full year 2004, the significant year-over-year growth that we expect to realize in Asset Management net revenue will have been achieved without realizing a significant amount of performance-based incentive fees from our alternative investments area, a business that we have been making recent efforts to expand in order to capitalize on its potential.

RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus, including our consolidated financial statements and related notes, before deciding to purchase shares of our common stock offered by this prospectus. The risk factors set forth below primarily relate to the business of Lazard Group. These risks also affect Lazard because, after the completion of this offering, Lazard will have no material assets other than direct and indirect ownership of approximately % of the common membership interests in Lazard Group and its controlling interest in Lazard Group. The following risks comprise material risks of which we are aware. If any of the events or developments described below actually occurred, our business, financial condition or results of operations would likely suffer. In that case, the trading price of our common stock would likely decline, and you could lose part or all of your investment in our common stock.

Risks Related to Our Business

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

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

Lazard Group has experienced several significant events in recent years, including our unification under one global firm, the transition to new senior management and our pending transformation from a private to a public company, and our industry in general continues to experience change and competitive pressures for retaining top talent, each of which makes it more difficult for us to retain professionals. If any of our managing directors and other key professional employees were to join an existing competitor or form a competing company or otherwise leave us, some of our clients could choose to use the services of that competitor or some other competitor instead of our services. The employment arrangements, non-competition agreements and retention agreements we have entered into or intend to enter into with our managing directors and other key professional employees and restrictive covenants applicable to our LAM managing directors may not prevent our managing directors and other key professional employees from resigning from practice or competing against us. See “Management—Arrangements with Our Managing Directors.” As part of our transformation to a public company, we may face additional retention pressures as a result of reductions in payments for services rendered by our managing directors. As a result, we may not be able to retain these employees and, even if we can, we may not be able to retain them at compensation levels that will allow us to achieve our target ratio of compensation expense-to-operating revenue. In addition, any such arrangements and agreements will have a limited duration and will expire after a certain period of time.

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

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. For example, revenue generated by our Financial Advisory business is directly related to the volume and value of the transactions in which

we are involved. During periods of unfavorable market or economic conditions, the volume and value of mergers and acquisitions transactions may decrease, thereby reducing the demand for our Financial Advisory services and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the volume or value of mergers and acquisitions transactions. In addition, our profitability would be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors, including rising interest rates or inflation, terrorism or political uncertainty.

Within our Financial Advisory business, we have typically seen that, during periods of economic strength and growth, our Mergers and Acquisitions practice historically has been more active and our Financial Restructuring practice has been less active. Conversely, during periods of economic weakness and slowdown, we typically have seen that our Financial Restructuring practice has been more active and our Mergers and Acquisitions practice has been less active. As a result, our revenue from our Financial Restructuring practice has tended to correlate negatively to our revenue from our Mergers and Acquisitions practice over the course of business cycles. These trends are cyclical in nature and subject to periodic reversal. For example, for the nine months ended September 30, 2004, Financial Restructuring net revenue was down 71% versus the comparable period in 2003, while Mergers and Acquisitions net revenue was up 9% versus the comparable period in 2003. However, these trends do not cancel out the impact of economic conditions in our Financial Advisory business, which may be adversely affected by a downturn in economic conditions leading to decreased Mergers and Acquisitions practice activity, notwithstanding improvements in our Financial Restructuring practice. Moreover, revenue improvements in our Financial Advisory practice in strong economic conditions could be offset in whole or in part by any related revenue declines in our Financial Restructuring practice. While we generally have experienced a countercyclical relationship between our Mergers and Acquisitions practice and our Financial Restructuring practice, this relationship may not continue in the future.

Our Asset Management business also would be expected to generate lower revenue in a market or general economic downturn. Under our Asset Management business' arrangements, investment advisory fees we receive typically are based on the market value of AUM. Accordingly, a decline in the prices of securities would be expected to cause our revenue and income to decline by:

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

If our Asset Management revenue declines without a commensurate reduction in our expenses, our net income will be reduced. In addition, in the event of a market downturn, our merchant banking practice also may be impacted by reduced exit opportunities in which to realize the value of its investments.

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

We historically have earned a substantial portion of our revenue from advisory fees paid to us by our Financial Advisory clients, which fees usually are payable upon the successful completion of a

particular transaction or restructuring. In 2003, Financial Advisory services accounted for 66% of our net revenue from continuing operations. We expect that we will continue to rely on Financial Advisory fees for a substantial portion of our revenue for the foreseeable future, and a decline in our advisory engagements or the market for advisory services would adversely affect our business, financial condition and results of operations.

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

There will not be a consistent pattern in our financial results from period to period, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our common stock to decline.

We experience significant fluctuations in revenue and profits. These fluctuations generally can be attributed to the fact that we earn a significant portion of our Financial Advisory revenue upon the successful completion of a merger or acquisition transaction or a restructuring, the timing of which is uncertain and is not subject to our control. In addition, our Asset Management revenue is particularly sensitive to fluctuations in our AUM. Asset Management fees are often based on AUM as of the end of a quarter or month. As a result, a reduction in assets at the end of a quarter or month (as a result of market depreciation, withdrawals or otherwise) will result in a decrease in management fees. As a result of quarterly fluctuations, it may be difficult for us to achieve steady earnings growth on a quarterly basis, which could, in turn, lead to large adverse movements in the price of our common stock or increased volatility in our stock price generally.

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

If the number of debt defaults, bankruptcies or other factors affecting demand for our Financial Restructuring services declines, or certain changes are effected to the U.S. Bankruptcy Code, our Financial Restructuring practice's revenue could suffer.

We provide various financial restructuring and restructuring-related advice to companies in financial distress or to their creditors or other stakeholders. During 2002 and 2003, we generated a

significant part of our Financial Advisory revenue from fees from financial restructuring-related services. A number of factors affect demand for these advisory services, including general economic conditions, the availability and cost of debt and equity financing and changes to laws, rules and regulations, including deregulation or privatization of particular industries and those that protect creditors.

For example, some of our competitors are supporting Congressional bills to change the requirement of Section 327 of the U.S. Bankruptcy Code requiring that one be a “disinterested person” to be employed in a restructuring. While the “disinterested person” definition of the U.S. Bankruptcy Code, as currently in effect, disqualifies certain of our competitors, it historically has not often disqualified us from obtaining a role in a restructuring because we have not been a significant underwriter of securities. If the “disinterested person” definition were changed to allow for more financial services firms to compete for restructuring engagements, our Financial Restructuring practice, and thereby our results of operations, could be materially adversely affected.

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

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

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

If key employees were to leave our Asset Management business, whether to join a competitor or otherwise, we may suffer a decline in revenue or earnings. For example, in 2003, we experienced a net outflow in alternative investments AUM of approximately $2.7 billion, mostly due to the departure of a fund manager and related team members in our hedge fund products group. This also resulted in a significant reduction in both management and performance fees. Loss of key employees may occur due to perceived opportunity for promotion, increased compensation, work environment or other individual reasons, some of which may be beyond our control.

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

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

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

Our investment advisory contracts are generally terminable upon very short notice. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationship with us, reduce the aggregate amount of AUM or shift their funds to other types of accounts with different rate structures for a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. Poor performance relative to other investment management firms tends to result in decreased investments in our investment products, increased redemptions of our investment products, and the loss of institutional or individual accounts or strategic alliances. In addition, the ability to terminate relationships may allow clients to renegotiate for lower fees paid for asset management services.

In addition, in the U.S., as required by the Investment Company Act, each of our investment advisory contracts with the mutual funds we advise or subadvise automatically terminates upon its "assignment." Each of our other investment advisory contracts subject to the provisions of the Investment Advisers Act of 1940, as amended, as required by this act, provides that the contract may not be "assigned" without the consent of the customer. A sale of a sufficiently large block of shares of our voting securities or other transactions could be deemed an "assignment" in certain circumstances. An assignment, actual or constructive, will trigger these termination provisions and could adversely affect our ability to continue managing client accounts.

The separation and recapitalization may result in an "assignment" of investment advisory contracts. We are in the process of taking the steps necessary to enter into new advisory or subadvisory agreements with the mutual funds that we advise or subadvise. A portion of these new mutual fund advisory agreements require approval by the stockholders of the respective funds. In addition, we have requested that our advisory clients consent to the continuation of our advisory agreements after the completion of this offering. In the event that any of these clients do not consent to a continuation of their agreement, we will lose AUM, which will result in a loss of revenue.

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

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

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

We intend to expand our participation in merchant banking activities through investments in new and successor funds, and we may exercise our option under the business alliance agreement between Lazard Group and LFCM Holdings to acquire the merchant banking business and related principal investments from LFCM Holdings. For further information with respect to our option, see "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Business Alliance Acquisition."

The revenue from this business is derived primarily from management fees calculated as a percentage of AUM and incentive fees, which are earned if investments are profitable over a specified threshold. Our ability to form new merchant banking funds is subject to a number of uncertainties, including past performance of our funds, market or economic conditions, competition from other fund managers and the ability to negotiate terms with major investors. In addition, the payments we are entitled to receive from LFCM Holdings under the terms of the business alliance agreement in respect of our continued involvement with LFCM Holdings will be based on the carried interests received in connection with LFCM Holdings-managed funds.

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

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

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

We face increased competition due to a trend toward consolidation. In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services revenue in an effort to gain market share, which could result in pricing pressure in our businesses.

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

After completion of this offering and the additional financing transactions, Lazard Group and its subsidiaries expect to have approximately $ million in debt outstanding. In general, we expect that this debt will have certain mandated payment obligations, which may constrain our ability to

operate our business or to pay dividends. In addition, in the future we may need to incur debt or issue equity in order to fund our working capital requirements or refinance existing indebtedness, as well as to make acquisitions and other investments. The amount of our debt obligations may impair our ability to raise debt or issue equity for financing purposes. Our access to funds also may be impaired if regulatory authorities take significant action against us, or if we discover that any of our employees had engaged in serious unauthorized or illegal activity. In addition, our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place us on "credit watch" with negative implications at any time. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We may pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs and could dilute the stock ownership of our stockholders.

We have in the past pursued joint ventures and other transactions aimed at expanding the geography and scope of our operations. In 2002 we entered into a business alliance in Italy with Banca Intesa S.p.A., or "Intesa," and we recently established a joint venture in Brazil with Signatura Advisors Ltda. We expect to continue to explore partnership opportunities that we believe to be attractive. In addition, with publicly traded securities to potentially use to finance acquisitions, we believe that we will have greater opportunities and flexibility to pursue acquisitions and other similar transactions. While we are not currently in negotiations with respect to material acquisitions or material joint ventures, we routinely assess our strategic position and may in the future seek acquisitions or other transactions to further enhance our competitive position.

Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management, difficulty with integrating personnel and financial and other systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations. Our clients may react unfavorably to our acquisition and joint venture strategy, we may not realize any anticipated benefits from acquisitions, and we may be exposed to additional liabilities of any acquired business or joint venture, any of which could materially adversely affect our revenue and results of operations. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of our common stock, which may dilute your ownership of us.

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

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

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

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

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

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

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

Particularly in our Asset Management business, we rely heavily on our financial, accounting, trading, compliance and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. The inability of our systems to accommodate an increasing volume of transactions also could constrain our ability to expand our businesses. In recent years, we have substantially upgraded and expanded the capabilities of our data processing systems and other operating technology, and we expect that we will need to continue to upgrade and expand these capabilities in the future to avoid disruption of, or constraints on, our operations.

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

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory

organizations, as well as state securities commissions in the U.S., are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. In addition, the regulatory environment in which we operate is subject to modifications and further regulation. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly monitor and react to these changes. For example, the European Union Financial Conglomerates Directive requires that we, along with a number of our competitors, be subject to consolidated supervision by a primary regulatory authority. As a result, we are in discussions with regulatory authorities regarding establishing consolidated supervision of our business, and we may be required to increase our regulatory capital. This requirement may adversely affect our profitability and result in other increased costs. In addition, the regulatory environment in which our clients operate may impact our business. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of mergers and acquisitions activity and changes in state laws may limit investment activities of state pension plans. See “Business—Regulation” for a further discussion of the regulatory environment in which we conduct our businesses.

In particular, for asset management businesses in general, there have been a number of highly publicized regulatory inquiries that focus on the mutual funds industry. These inquiries already have resulted in increased scrutiny in the industry and new rules and regulations for mutual funds and their investment managers. This regulatory scrutiny and rulemaking initiatives may result in an increase in operational and compliance costs or the assessment of significant fines or penalties against our Asset Management business, and may otherwise limit our ability to engage in certain activities.

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

Specific regulatory changes also may have a direct impact on the revenue of our Asset Management business. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. For example, the use of “soft dollars,” where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, may in the future be limited or prohibited. Although a substantial portion of the research relied on by our Asset Management business in the investment decision-making process is generated internally by our investment analysts, external research, including external research paid for with soft dollars, is important to the process. This external research generally is used for information gathering or verification purposes, and includes broker-provided research, as well as third-party provided databases and research services. For the year ended December 31, 2003, our Asset Management business obtained research and other services through soft dollar arrangements, the total cost of which we estimate to be approximately $8.5 million. If the use of soft dollars is limited or prohibited, we may have to bear these costs. In addition,

new regulation regarding the annual approval process for mutual fund advisory agreements may result in the reduction of fees or possible terminations of these agreements. Other proposed rules that are currently under consideration include potential limitations on investment activities in which an advisor may engage, such as hedge funds and mutual funds, increased disclosure of advisor and fund activities and changes in compensation for mutual fund sales. These regulatory changes and other proposed or potential changes may result in a reduction of revenue associated with these activities.

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

Because our financial statements are denominated in U.S. dollars and we receive approximately 40% of our revenue in other currencies, predominantly in euros and British pounds, we are exposed to fluctuations in foreign currencies. In addition, we pay a significant amount of our expenses in such currencies. The exchange rates of these currencies versus the U.S. dollar may affect our net income. We do not generally hedge such non-dollar foreign exchange rate exposure arising in our subsidiaries outside of the U.S. Fluctuations in foreign currencies may also make period to period comparisons of our results of operations difficult.

Foreign currency fluctuations also can impact the portfolios of our Asset Management clients. Client portfolios are invested in securities across the globe, although most portfolios are in a single base currency. Foreign currency fluctuations can adversely impact investment performance for a client's portfolio. In addition, foreign currency fluctuations may affect the levels of our AUM. As our AUM include significant assets that are denominated in currencies other than U.S. dollars, an increase in the value of the U.S. dollar relative to non-U.S. currencies may result in a decrease in the dollar value of our AUM, which, in turn, would result in lower U.S. dollar denominated revenue in our Asset Management business. While this risk may be limited by foreign currency hedging, some risks cannot be hedged and there is no guarantee that our hedging activity will be successful. Poor performance may result in decreased AUM, including as a result of withdrawal of client assets or a decrease in new assets being raised in the relevant product.

Earnings of Lazard Group allocable to LAZ-MD Holdings may be taxed at higher tax rates than earnings allocable to Lazard Ltd, which may result in less cash being available to Lazard Group than would otherwise be available to it.

We estimate that our share of the earnings of Lazard Group will be taxed at an effective rate of approximately % as discussed in Note (f) in the "Notes to Pro Forma Condensed Consolidated Statements of Income" included elsewhere in this prospectus. As a result of their indirect interests in Lazard Group prior to exchange of those interests, however, we estimate that the managing directors of Lazard Group and other owners of LAZ-MD Holdings are likely to pay tax at a higher rate on their allocable share of Lazard Group's earnings than we will. Lazard Group will make tax-related distributions based on the higher of the effective income and franchise tax rate applicable to Lazard Ltd subsidiaries that hold the Lazard Group common membership interests and the weighted average income tax rate (based on income allocated) applicable to LAZ-MD Holdings' members, determined in accordance with LAZ-MD Holdings' operating agreement. Therefore, because distributions by Lazard Group to its members will be made on a pro rata basis, tax-related distributions to us (or our subsidiaries) are expected to exceed the taxes we or our subsidiaries actually pay. This may result in less cash being available to Lazard Group than would otherwise be available to it, and in excess cash being held by Lazard Ltd or some of our subsidiaries. Prior to the third anniversary of the consummation of this offering and thereafter, we expect to issue a dividend to our stockholders of any such excess cash. In the event that tax rates applicable to members of LAZ-MD Holdings increase, the pro rata distributions from Lazard Group to its members, including Lazard Ltd, may increase correspondingly.

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

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

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

Our estimated effective tax rate of % is based upon the application of currently applicable income tax laws, regulations and treaties and current judicial and administrative authorities interpreting those income tax laws, regulations and treaties and upon our non-U.S. subsidiaries' ability to qualify for benefits under those treaties. Moreover, those income tax laws, regulations and treaties, and the administrative and judicial authorities interpreting them, are subject to change at any time, and any such change may be retroactive.

On October 22, 2004, the American Jobs Creation Act of 2004, or the "AJCA," was enacted. Under the AJCA, non-U.S. corporations meeting certain ownership, operational and other tests are treated as U.S. corporations for U.S. federal income tax purposes. We do not believe that the AJCA should apply to Lazard or any of its non-U.S. subsidiaries. However, the AJCA grants broad regulatory authority to the Secretary of the Treasury to provide such regulations as may be appropriate to determine whether a non-U.S. corporation is treated as a U.S. corporation or as are necessary to carry out the provision, including adjusting its application as necessary to prevent the avoidance of its purposes. It is uncertain whether, or in what form, regulations will be issued under this provision, but, based on the advice of our counsel, we do not believe this provision or any regulation promulgated within the scope of its regulatory authority should apply to Lazard Ltd or its non-U.S. subsidiaries. A successful challenge of this position by the Internal Revenue Service, or the "IRS," could result in Lazard Ltd or its non-U.S. subsidiaries being treated as U.S. corporations for U.S. federal income tax purposes, which would result in an overall tax rate substantially higher than the rate reflected in our pro forma financial statements.

Our estimated effective tax rate is also based upon our non-U.S. subsidiaries qualifying for treaty benefits. The eligibility of our non-U.S. subsidiaries for treaty benefits generally depends upon, among other things, at least 50% of the principal class of shares in such subsidiaries being "ultimately owned" by U.S. citizens and persons that are "qualified residents" for purposes of the treaty. This requirement may not be met and even if it is met, we may not be able to document that fact to the satisfaction of the IRS. If our non-U.S. subsidiaries are not treated as eligible for treaty benefits, such subsidiaries will be subject to U.S. "branch profits tax" on their "effectively connected earnings and profits" (as determined for U.S. federal income tax purposes) at a rate of 30% rather than a treaty rate of 5%. See "Material U.S. Federal Income Tax and Bermuda Tax Considerations—Taxation of Lazard and its Subsidiaries—U.S. Subsidiaries and Effectively Connected Income of Non-U.S. Subsidiaries."

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

A number of our managing directors and other professional employees own rights to participate in the equity value, but not the earnings, in one of the principal operating subsidiaries of our Asset Management business, which could result in those persons receiving additional payments due to future actions with respect to that business.

The managing directors of LAM and other LAM employees hold LAM equity units. These LAM equity units entitle their holders to payments in connection with selected fundamental transactions affecting Lazard Group or LAM, including a dissolution or a sale of all or substantially all of the assets of Lazard Group or LAM, a merger of, or sale of all of the interests in, LAM whereby Lazard Group ceases to own a majority of or have the right to appoint a majority of the board of LAM, or a non-ordinary course sale of assets by LAM that exceeds $50 million in value. These persons will not receive LAZ-MD Holdings exchangeable interests in connection with the separation and recapitalization transactions, but will retain their existing LAM equity units.

As a general matter, in connection with a fundamental transaction that triggers the LAM equity units, the holders of the LAM equity units would be entitled in the aggregate to 21.75% of the net proceeds or imputed valuation of LAM in such transaction after deductions for payment of creditors of LAM and the return of capital in LAM. Holders of LAM equity units may not necessarily be employed by us at the time of such event, and to the extent that their units were vested, they would remain entitled to any such payment. As of September 30, 2004, LAM's capital for these purposes totaled approximately $65 million, of which approximately $13 million was owned by the managing directors and employee members of LAM, with the remainder owned by us through our subsidiaries. On and after January 1, 2006, the board of directors of LAM, a majority of which is appointed by us, may in its discretion, grant, subject to specified vesting conditions, LAM equity interests that include profit rights to managing directors of, and other persons providing services to, LAM, as a portion of their ongoing compensation. The provisions of the LAM limited liability company agreement that govern the LAM equity units may impair our ability to sell assets or securities of LAM in the future or otherwise limit our operational flexibility and could result in a substantial amount of consideration being payable to key employees of our Asset Management business, impairing our ability to retain these persons and adversely affecting our business, results of operations or financial condition.

Risks Related to the Separation

Reorganizing our business from a privately held firm to a publicly traded company may adversely affect our ability to recruit, retain and motivate key employees.

In connection with this offering, the working members will receive LAZ-MD Holdings exchangeable interests that will in the future be effectively exchangeable for shares of our common stock. Our managing directors who are working members will receive these LAZ-MD Holdings exchangeable interests, other than the managing directors of LAM, who will continue to hold their LAM equity units. The ownership of, and the ability to realize equity value from, these LAZ-MD Holdings exchangeable interests and underlying shares of our common stock will not be dependent upon a managing director's continued employment with our company, and our managing directors will no longer be restricted from leaving Lazard by the potential loss of the value of these membership interests. In addition, assuming these LAZ-MD Holdings exchangeable interests were exchangeable at the time of this offering and were all so exchanged, our managing directors would collectively hold shares of common stock representing approximately % of the outstanding shares of our common stock immediately after this offering (or approximately % assuming the underwriters' overallotment option is exercised in full). These shares of common stock, upon full exchange, will ultimately be a more liquid security than their current membership interests in Lazard Group.

The LAZ-MD Holdings exchangeable interests will be subject to restrictions on transfer and the timing of exchange. Most of these restrictions on the timing of exchange will survive for only a limited period and will permit our managing directors to leave Lazard without losing any of their LAZ-MD

Holdings exchangeable interests or underlying shares of common stock. In addition, we have agreed that working members, including our non-LAM managing directors, who had capital interests at Lazard Group that are exchanged in the separation for capital interests in LAZ-MD Holdings will have those LAZ-MD Holdings capital interests redeemed in four equal installments on each of the first four anniversaries of this offering. We expect that, after the separation, our managing directors will hold approximately $ million of the LAZ-MD Holdings redeemable capital interests. For a description of the terms of these exchangeable interests, see "Management—Arrangements with Our Managing Directors—The Retention Agreements." Consequently, the steps we have taken to encourage the continued service of these individuals after this offering may not be effective.

In addition, after this offering, our policy will be to set our total compensation and benefits expense, including amounts payable to our managing directors, at a level not to exceed 57.5% of our operating revenue, such that after considering other operating costs we may realize our operating profit margin goals. Prior to this offering, compensation and benefits expense (calculated excluding amounts related to the separated businesses but including payments for minority interest for services rendered by LAM managing directors and employee members of LAM and services rendered by other managing directors) was approximately 74% of operating revenue for the year ended December 31, 2004 and 72.5% and 81.5% of operating revenue for the year ended December 31, 2003 and the nine months ended September 30, 2004, respectively. As a result, our managing directors may receive less income than they otherwise would have received prior to this offering, and such reduction (and the belief that a reduction may occur) could make it more difficult to retain them. While we believe this offering should promote retention and recruitment, some managing directors and other employees may be more attracted to the benefits of working at a private, controlled partnership and the prospects of becoming a partner. The impact of the separation on our managing directors and other employee retention and recruitment is uncertain. For a description of the compensation plan for our senior professionals to be implemented after this offering, see "Management."

Our financial performance depends on our ability to achieve our target compensation expense level, and the failure to achieve this target level may materially adversely affect our results of operations and financial position.

A key driver of our profitability is our ability to generate revenue while achieving our compensation expense levels. During 2002 and 2003, following the hiring of new senior management, we invested significant amounts in the recruitment and retention of senior professionals in an effort to reinvest in the intellectual capital of our business. We made distributions to our managing directors that exceeded our net income allocable to members in respect of 2002 and 2003, which we also expect to be the case in 2004.

Following the completion of this offering, we intend to operate at our target level of employee compensation and benefits expense, which may entail reducing payments to our managing directors. Prior to this offering, compensation and benefits expense (calculated excluding amounts related to the separated businesses but including payments for minority interest for services rendered by LAM managing directors and employee members of LAM and services rendered by other managing directors) was approximately 74% of operating revenue for the year ended December 31, 2004 and 72.5% and 81.5% of operating revenue for the year ended December 31, 2003 and the nine months ended September 30, 2004, respectively. Following the completion of this offering, our policy will be that our employee compensation and benefits expense will not exceed 57.5% of operating revenue each year. Increased competition for senior professionals, changes in the financial markets generally or other factors could prevent us from reaching this objective. Failure to achieve this target ratio may materially adversely affect our results of operations and financial position. For more information on our compensation and benefits expense, see "Unaudited Pro Forma Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Net Income Allocable to Members."

Lazard will be controlled by LAZ-MD Holdings and, through the LAZ-MD stockholders' agreement, by the working members, whose interests may differ from those of other stockholders.

Upon the completion of this offering, LAZ-MD Holdings will hold our Class B common stock. Pursuant to the LAZ-MD Holdings stockholders' agreement, the members of LAZ-MD Holdings will individually be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. The voting power associated with the Class B common stock is intended to mirror the working members' indirect economic interest in Lazard Group. After this offering, through the LAZ-MD Holdings stockholders' agreement, the working members will be effectively able to exercise control over all matters requiring stockholder approval, including the election of all directors and approval of significant corporate transactions, and other matters impacting the working members. This voting power may have the effect of delaying or preventing a change in control of Lazard. See "—We may have potential conflicts of interest with LAZ-MD Holdings and LFCM Holdings with respect to our past and ongoing relationships that could harm our business operations," "The Separation and Recapitalization Transactions and the Lazard Organizational Structure," "Management," "Principal Stockholders," "Certain Relationships and Related Transactions" and "Description of Capital Stock."

The historical financial information of Lazard Group contained in this prospectus may not be representative of our results as a separate, independent public company.

Because Lazard Group has operated as a limited liability company that is treated as a partnership for U.S. federal income tax purposes, payments for services rendered by Lazard Group's managing directors have been accounted for as distributions from members' capital, or in some cases as minority interest expense. Because Lazard Group historically has operated as an entity treated as a partnership in the U.S., Lazard Group paid little or no taxes on profits in the U.S., other than New York City UBT. As a result, Lazard Group's operating income has not reflected most payments for services rendered by its managing directors and provision for income taxes has not reflected U.S. corporate federal income taxes.

Reorganizing our business from a privately held firm to a publicly traded company may result in increased administrative and regulatory costs and burdens that are not reflected in the historical financial statements of Lazard Group, which could adversely affect our results of operations. Before 2000, our business was operated under separate and independent firms or private limited companies organized on a country-by-country basis. Starting with the unification of our various Houses under Lazard Group in 2000 and continuing with our transition to a publicly traded company, we have sought and are continuing to implement improvements to our administrative functions, including our compliance and control systems. In addition, as we will be a publicly traded company, we will be implementing additional regulatory and administrative procedures and processes for the purpose of addressing the standards and requirements applicable to public companies, including under the Sarbanes-Oxley Act of 2002 and related regulatory initiatives. The costs of implementing these steps may be significant.

Lazard Group's businesses, including the separated businesses, also have been able to rely, to some degree, on the earnings, assets and cash flow of each other for capital and cash flow requirements. Accordingly, Lazard Group's historical results of operations and financial position are not necessarily indicative of the consolidated results of operations and financial position of Lazard Group after completion of the separation. For additional information about the past financial performance and the basis of presentation of the historical financial statements, see "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Financial Information" and the Lazard Group historical financial statements and related notes included elsewhere in this prospectus.

The pro forma financial information in this prospectus may not permit you to predict our costs of operations, and the estimates and assumptions used in preparing our pro forma financial information may be materially different from our actual experience as a separate, independent company.

In preparing the pro forma financial information in this prospectus, we have made adjustments to the historical financial information of Lazard Group based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the transactions contemplated by the separation and recapitalization. Some of these adjustments include, among other items, a deduction and charge to earnings of estimated income taxes based on an estimated tax rate, estimated salaries, payroll taxes and benefits for our managing directors. These and other estimates and assumptions used in the calculation of the pro forma financial information in this prospectus may be materially different from our actual experience as a separate, independent company. The pro forma financial information in this prospectus does not purport to represent what Lazard's or Lazard Group's results of operations would actually have been had Lazard or Lazard Group operated as a separate, independent company during the periods presented, nor do the pro forma data give effect to any events other than those discussed in the unaudited pro forma financial information and related notes. See "Unaudited Pro Forma Financial Information."

Lazard Group and its predecessors have undergone significant transformations in recent years, and we will continue our efforts to transform our business and operations going forward, which may disrupt the regular operations of our business.

Since the unification of the Houses of Lazard in 2000, Lazard Group has experienced a succession of transformative events, including the hiring of Mr. Wasserstein, the retention of new senior management and the hiring or promotion of a large number of new managing directors, as well as this offering and the separation and recapitalization transactions. Lazard Group's efforts to transform our businesses are expected to continue following the completion of this offering, including by seeking to implement standards and procedures required of public companies such as certifications and compliance with the internal controls requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The continued evolution of Lazard Group may have resulted, and in the future may result, in disruption to the regular operations of our business, including our ability to attract and complete current and future engagement opportunities with clients, increased difficulty in retaining senior professionals and managing and growing our businesses, the occurrence of any of which could materially adversely affect our business, financial condition and results of operations.

The master separation agreement to be entered into among LAZ-MD Holdings, Lazard Group, LFCM Holdings and us will contain cross-indemnification obligations of LAZ-MD Holdings, Lazard Group, LFCM Holdings and us that any party may be unable to satisfy.

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

In addition, Lazard Group generally will indemnify LFCM Holdings for liabilities related to Lazard Group's businesses and Lazard Group will indemnify LFCM Holdings and LAZ-MD Holdings for losses that they incur to the extent arising out of or relating to Lazard Group's or our breach of the master separation agreement. Several of the ancillary agreements that we will enter into together with the master separation agreement also provide for separate indemnification arrangements. For example, under the administrative services agreement, we will provide a range of services to LFCM Holdings after the separation and recapitalization, including information technology, legal and compliance and data processing services, and LFCM Holdings will generally indemnify us for liabilities that we incur arising from the provision of these services absent our intentional misconduct. We may face claims for indemnification from LFCM Holdings and LAZ-MD Holdings under these provisions regarding matters for which we have agreed to indemnify them. If these liabilities are significant, we may be required to make substantial payments, which could materially adversely affect our results of operations.

We will have potential conflicts of interest with LAZ-MD Holdings and LFCM Holdings, and LAZ-MD Holdings and LFCM Holdings could each act in a way that favors its interests to our detriment.

Immediately following this offering, LAZ-MD Holdings will hold approximately % of our voting power through our single share of Class B common stock and % of the outstanding Lazard Group common membership interests. In addition, LAZ-MD Holdings' board of directors will be composed of four individuals, all of whom are managing directors or officers of our company, including our Vice Chairman and our President. The voting and equity ownership of LAZ-MD Holdings and its members, and the service of officers and managing directors of our company as directors of LAZ-MD Holdings, could create conflicts of interest when LAZ-MD Holdings and those directors and officers are faced with decisions that could have different implications for LAZ-MD Holdings and us, including potential acquisitions of businesses, the issuance or disposition of securities by us, the election of new or additional directors of Lazard Ltd, the payment of dividends by Lazard Ltd and Lazard Group, our relationship with LFCM Holdings and other matters. We also expect that LAZ-MD Holdings will manage its ownership of us so that it will not be deemed to be an investment company under the Investment Company Act, including by maintaining its voting power in Lazard Ltd above a majority absent an applicable exemption from the Act. This may result in conflicts with us, including those relating to acquisitions or offerings by us involving issuances of our common stock or securities convertible or exchangeable into shares of our common stock that would dilute LAZ-MD Holdings' voting power in Lazard.

Since the members of LAZ-MD Holdings will be entitled to individually direct the vote of our Class B common stock on an as-if-exchanged basis and will also own and control LFCM Holdings, their control of LAZ-MD Holdings and the vote of the share of our Class B common stock gives rise to potential conflicts between LFCM Holdings and LAZ-MD Holdings, on the one hand, and our company, on the other hand, as discussed below.

In addition, Mr. Wasserstein, our Chairman and Chief Executive Officer, serves as the Chairman and is the majority owner of Wasserstein Holdings, LLC, the ultimate general partner of Wasserstein & Co., LP, a separate merchant banking firm that may compete with LFCM Holdings' or our merchant banking fund management activities. See "Certain Relationships and Related Transactions—Certain Relationships with Our Directors, Executive Officers and Employees—Relationships Involving Employee Directors and Executive Officers."

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

Pursuant to the LAZ-MD Holdings stockholders' agreement, LAZ-MD Holdings will vote the single share of Class B common stock, which immediately following this offering will represent approximately % of our voting power, as directed by its individual members, all of whom are working members,

including managing directors of our business. These same persons will own and control LFCM Holdings, which will hold the separated businesses. In addition, our President will be the Chairman of LFCM Holdings. Conflicts of interest may arise between LFCM Holdings and us in a number of areas relating to our past and ongoing relationships, including:

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

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

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

The "Lazard" brand name has over 150 years of heritage, connoting, we believe, world-class professional advice, independence and global capabilities with deeply rooted, local know-how. After the separation, LFCM Holdings will operate as a separate legal entity, and Lazard Group will license to subsidiaries of LFCM Holdings that operate the separated businesses the use of the "Lazard" brand name for certain specified purposes, including in connection with merchant banking fund management and capital markets activities. As these subsidiaries of LFCM Holdings will use the "Lazard" brand name, and because after the separation we will no longer control these entities, there is a risk of reputational harm to us if these subsidiaries were to, among other things, engage in poor business practices, experience adverse results or otherwise damage the reputational value of the "Lazard" brand name. These risks could expose us to liability and also may adversely affect our revenue and our business prospects.

We will be required to pay LAZ-MD Holdings for most of any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with this offering and related transactions.

Prior to, and in connection with, this offering, historical partner interests and preferred interests generally will be redeemed for cash. In addition, LAZ-MD Holdings exchangeable interests may, in effect, be exchanged in the future for shares of our common stock. The redemption and the exchanges will result in increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest in Lazard Group that otherwise would not have been available to us. We expect that these increases in tax basis will reduce the amount of tax that we might otherwise be

required to pay in the future. We intend to enter into a tax receivable agreement with LAZ-MD Holdings that will provide for the payment by us to LAZ-MD Holdings or its assignee of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivables agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income or franchise tax that we realize. We will have the right to terminate the tax receivable agreement at any time for an amount based on an agreed value of certain payments remaining to be made under the tax receivable agreement at such time. While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the timing of exchanges and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest in Lazard Group, during the 15-year amortization periods for most of these increases in tax basis, the payments that we may make to LAZ-MD Holdings or its assignee could be substantial. See “The Separation and Recapitalization Transactions and the Lazard Organizational Structure—The Separation and Recapitalization Transactions—The Recapitalization of LAZ-MD Holdings and Lazard Group—The Redemption of the Historical Partners’ Interests,” and “Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests.”

The separation and recapitalization transactions may be challenged by creditors as a fraudulent transfer or conveyance, and, should a court agree with such a challenge, equityholders and creditors of the entity held liable could be adversely affected.

While we do not believe that any of the separation and recapitalization transactions will result in a fraudulent conveyance or transfer, if a court in a suit by an unpaid creditor or representative of creditors of Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings, such as a trustee in bankruptcy, or Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings itself, as debtor-in-possession in a reorganization case under Title 11 of the U.S. Bankruptcy Code, were to find that:

- Ÿ any of the separation and recapitalization transactions (or any related transactions) were undertaken for the purpose of hindering, delaying or defrauding creditors of Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings (as applicable), or
- Ÿ Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings (as applicable) received less than reasonably equivalent value or fair consideration in connection with any of the separation and recapitalization transactions and (i) Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings (as applicable) was insolvent immediately prior to, or was rendered insolvent by, the separation or recapitalization transactions, (ii) Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings (as applicable) immediately prior to, or as of the effective time of, the completion of any of the separation and recapitalization transactions, and after giving effect thereto, intended or believed that it would be unable to pay its debts as they became due, or (iii) the capital of Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings (as applicable) immediately prior to or, at the effective time of, the completion of any of the separation and recapitalization transactions, and after giving effect thereto, was inadequate to conduct its business,

then that court could determine that any of the separation and recapitalization transactions violated applicable provisions of the U.S. Bankruptcy Code or applicable state fraudulent transfer or conveyance laws. This determination would permit the bankruptcy trustee, debtor-in-possession or unpaid creditors to rescind the separation or recapitalization transactions, to subordinate or render unenforceable the debt incurred in furtherance thereof, or to require Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings or the historical partners, as the case may be, to fund liabilities for

the benefit of creditors. Equityholders and creditors of the entity held liable as a result of such determination would be adversely affected to the extent such entity is required to surrender value to satisfy its liability.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied. Generally, however, an entity would be considered insolvent if:

- the sum of its liabilities, including contingent liabilities, is greater than its assets, at a fair valuation,
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured, or
- it is generally not paying its debts as they become due.

Similar provisions would also apply in any other jurisdiction in which the separation and recapitalization transactions take effect.

If we were deemed an "investment company" under the Investment Company Act as a result of our ownership of Lazard Group, applicable restrictions could make it impractical for us to continue our business as contemplated and could materially adversely affect our business, financial condition and results of operation.

We do not believe that Lazard Ltd will be an "investment company" under the Investment Company Act after completion of the separation and recapitalization, because Lazard Ltd will have the power to appoint and remove the Lazard Group managing member. If Lazard Ltd were to cease participation in the management of Lazard Group or not be deemed to have a majority of the voting power of Lazard Group, its interest in Lazard Group could be deemed an "investment security" for purposes of the Investment Company Act. Similarly, we do not believe that LAZ-MD Holdings will be an "investment company" under the Investment Company Act after completion of the separation and recapitalization, because LAZ-MD Holdings will initially hold a majority of Lazard Ltd's voting power through our Class B common stock, and Lazard Ltd owns a majority of the voting power of Lazard Group. If LAZ-MD Holdings ceases to hold a majority of the voting power of Lazard Ltd, or Lazard Ltd ceases to hold a majority of the voting power of Lazard Group, LAZ-MD Holdings' interests in Lazard Group could be deemed an "investment security" for purposes of the Investment Company Act. Generally, a person is an "investment company" if it owns investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items), absent an applicable exemption. Following this offering, Lazard Ltd will have no material assets other than direct and indirect ownership of Lazard Group common membership interests and its controlling interest in Lazard Group. A determination that this investment was an investment security could result in Lazard Ltd being an investment company under the Investment Company Act and becoming subject to the registration and other requirements of the Investment Company Act. Similarly, LAZ-MD Holdings will have no material assets other than its ownership of Lazard Group common membership interests, our Class B common stock and cash. A reduction of LAZ-MD Holdings' voting power in Lazard Ltd to less than a majority or a determination that the Lazard Group common membership interests is an investment security could result in LAZ-MD Holdings being an investment company under the Investment Company Act, unless an exemption is available, and becoming subject to the registration and other requirements of the Investment Company Act.

The Investment Company Act and the rules thereunder contain detailed prescriptions for the organization and operations of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. We intend to conduct our operations, and expect that LAZ-MD Holdings will

conduct its operations, so that neither Lazard Ltd nor LAZ-MD Holdings, respectively, will be deemed to be an investment company under the Investment Company Act. However, if anything were to happen which would cause Lazard Ltd or LAZ-MD Holdings to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on its or our capital structure, ability to transact business with affiliates (including LAZ-MD Holdings or us, as the case may be) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements, including the master separation agreement and related agreements and the transactions contemplated by those agreements, between and among Lazard Ltd, LAZ-MD Holdings, Lazard Group and LFCM Holdings or any combination thereof and materially adversely affect our business, financial condition and results of operations.

Risks Related to the Offering

Because there has not been any public market for securities of Lazard Ltd, the market price and trading volume of our common stock may be volatile, and you may not be able to resell your shares at or above the initial public offering price.

Prior to this offering, there has been no public market for our securities, including our common stock, or those of Lazard Group. Although we intend to file an application to have our common stock listed on the NYSE and an active public market for our common stock may not develop. The price of our common stock in this offering will be determined through negotiations between us and the underwriters. The negotiated price of this offering may not be indicative of the market price of the common stock after this offering. The market price of the common stock could be subject to significant fluctuations due to factors such as:

- actual or anticipated fluctuations in our financial condition or results of operations,
- success of operating strategies, and our perceived prospects and the financial services industry in general,
- realization of any of the risks described in this section,
- failure to be covered by securities analysts or failure to meet securities analysts' expectations, and
- decline in the stock prices of peer companies.

As a result, shares of our common stock may trade at prices significantly below the price of this offering. Declines in the price of our stock may adversely affect our ability to recruit and retain key employees, including our managing directors and other key professional employees.

You will experience immediate and substantial dilution in the book value of your common stock, and, should we be liquidated at our book value, investors would not receive the full amount of their investment.

Purchasers of our common stock offered pursuant to this prospectus (assuming the exchange of all outstanding Lazard Group common membership interests and related issuance of shares of common stock) will experience an immediate dilution in net tangible book value of $ per share of common stock purchased. Accordingly, should we be liquidated at our book value, investors would not receive the full amount of their investment. See "Dilution."

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

Sales of substantial amounts of our common stock by our managing directors and others, or the possibility of such sales, may adversely affect the price of our common stock and impede our ability to

raise capital through the issuance of equity securities. See “Shares Eligible for Future Sale.” Upon consummation of this offering, there will be shares of common stock outstanding (or shares of common stock if the underwriters exercise their over-allotment option in full). Of these shares of common stock, shares of common stock sold in this offering (or shares of common stock if the underwriters exercise their over-allotment option in full) will be freely transferable without restriction or further registration under the Securities Act of 1933, as amended, or the “Securities Act,” unless such shares are held by an affiliate. The remaining shares of common stock generally will be available for future sale upon the expiration or waiver of transfer restrictions applicable to such restricted shares or registration of those shares. In addition, shares of our common stock will, after this offering, be issuable upon the full exchange of the LAZ-MD Holdings exchangeable interests, which will be entitled to registration rights under the terms of the LAZ-MD Holdings stockholders’ agreement. In light of the number of shares of our common stock issuable in connection with the full exchange of the LAZ-MD Holdings exchangeable interests and the securities to be issued in the additional financing transactions, the price of our common stock may decrease and our ability to raise capital through the issuance of equity securities may be adversely impacted as these exchanges occur and transfer restrictions lapse.

As reflected in the table below, LAZ-MD Holdings exchangeable interests will be effectively exchangeable into common stock, and thereafter that common stock will become available for sale in significant numbers. In addition, LAZ-MD Holdings and we have the right to cause the holders of LAZ-MD Holdings exchangeable interests to exchange all such remaining interests during the 30-day period following the ninth anniversary of this offering. The stockholders’ committee will have the ability to accelerate the exchangeability of these LAZ-MD Holdings exchangeable interests in some circumstances, with the prior approval of our board of directors, and may waive the transfer restrictions. For a discussion of these exchange and transfer restrictions, see “Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests.” We expect to register the shares received by the working members pursuant to the exchange for resale by such persons from time to time as well. Persons exchanging their LAZ-MD Holdings exchangeable interests are likely to sell all or a portion of their common stock promptly after exchange to provide liquidity to cover any taxes that may be payable upon such exchange or in response to the reduction in their income in connection with our transition to a public company or to diversify their portfolios.

The following table reflects the timetable for exchangeability of the LAZ-MD Holdings exchangeable interests assuming continued employment of the current managing directors, although exchangeability may be accelerated under certain circumstances as described in “Management—Arrangements with Our Managing Directors—The Retention Agreements—LAZ-MD Holdings Exchangeable Interests” and “Certain Relationships and Related Transactions—Relationship with LAZ- MD Holdings and LFCM Holdings —Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests.”

Anniversary of offering	Number of additional shares of common stock that are expected to become available for exchange under LAZ-MD Holdings exchangeable interests
First	
Second	
Third	
Fourth	
Fifth	
Sixth	
Seventh	
Eighth	

See “Shares Eligible for Future Sale.”

In addition, we expect that the additional financing transactions will include securities exchangeable into shares of our common stock beginning on the anniversary of the consummation of this offering.

Our only material asset after completion of this offering will be our indirect interests in Lazard Group, and we are accordingly dependent upon distributions from Lazard Group to pay dividends and taxes and other expenses.

Lazard Ltd will be a holding company and will have no material assets other than the indirect ownership of approximately % of the common membership interests in Lazard Group that we will acquire in connection with this offering and our holding of a controlling interest in Lazard Group through our managing member position in an entity that is the managing member of Lazard Group. We have no independent means of generating revenue. Our wholly-owned subsidiaries will incur income taxes on their proportionate share of any net taxable income of Lazard Group in their respective tax jurisdictions. We intend to cause Lazard Group to make distributions to its members, including our wholly-owned subsidiaries, in an amount sufficient to cover all applicable taxes payable and dividends, if any, declared by us. To the extent that our subsidiaries need funds to pay taxes on their share of Lazard Group’s net taxable income, or if Lazard Ltd needs funds for any other purpose, and Lazard Group is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition or results of operations. See “Dividend Policy.”

We may issue preferred stock and our bye-laws and Bermuda law may discourage takeovers, which could affect the rights of holders of our common stock.

Following this offering, the ownership of the Class B common stock will give LAZ-MD Holdings and, through the LAZ-MD Holdings stockholders’ agreement, the members of LAZ-MD Holdings, voting control of us and will have the effect, among other things, of preventing a change in control of us without LAZ-MD Holdings’ consent. Additionally, following this offering, our board of directors will have the authority to issue up to shares of preferred stock without any further vote or action by the stockholders, in accordance with the provisions of our bye-laws. Since the preferred stock could be issued with liquidation, dividend and other rights superior to those of the common stock, the rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any such preferred stock. The issuance of preferred stock could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. Further, the provisions of our bye-laws including our classified board and the ability of stockholders to remove directors only for cause, and of Bermuda law, could have the effect of delaying or preventing a change in control of us. See “Description of Capital Stock.”

We are incorporated in Bermuda, and a significant portion of our assets are located outside the U.S. As a result, it may not be possible for stockholders to enforce civil liability provisions of the U.S. federal or state securities laws.

We are incorporated under the laws of Bermuda, and a significant portion of our assets are located outside the U.S. It may not be possible to enforce court judgments obtained in the U.S. against us in Bermuda, or in countries other than the U.S. where we have assets, based on the civil liability provisions of the federal or state securities laws of the U.S. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the U.S. or would hear actions against us or those persons based on

those laws. We have been advised by our legal advisors in Bermuda that the U.S. and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the U.S. based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries other than the U.S. where we have assets.

Bermuda law differs from the laws in effect in the U.S. and may afford less protection to stockholders.

Our stockholders may have more difficulty protecting their interests than would stockholders of a corporation incorporated in a jurisdiction of the U.S. As a Bermuda company, we are governed by the Companies Act. The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and stockholders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, stockholder lawsuits and indemnification of directors. See “Description of Capital Stock—Delaware Law” and “Certain Relationships and Related Transactions—Certain Relationships with our Directors, Executive Officers and Employees—Director and Officer Indemnification.”

Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only. Stockholders of Bermuda companies generally do not have rights to take action against directors or officers of the company, and may only do so in limited circumstances. Officers of a Bermuda company must, in exercising their powers and performing their duties, act honestly and in good faith with a view to the best interests of the company and must exercise the care and skill that a reasonably prudent person would exercise in comparable circumstances. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or officer of a Bermuda company is found to have breached his duties to that company, he may be held personally liable to the company in respect of that breach of duty. A director may be liable jointly and severally with other directors if it is shown that the director knowingly engaged in fraud or dishonesty. In cases not involving fraud or dishonesty, the liability of the director will be determined by the Bermuda courts on the basis of their estimation of the percentage of responsibility of the director for the matter in question, in light of the nature of the conduct of the director and the extent of the causal relationship between his conduct and the loss suffered.

In addition, our bye-laws contain a broad waiver by our stockholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of stockholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty. See “Description of Capital Stock.”

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and in other sections of this prospectus 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. In particular, you should consider the numerous risks and uncertainties outlined in “Risk Factors.”

These risks and uncertainties are not exhaustive. Other sections of this prospectus 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 we 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 prospectus 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:

- Ÿ our business’ possible or assumed future results of operations and operating cash flows,
- Ÿ our business’ strategies and investment policies,
- Ÿ our business’ financing plans and the availability of short-term borrowing,
- Ÿ our business’ competitive position,
- Ÿ potential growth opportunities available to our business,
- Ÿ the recruitment and retention of our managing directors and employees,
- Ÿ our expected levels of compensation,
- Ÿ our business’ potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts,
- Ÿ the likelihood of success and impact of litigation,
- Ÿ our expected tax rate,
- Ÿ changes in interest and tax rates,

- our expectation with respect to the economy, securities markets, the market for mergers and acquisitions activity, the market for asset management activity and other industry trends,
- the benefits to our business resulting from the effects of the separation and recapitalization transactions, including this offering and the additional financing transactions,
- the effects of competition on our business, and
- the impact of future legislation and regulation on our business.

Pursuant to the series of transactions to be undertaken in connection with the separation and recapitalization, Lazard Ltd will acquire control over the operations and management of Lazard Group, including our business. These transactions, as well as the organizational structure of Lazard giving effect to these transactions and this offering, are described below.

Because one of the primary purposes of this offering, the additional financing transactions and the proposed restructuring of Lazard's operations is to facilitate the redemption of the interests of the historical partners, the representatives of the historical partners on the Lazard Group board of directors do not intend to and will not take any action with respect to these matters. Accordingly, we expect to obtain Lazard Group board approval of these matters on the closing date of this offering after representatives of the historical partners on the Lazard Group board of directors have resigned from the board of directors. The completion of this offering will not occur unless a Lazard Group board approval is obtained.

We expect that the directors of Lazard Group that are not resigning will agree, subject to their fiduciary duties, to support and approve the separation and recapitalization transactions, including this offering, prior to or simultaneously with the execution of the underwriting agreement relating to this offering. The final determination as to the completion, timing, structure and terms of these transactions and this offering will be based on financial and business considerations and prevailing market conditions. Pursuant to the master separation agreement that we intend to enter into regarding the separation and recapitalization transactions, Lazard Group has the sole discretion to determine whether or not to complete these transactions and this offering and, if it decides to complete these transactions, the timing of this offering.

The Separation and Recapitalization Transactions

The Separation

Lazard Group currently conducts our business and the separated businesses through its subsidiaries. Prior to the closing of this offering, Lazard Group will transfer the separated businesses from Lazard Group to LFCM Holdings. The separated businesses consist of:

- all of Lazard Group's capital markets business, comprised of its equity, fixed income and convertibles sales and trading, broking, research and underwriting services,
- Lazard Group's merchant banking fund management activities other than its existing merchant banking business in France, and
- specified non-operating assets and liabilities.

This separation will be effected by, among other things, forming LAZ-MD Holdings as the new holding company for Lazard Group, placing the separated businesses into LFCM Holdings and distributing all of the interests in LFCM Holdings to LAZ-MD Holdings. Lazard Group will retain all of our businesses, consisting primarily of our Financial Advisory and Asset Management businesses. In addition, Lazard Group will be granted an option to acquire the merchant banking business of LFCM Holdings pursuant to the business alliance agreement. See "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Business Alliance Agreement." Immediately after the separation, all of the persons who were members of Lazard Group prior to the formation will be members of LAZ-MD Holdings and will cease to hold any membership interests in Lazard Group, all of which will be held by LAZ-MD Holdings. After the recapitalization is completed, LAZ-MD Holdings will then distribute all of the LFCM Holdings interests to its members, such that after this distribution, LFCM Holdings will be wholly-owned by the working members, including our managing directors who are members of LAZ-MD Holdings.

The Recapitalization of LAZ-MD Holdings and Lazard Group

In connection with the separation, LAZ-MD Holdings and Lazard Group will effect a recapitalization of their companies. The recapitalization has three principal parts—this offering and the additional financing transactions, the redemption of the historical partner interests and redeemable preferred stock and the issuance of the LAZ-MD Holdings exchangeable interests.

This Offering and the Additional Financing Transactions

This offering is part of the recapitalization. We will use the net proceeds from this offering to acquire our controlling interest in Lazard Group and % of the common membership interests in Lazard Group. Lazard Group will use the proceeds from our acquisition of Lazard Group common membership interests as described below in "—The Redemption of the Historical Partners' Interests."

In addition to this offering, we intend to complete the additional financing transactions, which we expect to result in estimated net proceeds of approximately $. The terms of the additional financing transactions have not yet been finalized. The completion of the additional financings and this offering will be conditioned upon the completion of each of the other financings.

The Redemption of the Historical Partners' Interests

Lazard Group currently has three general classes of membership interests:

- the working member interests, which are owned by working members and consist of capital and the right to participate in profit and goodwill of Lazard Group,
- the historical partner interests, which are owned by the historical partners and consist of capital and the right to participate in profit and goodwill of Lazard Group, and
- the mandatorily redeemable preferred interests, which are owned by certain of the historical partners and consist of the right to a preferred dividend of 8% per annum and a fixed liquidation amount.

In general, "capital" represents amounts invested in Lazard Group by its members and is subject to repayment at a fixed amount equal to its par value upon the occurrence of fundamental corporate events involving Lazard Group, such as a sale of all or substantially all of the assets of Lazard Group, and under selected other circumstances. The right to participate in goodwill represents the right to share in the net proceeds of fundamental corporate events, after payment of creditors, repayment of the liquidation amount of the preferred interest and the return of capital. The right to participate in profit represents the right to share generally in Lazard Group's profits and losses, other than in connection with these fundamental corporate events.

The historical partner interests generally are entitled to approximately 36.1% of the profits and 44.4% of the goodwill, with the working member interests entitled to the remaining profit and goodwill. The historical partner interests are entitled to approximately $585 million of capital and the working member interests generally are entitled to approximately $ million of capital, in each case as of December 31, 2004. The amount of capital associated with a historical partner interest or a working member interest primarily reflects the total cash and other property contributed by the member to Lazard Group in respect of that interest, less any return of capital, and as adjusted to reflect the allocation of any gains or losses of Lazard Group in respect of that interest and as further positively adjusted from time to time to reflect the revaluation of our business for internal capital account measurement purposes only. The preferred interests have an aggregate liquidation amount of $100 million.

In recent years, in connection with the retention of our new management team and in an effort to reinvest in the intellectual capital of our business, Lazard Group invested significant amounts in the recruitment and retention of senior professionals. This investment resulted in less short-term cash being distributed in respect of the historical partner interests. This led to a divergence of interests concerning the management and future direction of the business. In order to better align the interests of all owners of Lazard and to better position it to capitalize on its long-term strategic goals, the proceeds of this offering and the additional financings will be used primarily to redeem the historical partner interests and preferred interests.

As part of the recapitalization transactions, historical partner interests and preferred interests generally will be redeemed for cash. The following table illustrates the redemption price to be paid in respect of the historical partner interests and preferred interests upon the consummation of the offering:

	Redemption Price by Class of Interests Held			
	Historical Partner Interests			
Historical Partner Group	***Capital***	***Profit/Good-will Rights***	**Preferred Interests**	**Aggregate Redemption Price**
			($ in millions)	
Founding families, including former chairman Michel David-Weill, and Eurazeo S.A.				
Other former working members				
Bruce Wasserstein				
Other current working members				
Total				

As indicated above, some of the working members also hold historical partner interests. This means that in addition to their working member interests, of Lazard Group's current managing directors, including our Chairman and Chief Executive Officer, and of our former managing directors, also hold historical partner interests. Our Chairman and Chief Executive Officer purchased his historical partner interest from an affiliate of Michel David-Weill in connection with his retention as the Head of Lazard and Chairman of the Executive Committee in January 2002.

The working members who hold historical partner interests will, at their option, either be redeemed for cash in the redemption or will exchange their historical partner interests for shares of our common stock. Mr. Wasserstein, who owns substantially all of the historical partner interests held by current working members, has elected to exchange his historical partner interest for shares of our common stock. Any working member who elects to exchange his or her historical partner interests for shares of our common stock will be entitled to receive the number of shares of our common stock (valued at the price per share in this offering) equal in value to the aggregate price that such working member would have been able to receive in cash in the redemption. The exchange of these historical partner interests for shares of our common stock will be effected by the working members contributing their historical partner interests to a newly formed corporation, and then exchanging the shares of that corporation with Lazard Ltd for shares of our common stock.

Immediately after the redemption and the completion of this offering, Lazard Group common membership interests will be held only by LAZ-MD Holdings and by us, and LAZ-MD Holdings will be owned by working members.

Exchange of Working Member Interests for LAZ-MD Holdings Interests

In connection with the formation of LAZ-MD Holdings, the working member interests will be exchanged with LAZ-MD Holdings for limited liability company interests in LAZ-MD Holdings. Each holder of a working member interest at the time of the separation and recapitalization transactions will

receive, in exchange for his or her working member interest, a redeemable capital interest in LAZ-MD Holdings consisting of an equivalent amount of capital of LAZ-MD Holdings, an exchangeable interest in LAZ-MD Holdings and, if applicable, a right to receive distributions from LAZ-MD Holdings, as described below. After the separation and recapitalization transactions, the former holders of working member interests will hold all of the limited liability company interests in LAZ-MD Holdings.

LAZ-MD Holdings Exchangeable Interests

In exchange for the portion of the working member interest representing the right to participate in goodwill, LAZ-MD Holdings will issue to the holder exchangeable limited liability company interests in LAZ-MD Holdings.

The LAZ-MD Holdings exchangeable interests will be effectively exchangeable on a one-for-one basis for a share of our common stock. These LAZ-MD Holdings exchangeable interests are, at the working member's election, effectively exchangeable for shares of our common stock on the eighth anniversary of this offering. In addition, the LAZ-MD Holdings exchangeable interests held by our working members who continue to provide services to us or LFCM Holdings pursuant to the retention agreements will, subject to certain conditions, generally be effectively exchangeable for shares of our common stock in equal increments on and after each of the third, fourth and fifth anniversaries of this offering. LAZ-MD Holdings and Lazard also have the right to cause the holders of LAZ-MD Holdings exchangeable interests to exchange all such remaining interests during the 30-day period following the ninth anniversary of this offering. Pursuant to the master separation agreement, a stockholders' committee will be formed and will have the ability to accelerate the exchangeability of these LAZ-MD Holdings exchangeable interests, with the prior approval of our board of directors. See "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests." As these exchanges are effected, Lazard Ltd (or one of its wholly-owned subsidiaries) will receive the Lazard Group common membership interests underlying the exchanged LAZ-MD Holdings exchangeable interests formerly held by LAZ-MD Holdings, and the voting power of LAZ-MD Holdings' Class B common stock will adjust on a proportionate basis so as to maintain LAZ-MD Holdings' voting power in Lazard at the level of its interest in Lazard Group common membership interests. Upon full exchange of all LAZ-MD Holdings exchangeable interests for shares of our common stock, LAZ-MD Holdings' Class B common stock would cease to be outstanding, and all of the Lazard Group common membership interests formerly owned by LAZ-MD Holdings would be owned indirectly by Lazard.

LAZ-MD Holdings has the right to cause the exchange of the LAZ-MD Holdings exchangeable interests held by a member into the underlying Lazard Group common membership interests, in which case the former LAZ-MD Holdings member would hold the Lazard Group common membership interest directly. If LAZ-MD Holdings exercises that right, the Lazard Group common membership interest received in the exchange would continue to be exchangeable for shares of our common stock at the same time, and on the same terms and conditions, as the exchanged LAZ-MD Holdings exchangeable interest, the voting power of the Class B common stock would not be reduced to reflect the exchange until that Lazard Group common membership interest is further exchanged for shares of our common stock, and the person holding the Lazard Group common membership interests would retain the right to instruct LAZ-MD Holdings how to vote the portion of the Class B common stock's voting power that is associated with that Lazard Group common membership interest on an as-if-exchanged basis. On or prior to the third anniversary of this offering, LAZ-MD Holdings intends to cause the exchange to Lazard Group common membership interests of all LAZ-MD Holdings exchangeable interests held by members of LAZ-MD Holdings for whom the exchange into Lazard Group common membership interests will not give rise to significant tax consequences in order to address potential Investment Company Act concerns raised by LAZ-MD Holdings' holdings of Lazard Group common membership interests. The Lazard Group common membership interests would continue to be exchangeable into shares of our common stock as described above.

Right to Receive Distributions

The former holders of working member interests who were managing directors of our business or the business of LFCM Holdings at the time of the separation and whose working member interests included the right to receive profits will receive a right to receive distributions in LAZ-MD Holdings. They will retain this right generally so long as they continue to be current managing directors of our business or the business of LFCM Holdings. Assuming they still retain this right, pursuant to this distribution right, the holder may receive distributions from LAZ-MD Holdings in respect of income taxes that the holder incurs as a result of LAZ-MD Holdings holding Lazard Group common membership interests. In addition, so long as they continue to be managing directors of our business or the business of LFCM Holdings, the holder may receive distributions after the third anniversary of the offering that are intended to give the holder an amount equal to the dividend that the holder would have received if the holder had exchanged his or her entire LAZ-MD Holdings exchangeable interest for shares of our common stock at that time, unless the holder has surrendered this LAZ-MD Holdings distribution right. For a further discussion of these distributions, see "—Lazard Ownership Structure after the Separation and Recapitalization Transactions—Distribution by Lazard Group with respect to Lazard Group Common Membership Interests" below.

LAZ-MD Holdings Redeemable Capital

In addition, working members who had capital underlying their working member interests at Lazard Group prior to the separation will hold equivalent amounts of redeemable capital at LAZ-MD Holdings. The aggregate amount of LAZ-MD Holdings redeemable capital will be equal to the aggregate amount of working member capital interest at the time of the separation and will not increase after the separation. As of December 31, 2004, the total amount of capital interest in respect of working member interests was $ million, substantially all of which related to the interest of ongoing managing directors of Lazard Group. Pursuant to the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings, LAZ-MD Holdings has agreed to redeem the signing persons' capital interests in four equal installments on each of the first four anniversaries of this offering. Accordingly, the operating agreement provides for the redemption of all of the LAZ-MD Holdings redeemable capital in equal amounts on each of these dates. In addition, LAZ-MD Holdings has the right to accelerate the fourth and final redemption payment by up to 12 months, such that the fourth payment could be made at any time between the third and fourth anniversaries of this offering. The redemption of these capital interests will be funded by cash available to LAZ-MD Holdings, which may include a portion of the net proceeds of this offering and the additional financing transactions and from distributions to LAZ-MD Holdings in respect of its Lazard Group common membership interests.

General

We expect that, immediately following the recapitalization, our managing directors who are members of LAZ-MD Holdings will collectively hold % of the outstanding LAZ-MD Holdings exchangeable interests and $ of the redeemable capital interests, with the balance of the LAZ-MD Holdings exchangeable interests held by other Lazard Group working members who are former managing directors of Lazard Group or managing directors who will become managing directors of LFCM Holdings and the remaining $ of redeemable capital interests held by managing directors of LFCM Holdings. Assuming that all such LAZ-MD Holdings exchangeable interests were exchangeable and were fully exchanged, immediately following this offering, our managing directors would hold shares of our common stock, representing approximately % of our outstanding common stock.

Lazard Ownership Structure after the Separation and Recapitalization Transactions

Immediately after this offering and the recapitalization, we will hold Lazard Group common membership interests, representing approximately % of the outstanding Lazard Group

common membership interests. We will hold our Lazard Group common membership interests through two or more direct or indirect wholly-owned subsidiaries. One of those subsidiaries will be a Delaware corporation that will own a majority of our Lazard Group common membership interests. Following this offering, our only material business will be to hold these interests and to act indirectly as the managing member of Lazard Group. As a result of our controlling interest in Lazard Group, we will consolidate Lazard Group's financial results.

Immediately after this offering, LAZ-MD Holdings will hold the Class B common stock, representing approximately % of the voting power of our company. On matters submitted to a vote of our stockholders, the Class B common stock generally will vote together with our common stock. Pursuant to the LAZ-MD Holdings stockholders' agreement, LAZ-MD Holdings will agree to vote its Class B common stock on any matter involving the vote or consent of our stockholders in accordance with the instructions of its members, with each member that is party to the agreement entitled to instruct LAZ-MD Holdings how to vote the portion of the Class B common stock's voting power that is associated with his or her then-outstanding LAZ-MD Holdings exchangeable interests on an as-if-exchanged basis. For example, if a working member's LAZ-MD Holdings exchangeable interests were exchangeable for 1,000 shares of our common stock, that working member would be able to instruct LAZ-MD Holdings how to vote 1,000 of the votes represented by the Class B common stock. In order to seek to avoid the possibility that LAZ-MD Holdings would be deemed to be an "investment company" for purposes of the Investment Company Act, the voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. The votes under the Class B common stock that are associated with any working member who does not sign the LAZ-MD Holdings stockholders' agreement, or with any working member who signs but does not direct LAZ-MD Holdings how to vote on a particular matter, will be abstained from voting. Accordingly, only working members that are party to the LAZ-MD Holdings stockholders' agreement who direct LAZ-MD Holdings how to vote will determine how LAZ-MD Holdings votes the Class B common stock on a particular matter. As a result, the working members, together with LAZ-MD Holdings, will be able to initially control the election of Lazard Ltd's directors. For a further discussion, see "Certain Relationships and Related Transactions—LAZ-MD Holdings Stockholders' Agreement."

Immediately after this offering, LAZ-MD Holdings also will hold approximately % of the Lazard Group common membership interests, with the remaining Lazard Group common membership interests held by Lazard Ltd through direct or indirect wholly-owned subsidiaries. Following this offering, LAZ-MD Holdings' membership interests in Lazard Group will be accounted for as a minority interest in our financial statements. LAZ-MD Holdings will not have any voting rights in respect of its Lazard Group common membership interests, other than limited consent rights concerning amendments to the terms of its Lazard Group common membership interests.

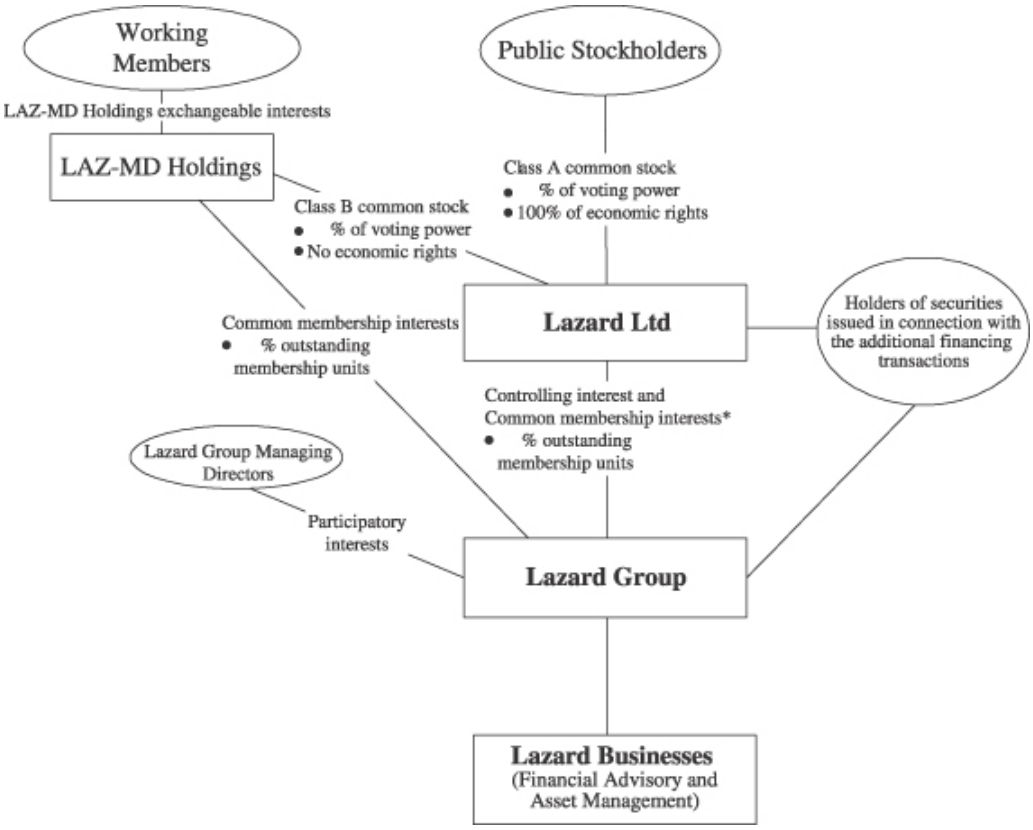
We also intend to grant participatory interests in Lazard Group to certain of our current and future managing directors in connection with the separation and recapitalization transactions, which are described under "Management—Arrangements with Our Managing Directors—The Retention Agreements."

We anticipate that Lazard Ltd will be structured as a partnership for U.S. federal income tax purposes, though Lazard Ltd will be organized as a company under Bermuda law. We intend to operate our business in a manner that does not result in the allocation of any income or deductible expenses to our stockholders, other than amounts that we distribute to our stockholders.

The graphic below illustrates the expected ownership structure of Lazard Ltd and Lazard Group after completion of the separation and recapitalization transactions. It does not reflect the various minority interests of, or subsidiaries held by, Lazard Group and LAZ-MD Holdings, the exercise of the underwriters' over-allotment option or the results of any exchange of Lazard Group common membership interests for our common stock. As a result, the LAM equity units granted by LAM to its managing directors and employees are not reflected. In addition, it does not include the separated

businesses, which will be separated from Lazard Group in the separation. After the completion of the separation, LFCM Holdings will be wholly-owned by the working members, including our managing directors.

Expected Ownership Structure Immediately After Completion of the Separation and Recapitalization Transactions



* Lazard Ltd will hold its common membership interests in Lazard Group through direct or indirect wholly-owned subsidiaries and will hold its controlling interest in Lazard Group through a managing member position in an entity that is the managing member of Lazard Group.

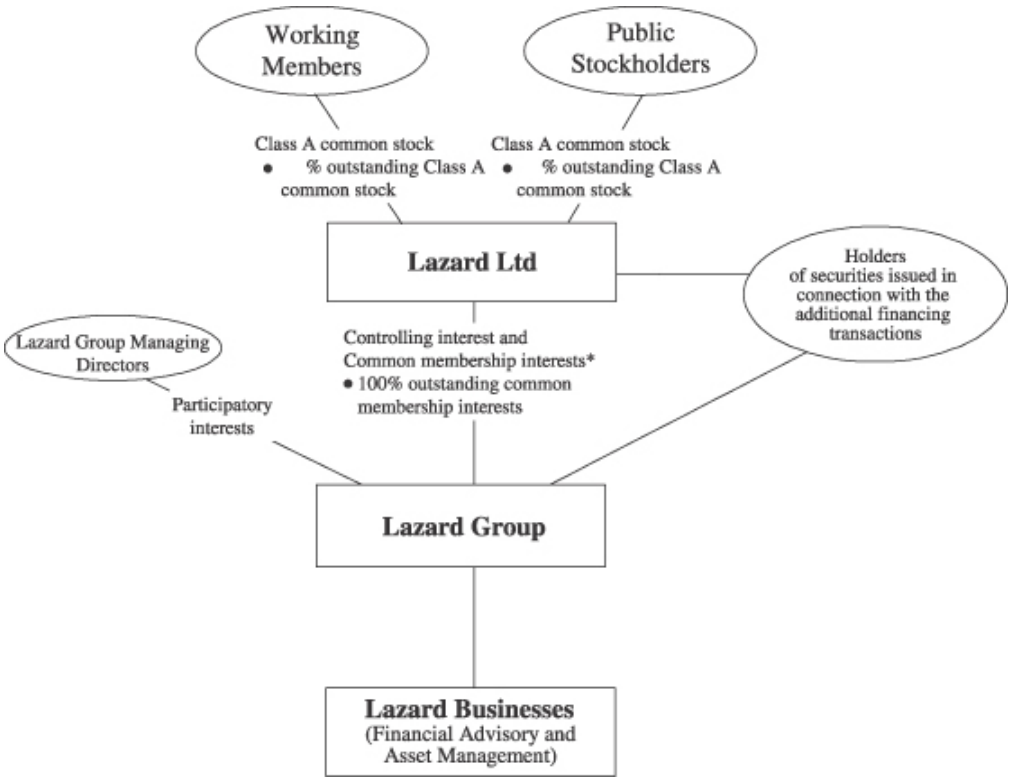
Lazard Group common membership interests issued to LAZ-MD Holdings will be effectively exchangeable from time to time after this offering for shares of our common stock on a one-for-one basis pursuant to an exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock. As these exchanges for shares of our common stock are effected, the voting power of LAZ-MD Holdings' Class B common stock will be reduced on a proportionate basis so as to maintain LAZ-MD Holdings' voting power in Lazard Ltd at the level of its interest in Lazard Group common membership interests. The voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. Assuming full exchange of the Lazard Group common membership interests that LAZ-MD Holdings holds immediately after the closing of this offering, all of our outstanding common stock would be held by persons who acquire such shares in this offering and our working members. LAZ-MD Holdings and we have the right to cause the holders of LAZ-MD Holdings exchangeable interests, and holders of

Lazard Group common membership interests formerly held by LAZ-MD Holdings, to exchange all such remaining interests during the 30-day period following the ninth anniversary of this offering.

We expect that Lazard Ltd will be operated as a holding company for Lazard Group common membership interests on behalf of our stockholders. In order to maintain Lazard Ltd's economic interest in Lazard Group, any net proceeds received by us from any subsequent issuances of shares of our common stock generally will be contributed to Lazard Group in exchange for Lazard Group common membership interests in equal number to such number of shares of our common stock.

The graphic below illustrates the expected pro forma ownership structure of Lazard Ltd and Lazard Group immediately after this offering assuming the exchange of all LAZ-MD Holdings exchangeable interests occurred.

Expected Ownership Structure After Full Exchange



* Lazard Ltd will hold its common membership interests in Lazard Group through direct or indirect wholly-owned subsidiaries and will hold its controlling interest in Lazard Group through a managing member position in an entity that is the managing member of Lazard Group.

As discussed above, after completion of the separation and recapitalization transactions, LFCM Holdings will be a separate company that is owned by the working members and will hold the separated businesses.

Distributions by Lazard Group with respect to Lazard Group Common Membership Interests

Lazard Group distributions in respect of Lazard Group common membership interests will be allocated to holders of Lazard Group common membership interests on a pro rata basis. As we will hold % of the outstanding Lazard Group common membership interests immediately after this offering, we will receive approximately % of the aggregate distributions in respect of the Lazard Group common membership interests.

After this offering, Lazard Group intends to make pro rata distributions to holders of Lazard Group common membership interests in order to fund any dividends we may declare on our common stock. Accordingly, LAZ-MD Holdings also will receive equivalent amounts pro rata based on its Lazard Group ownership interests. LAZ-MD Holdings initially expects to use its share of these distributions, along with other cash resources, to fund LAZ-MD Holdings' obligation to redeem its capital interests over time pursuant to the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings and for general corporate purposes. However, after the third anniversary of this offering, pursuant to the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings, LAZ-MD Holdings will, subject to the terms of LAZ-MD Holdings' operating agreement and the determination of its board, distribute an allocable share of these distributions to then-current managing directors of our and LAZ-MD Holdings' businesses who were managing directors at the time of this offering. These distributions by LAZ-MD Holdings are intended to give those managing directors an amount equal to the dividend they would have received had they exchanged their entire LAZ-MD Holdings exchangeable interests for shares of our common stock at that time.

In addition, Lazard Group intends to make pro rata distributions to us (or our subsidiaries) and LAZ-MD Holdings in respect of income taxes Lazard Ltd (or our subsidiaries) and the members of LAZ-MD Holdings incur as a result of holding Lazard Group common membership interests based on an effective tax rate that Lazard Group will calculate. This effective tax rate will be the higher of the effective income and franchise tax rate applicable to Lazard Ltd subsidiaries that hold the Lazard Group common membership interests and the weighted average income tax rate (based on income allocated) applicable to LAZ-MD Holdings' members, determined in accordance with LAZ-MD Holdings' operating agreement. LAZ-MD Holdings will use these distributions to make distributions to its members in respect of income taxes that those members incur as a result of LAZ-MD Holdings holding Lazard Group common membership interests. As we anticipate that the weighted average tax rate applicable to LAZ-MD Holdings' members will exceed the rate applicable to Lazard Ltd's subsidiaries, we expect that distributions to Lazard Ltd's subsidiaries will exceed taxes actually payable by those subsidiaries. Immediately prior to the third anniversary of the consummation of this offering, and for each period during which such excess cash is outstanding thereafter, we expect to issue dividends to our stockholders of this excess amount.

In the event that LAZ-MD Holdings shall cause the exchange of LAZ-MD Holdings exchangeable interests for Lazard Group common membership interests, the terms of the Lazard Group common membership interests held by any former member of LAZ-MD Holdings who was so forced to exchange will mirror the distribution rights that such person would have received had he or she continued to hold the LAZ-MD Holdings exchangeable interests.

Except as described above, we do not expect that Lazard Group will make any distributions in respect of Lazard Group common membership interests after this offering. However, this policy is subject to change as described in "Dividend Policy."

You should read "Risk Factors—Risks Related to the Separation," "Certain Relationships and Related Transactions" and "Description of Capital Stock" for additional information about our corporate structure and the risks posed by the structure.

USE OF PROCEEDS

The net proceeds from this offering and the additional financing transactions will ultimately be used by Lazard Group primarily to redeem membership interests held by the historical partners for an aggregate redemption price of approximately $1.6 billion, as described in "The Separation and Recapitalization Transactions and the Lazard Organizational Structure." In addition, an estimated $150 million of additional net proceeds will be transferred to LAZ-MD Holdings and LFCM Holdings. These funds will be available to fund the operating requirements of the separated businesses, as well as LAZ-MD Holdings' obligation to redeem its capital interests over time pursuant to the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings and for general corporate purposes. Any remaining amount of net proceeds, including any net proceeds that may be received as a result of the exercise of the underwriters' over-allotment option, will be retained by Lazard Group for its general corporate purposes.

Based upon an initial public offering price of $ per share (the midpoint of the range of initial public offering prices set forth on the cover page of this prospectus), we estimate that we will receive net proceeds from this offering of $ (or $ if the underwriters' over-allotment option is exercised in full), after deducting underwriting discounts and commissions and estimated expenses payable in connection with this offering and the related transactions. See "Underwriting."

Lazard Ltd will contribute, indirectly through our wholly-owned subsidiaries, all of the net proceeds of this offering to Lazard Group in exchange for the issuance of Lazard Group common membership interests, representing % of the outstanding Lazard Group common membership interests (or a total of Lazard Group common membership interests, representing % of the outstanding Lazard Group common membership interests, assuming that the underwriters' over-allotment option is exercised in full), and for our controlling interest in Lazard Group. The price of each of the Lazard Group common membership interests that we acquire will equal the amount of net proceeds per share that we receive from this offering. Lazard Group will, in turn, use the net proceeds as described above.

DIVIDEND POLICY

Lazard Ltd has not declared or paid any cash dividends on our common equity since our inception. Subject to compliance with applicable law, we currently intend to declare quarterly dividends on all outstanding shares of our common stock and expect our initial quarterly dividend to be approximately $ per share, payable in respect of the quarter of 2005. We expect that the initial dividend will be prorated for the portion of that quarter following the closing of this offering. The Class B common stock will not be entitled to dividend rights.

The declaration of this and any other dividends and, if declared, the amount of any such dividend, will be subject to the actual future earnings, cash flow and capital requirements of our company, the amount of distributions to us from Lazard Group and the discretion of our board of directors. Our board of directors will take into account:

- Ÿ general economic and business conditions,
- Ÿ the financial results of our company and Lazard Group,
- Ÿ capital requirements of our company and our subsidiaries (including Lazard Group),
- Ÿ contractual, legal and regulatory restrictions on the payment of dividends by us to our stockholders or by our subsidiaries (including Lazard Group) to us, and
- Ÿ such other factors as our board of directors may deem relevant.

We are a holding company and have no direct operations. As a result, we will depend upon distributions from Lazard Group to pay any dividends. We expect to cause Lazard Group to pay distributions to us in order to fund any such dividends, subject to applicable law. In addition, as managing directors and other members of LAZ-MD Holdings convert their interests into shares of common stock, they also will have a proportionate interest in the excess cash held by us to the extent that we retain excess cash balances or acquire additional assets with excess cash balances. For a discussion of Lazard Group's intended distribution policy, see "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

Additionally, we are subject to Bermuda legal constraints that may affect our ability to pay dividends on our common stock and make other payments. Under the Companies Act, we may declare or pay a dividend out of distributable reserves only if we have reasonable grounds for believing that we are, or would after the payment be, able to pay our liabilities as they become due and if the realizable value of our assets would thereby not be less than the aggregate of our liabilities and issued share capital and share premium accounts.

DILUTION

As of September 30, 2004, our pro forma net tangible book value was approximately $ million, or approximately $ per share of common stock. Net tangible book value per share of common stock represents total consolidated tangible assets less total consolidated liabilities, divided by the aggregate number of shares of common stock outstanding (excluding shares of common stock to be issued as a result of this offering), assuming the exchange of all Lazard Group common membership interests to be issued to LAZ-MD Holdings for shares of our common stock on a one-for-one basis. Shares of common stock outstanding do not include approximately shares of restricted common stock to be awarded to employees and our directors and shares of common stock that may be awarded in the future under our Equity Incentive Plan. After giving effect to our sale of shares of common stock in this offering, and assuming an estimated initial public offering price of $ per share (the midpoint of the range of initial public offering prices set forth on the cover page of this prospectus), and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of September 30, 2004 would have been approximately $, or $ per share of common stock. This represents an immediate dilution to new investors in our common stock of approximately $ per share.

The following table illustrates this per share dilution (assuming that the underwriters do not exercise their over-allotment option, in whole or in part):

Initial public offering price per share		$
Pro forma net tangible book value per share as of September 30, 2004	$	
Increase in pro forma net tangible book value per share attributable to the sale of shares in this offering		
Pro forma net tangible book value per share after this offering		$
Pro forma dilution per share to new investors assuming full exchange of all Lazard Group common membership interests held by LAZ-MD Holdings into shares of our common stock		$

If the underwriters' over-allotment option is exercised in full, the pro forma net tangible book value per share of common stock would be approximately $ per share and the dilution in pro forma net tangible book value per share of common stock to new investors would be $ per share.

The following table summarizes, on a pro forma basis as of September 30, 2004, the difference between the total cash consideration paid and the average price per share paid by existing stockholders and the purchasers of common stock in this offering with respect to the number of shares of common stock purchased from us, before deducting estimated underwriting discounts, commissions and offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders					
Purchasers of common stock in this offering					
Total					

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2004, reflecting:

- the historical actual consolidated capitalization of Lazard Group,
- the pro forma consolidated capitalization of Lazard Group prior to this offering, the additional financing transactions and the recapitalization, but after giving effect to the separation, the reclassification to accrued compensation of amounts due for services rendered by managing directors and employee members of LAM and other managing directors from minority interests and members' equity, respectively,
- the pro forma consolidated capitalization of Lazard Group, as adjusted, after giving effect to this offering (at an estimated initial public offering price of $ per share (the midpoint of the range of initial public offering prices set forth on the cover page of this prospectus)), the additional financing transactions and the recapitalization, after deducting underwriting discounts and commissions and estimated expenses payable in connection with this offering, and the additional financing transactions and after giving effect to the separation, the reclassification to accrued compensation of amounts due for services rendered by managing directors and employee members of LAM and other managing directors from minority interests and members' equity, respectively, and
- the pro forma consolidated capitalization of Lazard, as adjusted, to reflect the transactions referred to above, including the minority interest attributable to LAZ-MD Holdings' ownership of Lazard Group's common membership interests.

This table should be read in conjunction with the consolidated financial statements and related notes and our unaudited pro forma financial information and related notes, in each case included elsewhere in this prospectus. The data assumes that there has been no exercise, in whole or in part, of the underwriters' over-allotment option to purchase additional shares that is described under "Underwriting."

	As of September 30, 2004			
	Lazard Group			Lazard
	Historical	Pro Forma	Pro Forma, as Adjusted	Pro Forma, as Adjusted
	($ in thousands)			
Notes payable	$ 62,431	$ 60,879	$	$
Capital lease obligations	50,567	50,567		
Additional financings				
Subordinated loans	200,000	200,000		
Mandatorily redeemable preferred stock	100,000	100,000		
Minority interest	146,223	98,067		
Members' equity (deficit)	346,623	(70,180)		
Stockholders' equity:				
Common stock, $0.01 par value per share, shares authorized, shares issued and outstanding on a pro forma basis as adjusted for this offering				
Additional paid-in capital				
Accumulated deficit				
Total minority interest, members' equity and stockholders' equity	492,846	27,887		
Total capitalization	$ 905,844	$ 439,333	$	$

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth the historical selected consolidated financial data for Lazard Group, including the separated businesses, for all periods presented. The table also presents certain pro forma consolidated financial data for Lazard and Lazard Group on a consolidated basis.

The historical financial statements do not reflect what our results of operations and financial position would have been had we been a stand-alone, public company for the periods presented. Specifically, our historical results of operations do not give effect to the matters set forth below.

- Ÿ The separation, which is described in more detail in "The Separation and Recapitalization Transactions and the Lazard Organizational Structure" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- Ÿ Payment for services rendered by Lazard Group's managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members' capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, Lazard Group's operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors to us in employee compensation and benefits expense.
- Ÿ U.S. corporate federal income taxes, since Lazard Group has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group's income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on Lazard Group's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to New York City UBT attributable to Lazard Group's operations apportioned to New York City.
- Ÿ Minority interest expense reflecting LAZ-MD Holdings' ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.
- Ÿ The use of proceeds from this offering and the additional financing transactions.
- Ÿ The incremental expense related to the additional financing transactions.

The unaudited pro forma condensed consolidated income statement and financial position data set forth below are derived from the unaudited pro forma financial statements included elsewhere in this prospectus. The data reflect the separation and recapitalization transactions, including the completion of this offering and the additional financing transactions, as if they had occurred, with respect to the consolidated statement of income data, as of January 1, 2003 and as of September 30, 2004 with respect to the consolidated statement of financial condition data, and are included for informational purposes only and do not purport to represent what our financial position or results of operations would actually have been had we operated as a separate, independent company during the periods presented, nor do the pro forma data give effect to any events other than those discussed above and in the related notes. As a result, the pro forma operating results are not necessarily indicative of the financial position or operating results for any future period. See "Unaudited Pro Forma Financial Information" included elsewhere in this prospectus.

The historical consolidated statements of income and financial condition data as of and for the years ended December 31, 2000, 2001, 2002 and 2003 have been derived from Lazard Group's

consolidated financial statements audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited consolidated statements of financial condition as of December 31, 2002 and 2003 and consolidated statements of income for the years ended December 31, 2001, 2002 and 2003 are included elsewhere in this prospectus. The audited consolidated statements of financial condition as of December 31, 2000 and 2001 and consolidated statements of income for the year ended December 31, 2000 are not included in this prospectus. The historical combined statement of financial condition data and statement of income data as of and for the year ended December 31, 1999 has been derived from Lazard Group's unaudited combined financial statements, which are not included in this prospectus. The historical consolidated statement of financial condition data and statement of income data as of September 30, 2004 and for the nine months ended September 30, 2003 and 2004 has been derived from Lazard Group's unaudited consolidated financial statements, which are included elsewhere in this prospectus. The historical consolidated statement of financial condition data as of September 30, 2003 has been derived from Lazard Group's unaudited consolidated financial statements as of that date and is not included in this prospectus. The September 30, 2003 and 2004 financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. Historical results are not necessarily indicative of results for any future period, and interim results are not necessarily indicative of results for any future interim period.

The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Financial Information" and Lazard Group's historical consolidated financial statements and related notes included elsewhere in this prospectus. See also "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

Selected Consolidated Financial Data

	As of or for the Year Ended December 31,					As of or for the Nine Months Ended September 30,	
	1999(a)	2000	2001	2002	2003	2003	2004
	($ in thousands, except for per share data)						
Lazard Group—Historical Financial Data							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)	$ 662,555	$ 766,856	$ 551,356	$ 532,896	$ 690,967	$ 480,162	$ 406,126
Asset Management (c)	385,529	457,124	410,237	454,683	350,348	225,361	289,956
Corporate (d)	71,352	34,432	(14,392)	(4,768)	6,500	(6,073)	4,734
Capital Markets and Other (g)	365,985	294,388	224,854	183,468	135,569	106,619	134,112
Net Revenue (e)	1,485,421	1,552,800	1,172,055	1,166,279	1,183,384	806,069	834,928
Employee Compensation and Benefits	474,503	570,064	524,417	469,037	481,212	351,392	401,901
Other Operating Expenses	265,532	306,339	288,676	321,197	312,818	201,305	237,461
Operating Income	745,386	676,397	358,962	376,045	389,354	253,372	195,566
Income Allocable to Members Before Extraordinary Item	676,898	558,708	305,777	297,447	250,383	171,924	128,809
Net Income Allocable to Members	676,898	558,708	305,777	297,447	250,383	171,924	134,316(f)
Consolidated Statement of Financial Condition Data							
Total Assets	$13,539,897	$16,123,794	$3,569,362(g)	$2,460,725	$3,257,229	$2,987,621	$3,447,576
Total Debt (h)	$ 53,175	$ 85,246	$ 134,048	$ 144,134	$ 320,078	$ 318,002	$ 312,998
Mandatorily Redeemable Preferred Stock	—	—	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Members' Equity	$ 1,114,145	$ 888,782	$ 704,697	$ 648,911	$ 535,725	$ 455,468	$ 346,623
Lazard Group—Pro Forma Financial Data, as Adjusted							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$ 480,162	$ 406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (i)							
Operating Income (j)							
Net Income (k)							
Consolidated Statement of Financial Condition Data							
Total Assets (l)							$
Total Debt (m)							$
Members' Equity (Deficiency) (n)							$
Lazard Consolidated—Pro Forma Financial Data, as Adjusted							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$ 480,162	$ 406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (i)							
Operating Income (j)							
Net Income (Before LAZ-MD Holdings' Minority Interest) (o)							
Net Income (After LAZ-MD Holdings' Minority Interest) (p)							
Pro Forma Basic Net Income Per Share, as Adjusted for This Offering (q)							
Pro Forma Diluted Net Income Per Share, as Adjusted for This Offering (q)							
Pro Forma Basic Weighted Average Common Shares, as Adjusted for This Offering (q)							
Pro Forma Diluted Weighted Average Common Shares, as Adjusted for This Offering (q)							
Consolidated Statement of Financial Condition Data							
Total Assets (r)							$
Total Debt (s)							$
Stockholders' Equity (Deficiency) (t)							$

***Notes ($ in thousands)*:**

(a) The unification of the Houses of Lazard, which previously operated as separate firms or private limited companies, was completed as of January 3, 2000. Financial data for the periods commencing January 1, 2000 represent the consolidated results of operations for the merged entity, Lazard Group. Accordingly, data presented for 1999, the year prior to the merger, represent "combined" rather than "consolidated" data. Management believes that such combined data has been prepared on a comparable basis, in all material respects, to what the consolidated results of operations would have been for Lazard Group had the merger been consummated on January 1, 1999.

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

	For the Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
M&A	$636,893	$724,550	$492,083	$393,082	$419,967	$ 290,374	$ 315,373
Financial Restructuring	9,700	34,100	55,200	124,800	244,600	174,300	51,200
Other Financial Advisory	15,962	8,206	4,073	15,014	26,400	15,488	39,553
Financial Advisory Net Revenue	$662,555	$766,856	$551,356	$532,896	$690,967	$ 480,162	$ 406,126

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

	For the Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
Management and Other Fees	$379,829	$405,124	$386,237	$381,256	$312,123	$ 223,386	$ 284,638
Incentive Fees	5,700	52,000	24,000	73,427	38,225	1,975	5,318
Asset Management Net Revenue	$385,529	$457,124	$410,237	$454,683	$350,348	$ 225,361	$ 289,956

(d) "Corporate" includes interest income (net of interest expense), investment income from certain long-term investments and net money market revenue earned by LFB.

(e) Net revenue is presented after reductions for dividends relating to Lazard Group's mandatorily redeemable preferred stock issued in March 2001. Preferred dividends are reflected in corporate net revenue and amounted to $6,312, $8,000, $8,000, $6,000 and $6,000 in the years ended December 31, 2001, 2002 and 2003 and the nine months ended September 30, 2003 and 2004, respectively.

(f) Net income allocable to members for the nine months ended September 30, 2004 is shown after an extraordinary gain of approximately $5,507 related to the January 2004 acquisition of the assets of Panmure Gordon.

(g) The decline in total assets from December 31, 2000 to December 31, 2001 is primarily due to Lazard Group's exiting its London money markets business in 2001. Total assets of the London money markets business at December 31, 2000 were $12,225,241. The net revenue related to the London money markets business in the years ended December 31, 1999, 2000 and 2001 were $38,822, $28,962 and $37,393, respectively, and was included in the Capital Markets and Other segment.

(h) Total debt represents the aggregate amount reflected in Lazard Group's historical consolidated statement of financial condition relating to notes payable, capital lease obligations and subordinated loans.

(i) Represents net revenue after giving effect to the separation and recapitalization and incremental interest expense related to the additional financing transactions.

(j) Represents operating income after giving effect to the separation and recapitalization, including pro forma adjustments related to the additional financing transactions and to employee compensation and benefits expense. See "Unaudited Pro Forma Financial Information."

(k) Represents Lazard Group net income after giving effect to the adjustments described in notes (i) and (j) above and a provision for estimated income taxes related thereto at the estimated effective tax rate for the applicable period. See "Risk Factors—Risks Related to Our Business—In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our pro forma financial statements." Lazard Group 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 has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on Lazard Group's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to UBT attributable to Lazard Group's operations apportioned to New York City.

(l) Represents the total assets of Lazard Group after the separation and recapitalization transactions, including the additional financing transactions.

(m) Represents total debt of Lazard Group after the separation and recapitalization transactions, including the additional financing transactions.

(n) Represents member's equity (deficiency) of Lazard Group after the separation and after distributions to LAZ-MD Holdings in connection with the recapitalization of LAZ-MD Holdings.

(o) Represents Lazard's consolidated net income after giving effect to the adjustments described in notes (i), (j) and (k) above, and a provision for income taxes based on an estimated effective tax rate, but before minority interest expense relating to LAZ-MD Holdings' ownership of Lazard Group common membership interests. See "Risk Factors—Risks Related to Our Business—In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our pro forma financial statements."

(p) Represents Lazard's consolidated net income as described in note (o) above, shown after minority interest expense, which will be recorded to reflect LAZ-MD Holdings' ownership of Lazard Group common membership interests, and an adjustment to income taxes based on an

estimated effective tax rate. See “Risk Factors—Risks Related to Our Business—In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our pro forma financial statements.”

(q) Calculated after giving effect to the pro forma adjustments as described in note (p) above and based on million weighted average basic and diluted shares outstanding.

(r) Represents the total assets of Lazard consolidated after the separation and recapitalization transactions, including the additional financing transactions and this offering.

(s) Represents total debt of Lazard after the separation and recapitalization transactions, including the additional financing transactions.

(t) Represents consolidated stockholders’ equity (deficiency) of Lazard after giving effect to the separation, the recapitalization, including the additional financing transactions and this offering and the purchase of Lazard Group common membership interests it will hold.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004 and the unaudited pro forma condensed consolidated statement of financial condition at September 30, 2004 present the consolidated results of operations and financial position of Lazard and Lazard Group assuming that the separation and recapitalization transactions, including this offering and the additional financing transactions, had been completed as of January 1, 2003 with respect to the unaudited pro forma condensed consolidated statement of income data, and at September 30, 2004 with respect to the unaudited pro forma condensed consolidated statement of financial condition data. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the separation and recapitalization transactions, including this offering and the additional financing transactions, on the historical financial information of Lazard Group. The adjustments are described in the notes to unaudited pro forma condensed consolidated statements of income and the unaudited pro forma condensed consolidated statement of financial condition, and principally include the matters set forth below.

- Ÿ The separation, which is described in more detail in “The Separation and Recapitalization Transactions and the Lazard Organizational Structure” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- Ÿ Payment for services rendered by Lazard Group’s managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members’ capital, or in some cases as minority interest, rather than as employee compensation and benefits expense. As a result, Lazard Group’s operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors in employee compensation and benefits expense.
- Ÿ U.S. corporate federal income taxes, since Lazard Group has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group’s income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on Lazard Group’s historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to New York City UBT attributable to Lazard Group’s operations apportioned to New York City.
- Ÿ Minority interest expense reflecting LAZ-MD Holdings’ ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.
- Ÿ The use of proceeds from this offering and the additional financing transactions.
- Ÿ The incremental expense related to the additional financing transactions.

The unaudited pro forma financial information of Lazard should be read together with “The Separation and Recapitalization Transactions and the Lazard Organizational Structure,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Lazard Group’s historical consolidated financial statements and the related notes included elsewhere in this prospectus. The historical consolidated financial data reflected in the accompanying unaudited pro forma financial information represent historical consolidated financial data of Lazard Group. Such

historical consolidated financial data of Lazard Group reflects the historical results of operations and financial position of Lazard Group, including the separated businesses.

The pro forma consolidated financial information are included for informational purposes only and do not purport to reflect the results of operations or financial position of Lazard Group or Lazard that would have occurred had they operated as separate, independent companies during the periods presented. Actual results might have differed from pro forma results if Lazard Group or Lazard had operated independently. The pro forma consolidated financial information should not be relied upon as being indicative of Lazard Group or Lazard's results of operations or financial condition had the transactions contemplated in connection with the separation and recapitalization transactions, including this offering and the additional financing transactions, been completed on the dates assumed. The pro forma consolidated financial information also does not project the results of operations or financial position for any future period or date.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31, 2003								
	Historical	Pro Forma Adjustments			Total	Pro Forma Adjustments for the Additional Financing Transactions	Lazard Group Pro Forma, as Adjusted	Pro Forma Adjustments for this Offering	Lazard Consolidated Pro Forma, as Adjusted
		Separation(a)	Subtotal	Other					
	($ in thousands, except per share data)								
Total revenue	$1,233,545	$ (147,067)	$1,086,478		$1,086,478	$	$	$	$
Interest expense	(50,161)(b)	11,498	(38,663)		(38,663)	(e)			
Net revenue	1,183,384	(135,569)	1,047,815		1,047,815				
Operating expenses:									
Employee compensation and benefits	481,212	(95,696)	385,516	$ 230,220(c)	615,736				
Premises and occupancy costs	98,412	(38,155)	60,257		60,257				
Professional fees	56,121	(8,389)	47,732		47,732				
Travel and entertainment	45,774	(8,463)	37,311		37,311				
Other	112,511	(28,547)	83,964		83,964				
Operating income	389,354	43,681	433,035	(230,220)	202,815				
Provision for income taxes	44,421	(7,422)	36,999	3,069(d)	40,068	(e)		(f)	
Income allocable to members before minority interests	344,933	51,103	396,036	(233,289)	162,747				
Minority interests	94,550	15	94,565	(78,732)(c)	15,833			(g)	
Net income allocable to members	$ 250,383	$ 51,088	$ 301,471	$(154,557)	$ 146,914	$	$	$	$
Shares outstanding:									
Weighted average basic								(h)	
Weighted average diluted								(h)	
Net income per share:									
Basic									$ (i)
Diluted									$ (i)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine Months Ended September 30, 2003								
		Pro Forma Adjustments							
	Historical	Separation(a)	Subtotal	Other	Total	Pro Forma Adjustments for the Additional Financing Transactions	Lazard Group Pro Forma, as Adjusted	Pro Forma Adjustments for this Offering	Lazard Consolidated Pro Forma, as Adjusted
	($ in thousands, except per share data)								
Total revenue	$ 843,907	$ (116,498)	$ 727,409		$ 727,409	$	$	$	$
Interest expense	(37,838)(b)	9,879	(27,959)		(27,959)	(e)			
Net revenue	806,069	(106,619)	699,450		699,450				
Operating expenses:									
Employee compensation and benefits	351,392	(65,650)	285,742	$ 125,739(c)	411,481				
Premises and occupancy costs	68,430	(25,625)	42,805		42,805				
Professional fees	34,355	(4,379)	29,976		29,976				
Travel and entertainment	30,985	(5,717)	25,268		25,268				
Other	67,535	(13,507)	54,028		54,028				
Operating income	253,372	8,259	261,631	(125,739)	135,892				
Provision for income taxes	28,370	(448)	27,922	4,142(d)	32,064	(e)		(f)	
Income allocable to members before minority interests	225,002	8,707	233,709	(129,881)	103,828				
Minority interests	53,078	(7)	53,071	(41,443)(c)	11,628			(g)	
Net income allocable to members	$ 171,924	$ 8,714	$ 180,638	$ (88,438)	$ 92,200	$	$	$	$
Shares outstanding:									
Weighted average basic								(h)	
Weighted average diluted								(h)	
Net income per share:									
Basic									$ (i)
Diluted									$ (i)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine Months Ended September 30, 2004								
		Pro Forma Adjustments							
	Historical	Separation(a)	Subtotal	Other	Total	Pro Forma Adjustments for the Additional Financing Transactions	Lazard Group Pro Forma, as Adjusted	Pro Forma Adjustments for this Offering	Lazard Consolidated Pro Forma, as Adjusted
	($ in thousands, except per share data)								
Total revenue	$ 873,046	$ (137,225)	$ 735,821		$ 735,821	$	$	$	$
Interest expense	(38,118)(b)	3,113	(35,005)		(35,005)	(e)			
Net revenue	834,928	(134,112)	700,816		700,816				
Operating expenses:									
Employee compensation and benefits	401,901	(74,572)	327,329	$ 88,059(c)	415,388				
Premises and occupancy costs	74,773	(20,172)	54,601		54,601				
Professional fees	43,964	(14,578)	29,386		29,386				
Travel and entertainment	36,209	(4,287)	31,922		31,922				
Other	82,515	(17,116)	65,399		65,399				
Operating income	195,566	(3,387)	192,179	(88,059)	104,120				
Provision for income taxes	14,385	(1,232)	13,153	2,065 (d)	15,218	(e)		(f)	
Income allocable to members before minority interests and extraordinary item	181,181	(2,155)	179,026	(90,124)	88,902				
Minority interests	52,372	54	52,426	(55,414)(c)	(2,988)			(g)	
Income allocable to members before extraordinary item	$ 128,809	$ (2,209)	$ 126,600	$(34,710)	$ 91,890	$	$	$	$
Shares outstanding:									
Weighted average basic								(h)	
Weighted average diluted								(h)	
Net income per share:									
Basic									$ (i)
Diluted									$ (i)

***Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income ($ in thousands)*:**

(a) Reflects adjustments necessary to remove the historical results of operations of Lazard Group's separated businesses.

(b) Interest expense includes dividends relating to Lazard Group's mandatorily redeemable preferred stock issued in March 2001, which amounted to $8,000, $6,000 and $6,000 for the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively.

(c) Historically, payments for services rendered by our managing directors have been accounted for as distributions from members' capital, or as minority interest expense in the case of payments to LAM managing directors and certain key LAM employee members during 2003 and 2004, rather than as compensation and benefits expense. As a result, our employee compensation and benefits expense and net income allocable to members have not reflected most payments for services rendered by our managing directors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures and Indicators—Net Income Allocable to Members."

The adjustment reflects the classification of these payments for services rendered as employee compensation and benefits expense and has been determined as if the new compensation policy described below had been in place during the applicable periods. Accordingly, the pro forma condensed consolidated statement of income data reflect compensation and benefits expense based on new retention agreements that will be effective upon the completion of this offering.

Following the completion of this offering, our policy will be that our employee compensation and benefits expense, including that payable to our managing directors, will not exceed 57.5% of operating revenue each year (although we retain the ability to change this policy in the future). Our managing directors have been informed of this new policy. The new retention agreements with our managing directors generally provide for a fixed salary and discretionary bonus, which may include an equity-based compensation component. We define "operating revenue" for these purposes as consolidated total revenue less (i) total revenue attributable to the separated businesses and (ii) interest expense related to LFB.

Reconciliation of historical compensation and benefits expense to pro forma employee compensation and benefits expense

	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
		($ in thousands)	
Historical	$ 481,212	$ 351,392	$ 401,901
Add (deduct):			
Amount related to separated businesses	(95,696)	(65,650)	(74,572)
Portion of distributions representing payments for services rendered by managing directors and employee members of LAM	391,104	273,711	261,296
Reductions	(160,884)	(147,972)	(173,237)
Targeted compensation and benefits	$ 615,736	$ 411,481	$ 415,388

The overall net adjustment to increase historical employee compensation and benefits expense (after eliminating the expenses related to the separated businesses) is $230,220, $125,739 and $88,059 for the year ended December 31, 2003 and the nine month periods ended September 30, 2003 and September 30, 2004, respectively. The net adjustment is the result of (i) aggregating the distributions representing payments for services rendered by managing directors and employee members of LAM and (ii) reducing the adjusted employee compensation and benefits expense to reflect the new compensation arrangements with our managing directors, which provide for a fixed salary and discretionary bonus, to a target compensation expense-to-operating revenue ratio of 57.5%.

While the adjustments described above constitute all adjustments management believes are applicable to the pro forma presentation set forth in this prospectus, we believe that other considerations will assist us in minimizing the degree of compensation reductions required to achieve our employee compensation and benefits expense target, which have not been reflected in the pro forma presentation. For example, significant payments to managing directors for services rendered in 2003 and 2004 relating to guarantees that have expired will not be repeated and the contractual payouts to the founders of LAM have also expired and will not be repeated. We also expect reductions associated with the restructuring of the Lazard Group pension plans (reflecting a change from defined benefit plans to defined contribution plans) and cost savings resulting from a reassessment of our staffing needs.

These and other measures may not allow us to reach or maintain our target compensation expense-to-operating revenue ratio in the future. Increased competition for senior professionals, changes in the financial markets generally or other factors could prevent us from reaching this objective.

(d) Reflects a net adjustment of $3,069, $4,142 and $2,065 for the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively. The net adjustments include (i) tax expense of $4,589, $4,142 and $3,205 in the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively, which reflects the application of the respective historical effective Lazard Group income tax rates against the applicable pro forma adjustments, and (ii) tax benefits of $1,520, $0 and $1,140 reclassified from LAM minority interest in the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively.

(e) Reflects incremental interest expense related to the separation and recapitalization transactions, including the additional financing transactions and the estimated tax effect related thereto.

(f) Reflects an adjustment for Lazard Ltd's pro forma income taxes to include (i) consolidation of all Lazard Group taxes of $ for the year ended December 31, 2003, $ for the nine months ended September 30, 2003 and $ for the nine months ended September 30, 2004, plus (ii) entity-level taxes of $ for the year ended December 31, 2003, $ for the nine months ended September 30, 2003 and $ for the nine months ended September 30, 2004 that are payable by Lazard Ltd itself or its subsidiaries. Lazard Ltd's entity-level taxes are computed based on an estimated effective tax rate of % applicable to its pro rata share of Lazard Group's consolidated pro forma pre-tax income. Based on taxation of Lazard Group's consolidated pre-tax income at an estimated effective tax rate of %, % and % for the year ended December 31, 2003, nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively, Lazard Ltd's entity-level taxes would total an additional %, % and % of its pro rata share of Lazard Group consolidated pro forma pre-tax income for the year ended December 31, 2003, nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively.

(g) Minority interest expense includes an adjustment for LAZ-MD Holdings' ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering to the pro forma results for the periods.

(h) Reflects the issuance of shares of our common stock pursuant to this offering and excludes million shares issuable upon exercise of the underwriters' over-allotment option.

(i) Calculated after considering the impact of the pro forma adjustments described above and based on million weighted average basic and diluted shares outstanding, as applicable, after giving effect to the million shares issued pursuant to this offering, which excludes million shares issuable upon exercise of the underwriters' over-allotment option.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	As of September 30, 2004								
		Pro Forma Adjustments				Pro Forma Adjustments for the Capital Contribution Relating to the Offering and the Additional Financing Transactions	Lazard Group Pro Forma, as Adjusted	Pro Forma Adjustments for this Offering	Lazard Consolidated Pro Forma, as Adjusted
	Historical	Separation(a)	Subtotal	Other	Total				
	($ in thousands, except per share amounts)								
Assets:									
Cash and cash equivalents	$ 283,776	$ (87,451)	$ 196,325	$	$ 196,325(d)	$	$	$	$
Cash and securities segregated for regulatory purposes	72,281	(31,451)	40,830		40,830				
Marketable investments	103,702		103,702		103,702(d)				
Securities owned	586,140	(217,079)	369,061		369,061				
Securities borrowed	974,688	(974,688)							
Receivables	748,395	(276,010)	472,385		472,385				
Other assets	678,594	(297,392)	381,202		381,202				
Total assets	$3,447,576	$ (1,884,071)	$1,563,505	$	$1,563,505	$	$	$	$
Liabilities, Members' Equity and Stockholders' Equity:									
Notes payable	$ 62,431	$ (1,552)	$ 60,879		$ 60,879	$ (e)	$		$
Securities loaned	795,480	(795,480)							
Payables	697,382	(223,274)	474,108		474,108				
Accrued employee compensation	163,467	(44,588)	118,879	$ 29,232(b)					
				109,245(c)	257,356(d)				
Miscellaneous other liabilities	935,970	(492,695)	443,275		443,275				
Subordinated loans	200,000		200,000		200,000				
Mandatorily redeemable preferred stock	100,000		100,000		100,000	(e)			
Minority interest	146,223	(18,924)	127,299	(29,232)(b)	98,067			(f)	
Members' equity	346,623	(307,558)	39,065	(109,245)(c)	(70,180)	(e)			
						(e)			
						(g)			
Common stock, par value $ per share								(g)	
Additional paid-in capital								(g)	
Accumulated deficit									
Total members' equity and stockholders' equity (deficiency)	346,623	(307,558)	39,065	(109,245)	(70,180)				
Total liabilities, members' equity and stockholders' equity (deficiency)	$3,447,576	$ (1,884,071)	$1,563,505	$	$1,563,505	$	$	$	$

***Notes to Unaudited Pro Forma Condensed Consolidated Statement of Financial Condition ($ in thousands)*:**

(a) Reflects adjustments necessary to remove the historical balances relating to Lazard Group's separated businesses.
(b) Reclassifies minority interest relating to services rendered by managing directors and employee members associated with Lazard Group's controlled affiliate, LAM, to accrued compensation.
(c) Historically, payment for services rendered by managing directors has been accounted for as distributions to members' capital (and subsequent to January 1, 2003, minority interest for LAM) rather than as compensation expense. As a result, the accrued compensation liability account has not reflected a liability for most services rendered by managing directors. Following the closing of the separation and recapitalization transactions, we will include all payments for services rendered by our managing directors in compensation and benefits expense. The pro forma adjustment reflects the compensation payable to managing directors (excluding LAM and the separated businesses).
(d) Historically, employee bonuses have generally been paid in the January following the end of each fiscal year. Payments to managing directors for services rendered have generally been made in three monthly installments, as soon as practicable, after the end of each fiscal year. Such payments usually begin in February. Accordingly, the cash and marketable investments balances shown will be reduced by amounts to be paid for employee bonuses and payments to managing directors for services rendered.
(e) Reflects the impact of additional financing transactions and the recapitalization (including the redemption of the mandatorily redeemable preferred stock interest).
(f) Reflects LAZ-MD Holdings' approximate % ownership of Lazard Group's common membership interests as of September 30, 2004.
(g) Reflects the issuance of Lazard common shares pursuant to this offering, the net proceeds from which are being utilized to acquire common membership interests in Lazard Group. With respect to Lazard Group, reflects the contribution of such net proceeds to Lazard Group.

The unaudited pro forma condensed consolidated statements of income for the years ended December 31, 2001 and 2002 are also presented below to give effect to the separation, as though such separation had occurred as of January 1, 2001. The unaudited pro forma condensed consolidated financial statements shown below are presented as additional information since, if the offering is successfully consummated, any subsequent presentation of the historical financial statements will reflect the separated businesses as discontinued operations in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. These unaudited pro forma condensed consolidated financial statements, however, exclude any pro forma adjustments related to payment for services rendered by Lazard Group's managing directors, incremental expense related to the additional financing transactions, minority interest expense and the income tax effect relating to such items.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2001			Year Ended December 31, 2002		
	Historical	Separation(a)	Pro Forma for Separation	Historical	Separation(a)	Pro Forma for Separation
	($ in thousands)					
Total revenue	$ 1,705,263	$ (727,908)	$ 977,355	$ 1,229,662	$ (216,885)	$ 1,012,777
Interest expense(b)	(533,208)	503,054	(30,154)	(63,383)	33,417	(29,966)
Net revenue	1,172,055	(224,854)	947,201	1,166,279	(183,468)	982,811
Operating expenses:						
Employee compensation and benefits	524,417	(128,544)	395,873	469,037	(81,195)	387,842
Premises and occupancy costs	63,462	(28,530)	34,932	82,121	(36,388)	45,733
Professional fees	70,350	(21,105)	49,245	67,862	(21,046)	46,816
Travel and entertainment	38,177	(8,575)	29,602	41,225	(7,854)	33,371
Other	116,687	(34,844)	81,843	129,989	(16,448)	113,541
Operating income	358,962	(3,256)	355,706	376,045	(20,537)	355,508
Provision for income taxes	51,349	(8,532)	42,817	38,583	2,476	41,059
Income allocable to members before minority interests	307,613	5,276	312,889	337,462	(23,013)	314,449
Minority interests	1,836	(181)	1,655	40,015	(384)	39,631
Net income allocable to members	$ 305,777	$ 5,457	$ 311,234	$ 297,447	$ (22,629)	$ 274,818

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income ($ in thousands):

(a) Reflects adjustments necessary to remove the historical results of operations of Lazard Group's separated businesses.

(b) Interest expense includes dividends relating to Lazard Group's mandatorily redeemable preferred stock issued in March 2001, which amounted to $6,312 and $8,000 in the years ended December 31, 2001 and 2002, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The historical consolidated financial data of Lazard Group discussed below reflect the historical results of operations and financial position of Lazard Group, including the separated businesses that will not be retained by Lazard Group following this offering. Accordingly, the historical consolidated financial data do not give effect to the separation and recapitalization transactions, including the completion of this offering and the additional financing transactions. See "The Separation and Recapitalization Transactions and the Lazard Organizational Structure" and "Unaudited Pro Forma Financial Information" included elsewhere in this prospectus.

Business Summary

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

- Financial Advisory, which includes providing advice on mergers, acquisitions, restructurings and other financial matters,
- Asset Management, which includes the management of equity and fixed income securities and merchant banking funds, and
- Capital Markets and Other, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities. In connection with the separation, Lazard Group will transfer its Capital Markets and Other segment to LFCM Holdings.

In addition, we record selected other activities in Corporate, including cash and marketable investments, certain long-term investments and our Paris-based LFB. LFB is a registered bank regulated by the Banque de France. LFB's primary operations include commercial banking, the management of the treasury positions of Lazard's Paris House through its money market desk and, to a lesser extent, credit activities relating to securing loans granted to clients of LFG and custodial oversight over assets of various clients. In addition, LFB also operates many support functions of the Paris House. We also allocate outstanding indebtedness to Corporate. Following this offering, the indebtedness and interest expense related to the additional financing transactions will be accounted for as part of Corporate as well.

For the year ended December 31, 2003, Financial Advisory, Asset Management, Capital Markets and Other and Corporate contributed approximately 58%, 30%, 11% and 1% of Lazard Group's net revenue, respectively.

Business Environment

Economic and market conditions, particularly global M&A activity, can significantly affect our financial performance.

The respective source for the data contained herein relating to (i) the volume of global and trans-Atlantic completed and announced merger and acquisition transactions is Thomson Financial, (ii) the amount of corporate debt defaults is Moody's Investors Service, Inc., cited with permission, all rights reserved, (iii) the amount of hedge fund assets is 2004 Van Hedge Fund Advisors, and (iv) funds raised for global private capital including private equity and venture capital investment funds is Thomson Venture Economics/National Venture Capital, June 2004.

Financial Advisory

From the early 1990s through 2000, there was relatively consistent and substantial growth in global M&A activity. The volume of global completed M&A transactions grew from $359 billion in 1993 to $3,719 billion in 2000. Of the total market, the volume of trans-Atlantic completed M&A transactions (involving either a U.S. or Canadian party transacting with a European counterparty) grew from $22 billion in 1993 to $386 billion in 2000.

Beginning in 2001, the volume of global completed M&A transactions began to decline significantly, falling 68% from $3,719 billion in 2000 to $1,204 billion in 2003, with the volume of trans-Atlantic completed M&A transactions down 73% from $386 billion to $102 billion in the same period. At the same time, corporate debt defaults increased significantly, reaching a peak of $164 billion in 2002, up 466% from $29 billion in 2000. In 2003, corporate debt defaults decreased to $34 billion, down 80% from $164 billion in 2002, reflecting improved global economic conditions.

In 2004, global M&A volume increased while restructuring activity continued to decline significantly. For the nine months ended September 30, 2004, the volume of global completed M&A transactions increased 24% versus the corresponding period in 2003, increasing to $1,088 billion from $874 billion, respectively, with the volume of trans-Atlantic completed M&A transactions experiencing an 8% increase. Over the same two nine month time periods, the volume of global announced M&A transactions increased by 36% in the 2004 period, from $942 billion to $1,278 billion, and the volume of trans-Atlantic announced M&A transactions increased by 27% from $50 billion to $64 billion, reflecting growing industry-wide activity. Over the same time frame, financial restructuring activity declined rapidly, with the amount of corporate debt defaults down from $30 billion to $8 billion, or by 72%. We believe that our Financial Advisory business will benefit from any sustained increase in M&A volume. Any such improvement will most likely be accompanied, at least in part, by counter cyclical weakness in restructuring activity.

We believe that this counter-cyclical relationship can be seen in Lazard Group's results. Between 2000 and 2003, Lazard Group's Mergers and Acquisitions net revenue declined from $725 million to $420 million as the volume of global completed M&A transactions across the industry declined amidst challenging economic and capital markets conditions. Conversely, over the same time period, the net revenue of Lazard Group's Financial Restructuring practice, the first full operating year of which commenced in 2000, increased from $34 million to $245 million, driven primarily by increased restructuring transaction volume stemming from higher levels of global corporate debt defaults. Similarly, for the nine months ended September 30, 2004, Lazard Group's Mergers and Acquisitions net revenue increased to $315 million from $290 million in the comparable period in 2003 as M&A activity rebounded, while Financial Restructuring net revenue declined to $51 million from $174 million over the same time period, reflecting diminished restructuring activity due to declining levels of global corporate debt defaults.

Asset Management

From 1993 to 2003, global stock markets appreciated substantially. The MSCI World Index rose by 6% on a compounded annual basis during this period. European markets experienced similar improvement, with the FTSE 100, CAC 40 and DAX indices up 3%, 5% and 6%, respectively, on a

compounded annual basis. In the U.S., the Dow Jones Industrial, S&P 500 and NASDAQ indices rose by 11%, 9% and 10%, respectively, on a compounded annual basis. According to *Pensions & Investments*, an industry publication, worldwide assets managed by the top 100 asset managers grew by 20%, on a compounded annual basis, over this period. We believe that this growth in excess of market appreciation reflects a shift towards assets being concentrated among leading asset managers and consolidation within the asset management industry. During the same period, assets managed in hedge funds and merchant banking funds also experienced significant growth. Hedge fund assets, for example, grew 17%, on a compounded annual basis, to $820 billion at year end 2003, and funds raised for global private capital, which includes private equity and venture capital investment funds, increased by 12% on a compounded annual basis.

While global stock markets experienced substantial appreciation from 1993 to 2003, markets have experienced considerable volatility since 1999, with various market indices reaching record highs in 1999 and the first quarter of 2000, and then declining steadily through December 31, 2002. From 1999 to 2002, the MSCI World Index declined by 18%, on a compounded annual basis, while in Europe, the FTSE 100, CAC 40 and DAX indices declined 17%, 20% and 25%, respectively, on a compounded annual basis. In the U.S., the Dow Jones Industrial, S&P 500 and NASDAQ indices declined by 10%, 16% and 31%, respectively, on a compounded annual basis, in the same time frame. These declines were followed by considerable improvements in the global markets in 2003, and relative stability during the nine months ended September 30, 2004. During 2003, the MSCI World Index rose by 31%, with the FTSE 100, CAC 40 and DAX indices gaining 14%, 16% and 37%, respectively. In the U.S., the Dow Jones Industrial, S&P 500 and NASDAQ indices gained 25%, 26% and 50%, respectively, during the same year. For the nine months ended September 30, 2004, none of these global, U.S. or European indices rose or declined by more than approximately 5%. The changes in global market indices correspond with Lazard Group's market-related changes in its AUM.

Recent Developments

During the fourth quarter of 2004, we experienced an increased rate of revenue growth in comparison to revenue growth during the first nine months of 2004, such that we estimate that full year 2004 Mergers and Acquisitions net revenue will be up approximately 14% from 2003. This reflects an improvement relative to the increase in net revenue of 9% for the nine months ended September 30, 2004 over the comparable period in 2003 due to an increase in net revenue of approximately 28% in the fourth quarter of 2004 over the same period in 2003. In addition, we believe that the level of our business activity has increased as evidenced by our involvement in several prominent recently announced transactions, including our representation of Telecom Italia Mobile in its pending €21 billion sale of the remaining public interests to Telecom Italia, Mitsubishi Tokyo Financial Group in its pending merger with UFJ Holdings and Nextel Communications in its pending $70 billion merger-of-equals with Sprint Corporation. We also recently announced our entry into strategic alliances with prominent, locally-based advisory firms in Brazil and Argentina, which we believe should better position us to take advantage of opportunities in those countries.

In our Asset Management business, our current AUM have risen to approximately $86 billion as of December 31, 2004, from $78.5 billion as of September 30, 2004, reflecting recent market appreciation. This growth contributes to our expectation of approximately 25% year-over-year management fee revenue growth for 2004. For the full year 2004, the significant year-over-year growth that we expect to realize in Asset Management net revenue will have been achieved without realizing a significant amount of performance-based incentive fees from our alternative investments area, a business that we have been making recent efforts to expand in order to capitalize on its potential.

On February 1, 2005, Lazard Group announced that it had entered into a non-binding memorandum of understanding with Durlacher Corporation PLC, an unaffiliated U.K. broking firm focused on the small and mid cap sector, for the acquisition by Durlacher of Panmure Gordon, a

division of Lazard Group based in London that comprises our entire U.K. capital markets business. We expect that upon consummation of the transaction, the combined company would be owned one-third by former Durlacher shareholders, one-third by LFCM Holdings and one-third by the employees of the combined company. The transaction is subject to entry into definitive agreements and customary closing conditions, including approval of the Durlacher stockholders.

Key Financial Measures and Indicators

Net Revenue

The majority of our Financial Advisory net revenue is earned from the successful completion of mergers, acquisitions, restructurings or similar transactions. 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, we also earn fees from providing strategic advice to a client, with such fees not being dependent on a specific transaction. Our Financial Advisory segment also earns revenue from public and private securities offerings in conjunction with activities of the Capital Markets and Other segment. In general, such fees are shared equally between our Financial Advisory and Capital Markets and Other segments. Following this offering, we intend to have an arrangement with LFCM Holdings under which the separated Capital Markets business will continue to distribute securities in public offerings originated by our Financial Advisory business in a manner intended to be similar to our practice prior to this offering. The main driver of Financial Advisory net revenue is overall M&A and restructuring volume, particularly in the industries and geographic markets in which we focus.

Our Asset Management segment includes our LAM, LFG and merchant banking operations. 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 in large part by our investment performance and by our ability to successfully attract and retain assets, as well as 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. Fees vary with the type of assets managed, with higher fees earned on actively managed equity assets, alternative investments (such as hedge funds) and merchant banking products, and lower fees earned on fixed income and cash management products. We also earn performance-based incentive fees on some investment products, such as hedge funds, merchant banking funds and other investment products. Incentive fees on hedge funds are typically calculated based on a specified percentage of a fund's net appreciation during a fiscal period and can be subject to loss carry-forward provisions in which losses incurred in the current period are applied against future period net appreciation. Incentive fees on merchant banking funds also may be earned in the form of a carried interest when profits from merchant banking investments exceed a specified threshold. Lazard Group's Asset Management net revenue during the years ended December 31, 2001 through 2003 and the nine months ended September 30, 2003 and 2004 demonstrate the volatility that incentive fees have on total net revenue. See "—Asset Management—Asset Management Results of Operations."

Capital Markets and Other net revenue largely consists of primary revenue earned from underwriting fees from securities offerings and secondary revenue earned in the form of commissions and trading profits from principal transactions in Lazard Group's equity, fixed income and convertibles businesses. Since Lazard Group's January 7, 2004 acquisition of the assets of Panmure Gordon, Lazard Group also has earned underwriting and other fee revenue from corporate broking in the U.K. Lazard Group also earns fund management fees and, if applicable, carried interest incentive fees related to merchant banking funds managed as part of this segment. Such carried interest incentive

fees are earned when profits from merchant banking investments exceed a specified threshold. In addition, Lazard Group generates investment income and net interest income principally from long- term investments, cash balances and securities financing transactions. In connection with the separation, Lazard Group will transfer the Capital Markets and Other segment to LFCM Holdings.

Corporate net revenue consists primarily of investment income generated from long-term investments, including principal investments that Lazard Group has made in merchant banking and alternative investment funds managed by our Asset Management segment, net interest income generated by LFB, interest income related to cash and marketable investments and interest expense related to outstanding borrowings. Following this offering, interest expense related to the additional financing transactions will be accounted for as part of Corporate as well. Corporate net revenue can fluctuate due to mark-to-market adjustments on long-term and marketable investments, changes in interest rate spreads earned by LFB and changes in the levels of our cash, marketable investments, long-term investments and indebtedness. Although Corporate net revenue represented 1% or less of Lazard Group's net revenue in each of the years 2001, 2002 and 2003, total assets in this segment represented 35% of Lazard Group's consolidated total assets as of December 31, 2003 (or 68% excluding the Capital Markets and Other segment), principally attributable to the relatively significant amounts of assets associated with LFB, and, to a lesser extent, cash, marketable investments and long-term investment balances.

We expect to experience significant fluctuations in net revenue and operating income during the course of any given year. These fluctuations arise because a significant portion of our Financial Advisory net revenue is earned upon the successful completion of a transaction or financial restructuring, the timing of which is uncertain and is not subject to our control. Our Asset Management net revenue is also subject to periodic fluctuations. Asset Management fees are generally based on AUM measured as of the end of a quarter or month, and an increase or reduction in AUM at such dates, due to market price fluctuations, currency fluctuations, net client asset flows or otherwise, will result in a corresponding increase or decrease in management fees. In addition, incentive fees earned on AUM are generally not recorded until the fourth quarter of our fiscal year, when potential uncertainties regarding the ultimate realizable amounts have been determined.

Operating Expenses

The majority of our operating expenses relate to employee compensation and benefits. As a limited liability company, payments for services rendered by the majority of Lazard Group's managing directors are accounted for as distributions of members' capital. In addition, subsequent to January 1, 2003, payments for services rendered by managing directors of LAM (and employee members of LAM) have been accounted for as minority interest expense. See "—Minority Interest." As a result, our employee compensation and benefits expense and operating income have not reflected most payments for services rendered by our managing directors. Following this offering, we will include all payments for services rendered by our managing directors, including the managing directors of LAM, in employee compensation and benefits expense.

The balance of our operating expenses is referred to below as "non-compensation expense," which includes costs for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment, depreciation and amortization and other expenses.

The historical levels of operating expenses set forth in "—Consolidated Results of Operations" do not reflect the added costs we expect to incur as a result of this offering. We expect that we will incur additional expenses for, among other things, directors fees, SEC reporting and compliance, investor relations, legal, accounting and other costs associated with being a public company.

Provision for Income Taxes

Lazard Group has historically operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group's income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through corporations and has been subject to local income taxes. Income taxes shown on Lazard Group's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to UBT attributable to Lazard Group's operations apportioned to New York City.

Following this offering Lazard Group will continue to operate in the U.S. as a limited liability company treated as a partnership for U.S. federal income tax purposes and remain subject to local income taxes outside the U.S. and to UBT. In addition, Lazard will be subject to additional income taxes which will be reflected in our consolidated financial statements as described in Note (f) in the "Unaudited Pro Forma Financial Information—Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income."

Minority Interest

Minority interest consists of a number of components.

On January 1, 2003, Lazard Group contributed net assets relating to the majority of its asset management business to form LAM, a subsidiary of Lazard Group. Upon formation of LAM, certain members of Lazard Group (including all the managing directors of LAM) who provide services to LAM contributed capital to LAM and ceased being members of Lazard Group. Following the formation of LAM, these capital interests have been included in minority interest on Lazard Group's consolidated statement of financial condition. In connection with this contribution, the LAM managing directors and other key LAM employees were granted equity units in LAM. Commencing in 2003, payments for services rendered by these individuals were accounted for as minority interest expense in Lazard Group's consolidated statement of income. The substantial majority of such payments related to services rendered by LAM managing directors, which, in prior years, had been accounted for as distributions to members, therefore, was not reported in prior years' consolidated statements of income. The remainder of such payments, which related to compensation of employee members of LAM, was recorded as compensation and benefits expense in prior years' consolidated statements of income. Following this offering, we will include all payments for services rendered by our managing directors, including our LAM managing directors, as well as employee members of LAM, in employee compensation and benefits expense.

The LAM equity units entitle holders to payments in connection with selected fundamental transactions affecting Lazard Group or LAM, including a dissolution or sale of all or substantially all of the assets of Lazard Group or LAM, a merger of or sale of all of the interests in LAM whereby Lazard Group ceases to own a majority of LAM or have the right to appoint a majority of the board of LAM, or a non-ordinary course sale of assets by LAM that exceeds $50 million in value. These persons will not receive LAZ-MD Holdings exchangeable interests in connection with the separation and recapitalization transactions, but will retain their existing equity units in LAM. As a general matter, in connection with a fundamental transaction that triggers the LAM equity units, the holders of the LAM equity units would be entitled in the aggregate to 21.75% of the net proceeds or imputed valuation of LAM in such transaction after deductions for payment of creditors of LAM and the return of LAM capital. As of September 30, 2004, LAM's capital for these purposes totaled approximately $65 million, of which approximately $13 million was owned by LAM managing directors and employee members, with the remainder owned by Lazard Group. These LAM equity units are not entitled to share in the operating results of LAM. A separate class of interests in LAM, which we refer to in this prospectus as "LAM profit units," is entitled to the ordinary profit and losses of LAM, all of which are owned by Lazard

Group. Accordingly, in the absence of a fundamental transaction that triggers the LAM equity units, all of LAM's net income is allocable to Lazard Group. We have no current intention to cause or otherwise trigger a fundamental transaction that would give rise to payment obligations to the holders of interests in LAM.

On and after January 1, 2006, the board of directors of LAM (a majority of which is appointed by Lazard Group) may, in its discretion, grant LAM equity interests that include profit rights to managing directors of, and other persons providing services to, LAM, as a portion of their ongoing compensation. If granted, these equity interests would be subject to specified vesting conditions, with 50% of the equity interests vesting on the second anniversary of the date of issuance and the remaining 50% of the equity interests vesting on the third anniversary of the date of issuance.

Also included in minority interest in our consolidated financial statements are minority interests in various LAM-related general partnership interests. Certain of these LAM-related general partnerships compensate LAM professionals directly. As such, incentive fees that would have otherwise been paid to Lazard Group are retained by the general partnerships for the purpose of compensating the LAM professionals. In Lazard Group's consolidation of the general partnerships, the LAM professionals' compensation is reflected in minority interest, with an equivalent amount in Lazard Group's net revenue. Following this offering we will include such LAM professionals' share of the incentive fees in employee compensation and benefits expense.

In September 2002, Lazard Group and Intesa announced their agreement to form a strategic alliance. Under the terms of this alliance, Intesa became a 40% partner in Lazard Group's business interests in Italy in January 2003. As a result, commencing in 2003, Lazard Group has recorded minority interest to reflect Intesa's economic interest in the Italian alliance.

As of September 30, 2004, in accordance with the adoption of Financial Interpretation No. 46R for Consolidation of Certain Variable Interest Entities ("FIN 46R"), referred to as "VIEs," Lazard Group consolidated certain VIEs in which it holds a variable interest and where Lazard Group is the primary beneficiary. Those VIEs include Lazard Group sponsored venture capital investment vehicles established in connection with our compensation plans. Accordingly, Lazard Group's condensed consolidated financial statements at September 30, 2004 reflect minority interests associated with these VIEs. These VIEs will be included with the separated businesses and, as such, will not be reflected in our consolidated financial statements following this offering. To the extent that we expand our merchant banking activities in the future, we expect that we may be required to consolidate additional VIEs related to such activities.

The table below summarizes our minority interest expense and liability in Lazard Group's consolidated financial statements:

	Minority Interest Expense				
	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in thousands)		
LAM Members	$ —	$ —	$61,757	$41,442	$55,414
LAM General Partnerships	1,468	38,891	16,975	—	—
Italian Strategic Alliance	—	—	15,914	11,290	(400)
Merchant Banking General Partnership Interests	—	—	—	—	(54)
Other	368	1,124	(96)	346	(2,588)
Total	$1,836	$40,015	$94,550	$53,078	$52,372

	Minority Interest Liability		
	As of December 31,		As of September 30, 2004
	2002	2003	
		($ in thousands)	
LAM Members	$ —	$ 66,599	$ 45,190
LAM General Partnerships	66,416	35,634	32,579
Italian Strategic Alliance	—	65,889	47,222
Merchant Banking General Partnership Interests	—	—	20,859
Other	2,223	956	373
Total	$68,639	$169,078	$ 146,223

Net Income Allocable to Members

Historically, payments for services rendered by our managing directors have been accounted for as distributions from members' capital, or as minority interest expense in the case of payments to LAM managing directors and certain key LAM employee members during 2003 and 2004, rather than as compensation and benefits expense. As a result, our compensation and benefits expense and net income allocable to members have not reflected most payments for services rendered by our managing directors.

During 2002 and 2003, following the hiring of new senior management, Lazard Group invested significant amounts in the recruitment and retention of senior professionals in an effort to reinvest in the intellectual capital of Lazard Group's business. As a result, while payments for services rendered by our managing directors generally did not historically exceed net income allocable to members in any given year, in 2002 and 2003 we made distributions to our managing directors that exceeded our net income allocable to members. We expect this to be the case in 2004 as well.

The table below illustrates what our compensation and benefits expense would have been on an adjusted basis during 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004 had the portion of distributions to members which represent payments for services rendered and our minority interest expense related to LAM been accounted for as compensation and benefits expense, as adjusted to exclude the impact of the separated businesses. The table further illustrates the relationship between our adjusted compensation and benefits expense and our operating revenue. We define operating revenue to equal consolidated total gross revenue less (i) total gross revenue attributable to the separated businesses and (ii) interest expense related to LFB, our Paris-based banking affiliate. We deduct the interest expense incurred by LFB from our definition of operating revenue because LFB is a financing business and we consider its interest expense to be a cost directly related to the conduct of its business. The remaining interest expense, however, relates to our decisions regarding the capital structure of Lazard Group as a whole.

	Year Ended December 31, 2003	Nine Months Ended September 30,	
		2003	2004
		($ in thousands)	
Adjusted employee compensation and benefits			
Historical	$ 481,212	$ 351,392	$ 401,901
Add (deduct):			
Amount related to separated businesses	(95,696)	(65,650)	(74,572)
Portion of distributions representing payments for services rendered by managing directors (excluding LAM managing directors)	312,764	232,268	205,587
Portion of distributions representing payments included in minority interest for services rendered by LAM managing directors and employee members of LAM	78,340	41,443	55,709
Adjusted employee compensation and benefits	$ 776,620	$ 559,453	$ 588,625
Operating revenue			
Historical total revenue	$ 1,233,545	$ 843,907	$ 873,046
Add (deduct):			
Amount related to separated businesses	(147,067)	(116,498)	(137,225)
LFB Interest expense	(15,633)	(11,790)	(13,406)
Operating revenue	$ 1,070,845	$ 715,619	$ 722,415
Adjusted compensation-to-operating revenue ratio	72.5%	78.2%	81.5%

Following the completion of this offering, our policy will be that our employee compensation and benefits expense, including that payable to our managing directors, will not exceed 57.5% of operating revenue each year (although we retain the ability to change this policy in the future). Our managing directors have been informed of this new policy. The new retention agreements with our managing directors generally provide for a fixed salary and discretionary bonus, which may include an equity-based compensation component. The following table summarizes the reductions required to achieve the target ratio:

	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
		($ in thousands)	
Target employee compensation and benefits			
Adjusted employee compensation and benefits, as above	$ 776,620	$ 559,453	$ 588,625
Reductions	(160,884)	(147,972)	(173,237)
Target compensation and benefits	$ 615,736	$ 411,481	$ 415,388
Target compensation-to-operating revenue ratio	57.5%	57.5%	57.5%

We intend to achieve this target primarily by reducing payments for services rendered by our managing directors, while continuing to maintain financial packages for our managing directors that we believe are competitive in the market place. In total, we estimate employee compensation and benefits expense reductions of approximately $100 million over the next year related to the following —the expiration of guaranteed payments and other contractual agreements with our managing directors; the expiration of contractual payouts to the founders of LAM; planned reductions associated with the restructuring of the Lazard Group pension plans (reflecting a change from defined benefit plans to defined contribution plans); and cost savings resulting from a reassessment of our staffing needs. To the extent required, any additional reductions necessary to achieve our target employee compensation expense-to-operating revenue ratio of 57.5% will be accomplished by reducing other compensation expenses, including the discretionary bonuses of our managing directors.

While we are implementing steps that we believe will reduce our compensation expense-to-operating revenue ratio to 57.5%, there can be no guarantee that this will be achieved or that our policy will not change in the future. Increased competition for senior professionals, changes in the financial markets generally or other factors could prevent us from reaching this objective.

Results of Operations

Our consolidated financial statements are presented in U.S. dollars. Many of our non-U.S. subsidiaries have a functional currency (*i.e.*, the currency in which operational activities are primarily conducted) that is other than the U.S. dollar, generally the currency of the country in which the subsidiaries are domiciled. Such subsidiaries' assets and liabilities are translated into U.S. dollars at year end exchange rates, while revenue and expenses are translated at average exchange rates during the year. 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 income.

The consolidated results of operations for the years ended December 31, 2001 through December 31, 2003 and the nine months ended September 30, 2003 and September 30, 2004 are set forth below:

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Net Revenue:					
Financial Advisory	$ 551,356	$ 532,896	$ 690,967	$480,162	$406,126
Asset Management	410,237	454,683	350,348	225,361	289,956
Capital Markets and Other(a)	224,854	183,468	135,569	106,619	134,112
Corporate	(14,392)	(4,768)	6,500	(6,073)	4,734
Net revenue	1,172,055	1,166,279	1,183,384	806,069	834,928
Operating Expenses:					
Employee compensation and benefits	524,417	469,037	481,212	351,392	401,901
Non-compensation expense	288,676	321,197	312,818	201,305	237,461
Total operating expenses	813,093	790,234	794,030	552,697	639,362
Operating Income	358,962	376,045	389,354	253,372	195,566
Provision for income taxes	51,349	38,583	44,421	28,370	14,385
Income Allocable to Members Before Minority Interest and Extraordinary Gain	307,613	337,462	344,933	225,002	181,181
Minority Interest	1,836	40,015	94,550	53,078	52,372
Income Allocable to Members Before Extraordinary Gain	305,777	297,447	250,383	171,924	128,809
Extraordinary gain	—	—	—	—	5,507
Net Income Allocable to Members	$ 305,777	$ 297,447	$ 250,383	$171,924	$134,316

(a) As described above, Lazard Group will separate its Capital Markets and Other business segment in connection with the separation and recapitalization.

The key ratios, statistics and headcount information for the years ended December 31, 2001 through December 31, 2003 and the nine months ended September 30, 2003 and September 30, 2004 are set forth below:

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in thousands)		
As a % of Net Revenue:					
Financial Advisory	47%	46%	58%	60%	49%
Asset Management	35%	39%	30%	28%	35%
Capital Markets and Other(a)	19%	15%	11%	13%	16%
Corporate	(1)%	0%	1%	(1)%	0%
Net Revenue	100%	100%	100%	100%	100%
As a % of Net Revenue:					
Operating Income	31%	32%	33%	31%	23%
Headcount, as of the end of each period, prior to the separation:					
Managing Directors:					
Financial Advisory	88	103	118	118	130
Asset Management	19	19	24	24	35
Capital Markets and Other(a)	30	30	32	32	32
Corporate	8	8	8	8	9
All Other Employees	2,530	2,499	2,374	2,383	2,438
Total	2,675	2,659	2,556	2,565	2,644
Headcount, as of the end of each period, after the separation:					
Managing Directors:					
Financial Advisory	88	103	118	118	130
Asset Management	19	19	24	24	35
Corporate	8	8	8	8	9
All Other Employees	2,306	2,309	2,193	2,204	2,201
Total	2,421	2,439	2,343	2,354	2,375

(a) As described above, Lazard Group will separate its Capital Markets and Other business segment in connection with the separation and recapitalization.

Consolidated Results of Operations

A discussion of our consolidated results of operations is set forth below, followed by a more detailed discussion of business segment results.

Nine Months Ended September 30, 2004 versus September 30, 2003. Net revenue was $835 million for the 2004 period, up $29 million, or 4%, versus net revenue of $806 million for the corresponding period in 2003. During the 2004 period, M&A net revenue increased by 9%, offset by a reduction in Financial Restructuring net revenue of 71%, while Asset Management net revenue increased by 29% and Capital Markets and Other net revenue increased by 26%.

Employee compensation and benefits expense was $402 million for the 2004 period, an increase of $51 million, or 14%, versus expense of $351 million for the corresponding period in 2003. The

expense increase was primarily due to increases in performance-based bonus accruals and an increase in headcount. Employee headcount as of September 30, 2004 increased by 2% versus September 30, 2003. The increase in headcount was primarily a result of the headcount associated with the January 2004 acquisition of the assets of Panmure Gordon which will not be retained after this offering. For further information with respect to employee compensation and benefits expense after this offering, see “Unaudited Pro Forma Condensed Consolidated Statement of Financial Condition—Notes to Unaudited Pro Forma Condensed Consolidated Statement of Financial Condition. ”

Non-compensation expense was $237 million for the 2004 period, an increase of $36 million, or 18%, versus expense of $201 million for the corresponding period in 2003. Premises and occupancy expenses were $75 million, an increase of $6 million, or 9%, due to higher occupancy cost in London and in the U.S. for offices that were not operating for the full period in 2003. Professional fees were $44 million, an increase of $10 million, or 28%, versus $34 million for the 2003 period primarily due to integration costs associated with the acquisition of the assets of Panmure Gordon, payments to former employees as a result of carried interest-based incentive fees on real estate-related merchant banking funds and consulting fees relating to our recently initiated merchant banking activities in the U.K. Travel and entertainment expenses were $36 million, an increase of $5 million, or 17%, versus $31 million for the 2003 period due to increased business development efforts. Communication and information services and equipment costs, in the aggregate, were $47 million, an increase of $7 million, or 16%, versus $40 million for the 2003 period due to increased software maintenance expense and additional technology related spending in certain offices in the U.S. and Europe. Other expenses were $36 million, an increase of $9 million, or 31%, versus $27 million for the 2003 period primarily due to increases in value added tax, or “VAT,” in the U.K. and from all other expenses spread among the various businesses.

Operating income was $196 million for the 2004 period, a decrease of $57 million, or 23%, versus operating income of $253 million for the corresponding period in 2003. Operating income as a percentage of net revenue was 23% for the first nine months in 2004 versus 31% for the corresponding period in 2003.

Provision for income taxes was $14 million for the 2004 period, a decrease of $14 million versus $28 million for the corresponding period in 2003 due to decreased profitability in locations that are subject to corporate income taxes.

Minority interest was $52 million for the 2004 period, a decrease of $1 million versus $53 million for the corresponding period in 2003, principally due to a decrease in minority interest associated with the Italian strategic alliance, offset by an increase in performance-based compensation for LAM members. See “—Minority Interest.”

Income allocable to members before extraordinary gain was $129 million for the 2004 period, a decrease of $43 million, or 25%, versus $172 million for the corresponding period in 2003.

An extraordinary gain of approximately $6 million was recorded in January 2004 related to the acquisition of the assets of Panmure Gordon and represented the excess of the fair value of the net assets acquired over the purchase price.

2003 versus 2002. Net revenue was $1,183 million in 2003, an increase of $17 million, or 1%, versus net revenue of $1,166 million in 2002. During 2003, M&A net revenue increased by 7% and Financial Restructuring net revenue increased by 96%, with these increases principally offset by decreases in Asset Management net revenue of 23% and Capital Markets and Other net revenue of 26%.

Employee compensation and benefits expense was $481 million in 2003, an increase of $12 million or 3% versus expense of $469 million during 2002. The increase in expense in 2003 was principally due to investments made in our Financial Advisory segment, including new service groups and increases in U.K. pension costs. These increases were partially offset by savings related to headcount reductions in Asset Management, and by the reclassification to minority interest expense of compensation for employee members of LAM whose compensation, prior to 2003, had previously been reported in employee compensation and benefits expense. Employee headcount (excluding managing directors) at December 31, 2003 was 2,374, a net reduction of 125 versus December 31, 2002.

Non-compensation expense was $313 million in 2003, a decrease of $8 million, or 3%, versus expense of $321 million in 2002. Premises and occupancy expenses were $98 million, an increase of $16 million, or 20%, versus $82 million in 2002, primarily due to increases in rent in London and occupancy cost for our Paris facilities. Professional fees were $56 million, a decrease of $12 million, or 17%, versus $68 million in 2002 due to higher professional fees in 2002 relating to (i) dissolving an Asset Management partnership arrangement, (ii) unwinding of an investment in a derivatives business venture and (iii) reorganizing the LAM capital structure. Travel and entertainment expenses were $46 million, an increase of $5 million, or 11%, versus $41 million in 2002 due to increased business development efforts. Communication and information services and equipment costs in the aggregate were $56 million, an increase of $5 million, or 10%, versus $51 million in 2002 with no one business activity accounting for a significant piece of the increase. Other expenses were $57 million, a decrease of $22 million, or 28%, versus $79 million in 2002, primarily due to one-time costs incurred in 2002 relating to dissolving the aforementioned Asset Management partnership arrangement.

Operating income was $389 million in 2003, an increase of $13 million, or 4%, versus operating income of $376 million in 2002. Operating income as a percentage of net revenue was 33% in 2003 versus 32% in 2002.

Provision for income taxes was $44 million in 2003, an increase of $5 million versus $39 million in 2002, due to increased profitability in locations that are subject to corporate income taxes.

Minority interest was $95 million in 2003, an increase of $55 million versus $40 million in 2002. Beginning in 2003, compensation for services rendered by LAM managing directors and employee members of LAM was recorded in minority interest. In addition, Lazard Group's strategic alliance in Italy with Intesa also commenced in 2003. These two items, in the aggregate, accounted for a $78 million increase in minority interest expense. Partially offsetting these increases was a $22 million decline in minority interest expense associated with the consolidation of LAM-related general partnerships consistent with the decline in related incentive fee revenue. See "—Minority Interest."

Net income allocable to members was $250 million in 2003, a decrease of $47 million, or 16%, versus net income allocable to members of $297 million in 2002.

2002 versus 2001. Net revenue was $1,166 million in 2002, a decrease of $6 million, or less than 1%, versus net revenue of $1,172 million in 2001. The decrease in net revenue was due principally to decreases in M&A net revenue of 20%, and Capital Markets and Other net revenue of 18%, offset by increases in Financial Restructuring net revenue of 126% and Asset Management net revenue of 11%. Corporate net revenue increased by $10 million primarily due to non-recurring write-downs of long-term investments that were recorded in 2001.

Employee compensation and benefits expense was $469 million in 2002, a decrease of $55 million, or 11%, versus expense of $524 million in 2001. Most of this decrease consists of non-recurring compensation in 2001, consisting of $8 million principally relating to the London money markets business that we exited in 2001 and $25 million for severance payments relating to the money

markets business and other reductions in headcount. In addition, during 2002 Lazard Group had lower performance-based bonus costs associated with its operating results and lower employment costs related to a change in headcount mix which, in the aggregate, reduced employee compensation and benefits expense by approximately $21 million. Employee headcount (excluding managing directors) at December 31, 2002 was 2,499, a net reduction of 31 versus December 31, 2001.

Non-compensation expense was $321 million in 2002, an increase of $32 million, or 11%, versus $289 million in 2001. Premises and occupancy expenses were $82 million, an increase of $19 million, or 29%, versus $63 million in 2001 primarily due to significant costs associated with the move to our new facilities in London. In 2002, Lazard Group incurred $27 million of expense relating to the lease write-off of the space vacated in London and duplicate rent paid in 2002 for a portion of the year for both the old and new space, partially offset by an $8 million reduction in expense relating to accelerated amortization in 2001 of leasehold improvements in vacated space. Professional fees were $68 million, a decrease of $2 million, or 4%, versus $70 million in 2001. Travel and entertainment, communication and information services and equipment costs in the aggregate were $92 million, a decrease of $4 million, or 5%, versus $96 million in 2001. Other expenses were $79 million, an increase of $21 million, or 36%, versus $58 million in 2001, primarily due to additional costs incurred in 2002 relating to dissolving an Asset Management partnership arrangement.

Operating income was $376 million in 2002, an increase of $17 million, or 5%, versus operating income of $359 million in 2001. Operating income as a percentage of net revenue was 32% in 2002 versus 31% in 2001.

Provision for income taxes was $39 million in 2002, a decrease of $12 million versus $51 million in 2001 due to decreased profitability in locations that are subject to corporate income taxes.

Minority interest was $40 million in 2002, an increase of $38 million versus $2 million in 2001. The increase was due to the minority interests arising from the consolidation of LAM-related general partnership interests and was consistent with the increase in incentive fee revenue. See “—Minority Interest.”

Net income allocable to members was $297 million in 2002, a decrease of $9 million, or 3%, versus income of $306 million in 2001.

Business Segments

The following data discusses net revenue and operating income by business segment. The operating results exclude a discussion of Corporate, due to its relatively minor contribution to operating results. Each segment’s operating expenses include (i) employee compensation and benefits expenses that are incurred directly in support of the businesses and (ii) other operating expenses which include directly incurred expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment, 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. 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.

Financial Advisory

The following table summarizes the operating results of the Financial Advisory segment:

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in thousands)		
M&A	$ 492,083	$ 393,082	$ 419,967	$ 290,374	$ 315,373
Financial Restructuring	55,200	124,800	244,600	174,300	51,200
Corporate Finance and Other	4,073	15,014	26,400	15,488	39,553
Net Revenue	551,356	532,896	690,967	480,162	406,126
Direct Employee Compensation and Benefits	185,482	171,270	189,823	142,308	163,997
Other Operating Expenses(a)	127,121	159,532	190,427	133,793	152,431
Total Operating Expenses	312,603	330,802	380,250	276,101	316,428
Operating Income	$ 238,753	$ 202,094	$ 310,717	$ 204,061	$ 89,698
Headcount(b):					
Managing Directors	88	103	118	118	130
Other Employees	824	820	848	853	849
Total	912	923	966	971	979

(a) Includes indirect support costs (including compensation and other operating expenses related thereto).
(b) Excludes headcount related to support functions. Such headcount is included in the Corporate headcount.

Net revenue trends in Financial Advisory for M&A and Financial Restructuring generally are correlated to the volume of completed industry-wide mergers and acquisitions activity 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, material variances in the level of mergers and acquisitions activity in a particular geography where we have significant market share or the number of our advisory engagements with respect to larger-sized transactions can cause our results to diverge from industry-wide activity. Lazard Group client statistics and global industry statistics are set forth below:

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
Lazard Statistics:					
Number of Clients					
Total	394	383	370	285	331
With Fees Greater than $1 million	128	136	137	103	96
Percentage of Total Fees from Top 10 Clients	27%	26%	30%	34%	28%
Number of M&A Transactions Completed Greater than $1 billion	29	21	28	22	24
Industry Statistics ($ in billions):					
Volume of Completed M&A Transactions:					
Global	$2,198	$1,352	$1,204	$ 874	$ 1,088
Trans-Atlantic	183	102	102	76	82
Global Corporate Debt Defaults	101	164	34	30	8

The geographical distribution of Financial Advisory net revenue is set forth below in percentage terms. The offices that generate our Financial Advisory net revenue are located in North America, Europe (principally in the U.K., France, Italy and Germany) and the rest of the world (principally in Asia).

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
North America	34%	41%	49%	49%	46%
Europe	64%	57%	50%	50%	53%
Rest of World	2%	2%	1%	1%	1%
Total	100%	100%	100%	100%	100%

Financial Advisory Results of Operations

Nine Months Ended September 30, 2004 versus September 30, 2003. In the 2004 period, M&A net revenue increased by $25 million, or 9%, driven by the improved environment for mergers and acquisitions activity. The increase in M&A net revenue was offset by a $123 million, or 71%, decrease in Financial Restructuring net revenue versus the corresponding period in 2003, consistent with the decline in global corporate debt defaults that began in 2003. Other Financial Advisory net revenue increased by $24 million primarily due to net revenue generated from a new service that raises capital for private equity funds that commenced operations in 2003, as well as increased underwriting net revenue in corporate finance activities.

Clients with whom Lazard Group transacted significant business in the first nine months of 2004 included Air Liquide, Bank One, Canary Wharf Group, Fisher Scientific, Intesa, Interbrew, ITV, MG Technologies, Pfizer, Resolution Life, Roto-Rooter and UCB.

Financial Advisory net revenue for the 2004 period was earned from 331 clients, compared to 285 in 2003. Advisory fees of $1 million or more were earned from 96 of our clients for the nine months ended September 30, 2004, compared to 103 in the corresponding nine months in 2003.

Operating expenses were $316 million for the 2004 period, an increase of $40 million, or 15%, versus operating expenses of $276 million in the corresponding period in 2003. Employee compensation and benefits expense increased by $22 million, or 15%, primarily due to an increase in headcount in certain of our offices and in new offices or new service groups that were partially or not operational in 2003. Other operating expenses increased by $19 million, or 14%, due to increases in premises and occupancy expense of $7 million, travel and entertainment expense of $5 million, communications, information services and equipment of $3 million and all other expenses, which in the aggregate increased by $4 million. Premises and occupancy expense increased due to higher occupancy costs in London and Paris as well as in the U.S. for offices that were not operating for the full period in 2003. Travel and entertainment expense increased due to business development efforts. Communications, information services and equipment expense increased due to additional technology and equipment expense in certain offices in the U.S. and Europe and technology upgrades in the U.S.

Financial Advisory operating income was $90 million for the 2004 period, a decrease of $114 million, or 56%, versus operating income of $204 million for the corresponding period in 2003. Operating income as a percentage of segment net revenue was 22% for the 2004 period versus 42% for the corresponding period in 2003.

2003 versus 2002. In 2003, Financial Restructuring net revenue increased by $120 million, or 96% versus 2002, as restructuring activity peaked following the rise in corporate debt defaults during

the preceding three years. In addition, the growth in net revenue was driven by fees earned on a number of unusually large restructuring transactions that were completed in 2003. During the same period, M&A net revenue increased by $27 million, or 7%, versus 2002, despite an industry-wide decline in global completed M&A activity. The improvement in our M&A net revenue was driven by our increased involvement globally in mergers and acquisitions transactions valued in excess of $1 billion. Such transactions generally earn higher fees per transaction, which is reflected in the higher proportion in 2003 of our net revenue attributable to our ten largest clients. In addition, net revenue generated by our operations in Italy, which held a leading market position, grew substantially on improved mergers and acquisitions activity in the region. Other Financial Advisory net revenue increased by $11 million due to revenue generated from new service groups that commenced operations in 2003, increased underwriting activity and increases in other miscellaneous income.

Clients with whom Lazard Group transacted significant business in 2003 included Canary Wharf Group, Charter Communications, Conseco, Corus Group, Edison International, Fiat, Intesa, Microsoft, Pfizer, Pirelli Group, Sierra Pacific Resources, Vivendi Universal, WorldCom and Xcel Energy.

Financial Advisory net revenue in 2003 was earned from 370 clients, compared to 383 in 2002. Advisory fees of $1 million or more were earned from 137 of our clients in 2003, compared to 136 in 2002. In 2003, the ten largest fee-paying clients constituted 30% of Financial Advisory segment net revenue. There were no clients in 2003 that individually constituted more than 10% of Financial Advisory segment net revenue.

Operating expenses were $380 million for 2003, an increase of $49 million, or 15%, versus operating expenses of $331 million in 2002. Employee compensation and benefits expense increased by $19 million, or 11%, primarily due to increased revenue and increased headcount in select offices and new service groups. Other operating expenses increased by $31 million, or 19%, due to increases in premises and occupancy expense of $9 million, or 49%, travel and entertainment expense of $4 million, or 26%, and support costs of $18 million, or 28%. Premises and occupancy expense increased principally due to higher occupancy cost in London and Paris, and new offices in Houston and Los Angeles. Travel and entertainment expense increased across all offices primarily due to increased business development efforts and an increase in managing director headcount compared to 2002.

Financial Advisory operating income was $311 million in 2003, an increase of $109 million, or 54%, versus operating income of $202 million in 2002. Operating income as a percentage of segment net revenue was 45% in 2003 versus 38% in 2002.

2002 versus 2001. In 2002, Financial Restructuring net revenue increased by $70 million, or 126%, versus 2001 on increased restructuring activity triggered by the growing levels of corporate debt defaults during the preceding two years. M&A net revenue declined by $99 million, or 20%, versus 2001, following an industry-wide decline in the volume of global completed mergers and acquisitions transactions. Other Financial Advisory net revenue increased $11 million or 269% versus 2001 primarily due to increased underwriting activities.

Clients with whom Lazard Group transacted significant business in 2002 included AES, Budget Group, CalPERS, Danone, Fiat, Interbrew, Marconi, Microsoft, Pfizer, Pirelli Group, Strategic Rail Authority and Vivendi Environment.

Financial Advisory net revenue in 2002 was earned from 383 clients, compared to 394 in 2001. Advisory fees of $1 million or more were earned from 136 of our clients in 2002, compared to 128 in 2001. In 2002, the ten largest fee-paying clients constituted 26% of Financial Advisory segment net revenue. There were no clients that individually constituted more than 10% of Financial Advisory segment net revenue.

Operating expenses were $331 million for 2002, an increase of $18 million, or 6%, versus operating expenses of $313 million in 2001. Employee compensation and benefits expense decreased by $14 million, or 8%, as worldwide Financial Advisory staff was realigned by decreasing headcount in select offices and service groups, and increasing headcount in U.S. and certain European offices. Other operating expenses increased by $32 million primarily due to increased support costs as well as increases in premises and occupancy expense of $4 million, or 25%, and all other expenses, which in the aggregate, increased $5 million, or 7%. Support costs increased as a result of the Financial Advisory segment bearing an increased level of support costs in 2002 versus 2001.

Financial Advisory operating income was $202 million in 2002, a decrease of $37 million, or 15%, versus operating income of $239 million in 2001. Operating income as a percentage of segment net revenue was 38% in 2002 versus 43% in 2001.

Asset Management

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

	As of December 31,			As of September 30, 2004
	2001	2002	2003	
		($ in millions)		
AUM				
International Equities	$26,950	$23,141	$34,389	$ 33,852
Global Equities	16,500	12,806	15,922	16,158
U.S. Equities	12,766	9,878	12,236	11,971
Total Equities	56,216	45,825	62,547	61,981
International Fixed Income	3,721	4,164	5,174	5,495
Global Fixed Income	2,485	1,723	1,932	1,934
U.S. Fixed Income	5,990	4,850	4,393	4,290
Total Fixed Income	12,196	10,737	11,499	11,719
Alternative Investments	2,384	4,094	1,370	2,270
Merchant Banking	214	272	411	453
Cash Management	2,098	2,757	2,544	2,071
Total AUM	$73,108	$63,685	$78,371	$ 78,494

The following is a summary of changes in Asset Management's AUM and average AUM during the years ended December 31, 2001, 2002, and 2003 and the nine months ended September 30, 2003 and 2004. Average AUM is based on an average of quarterly ending balances for the respective periods.

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in millions)		
AUM—Beginning of Period	$79,510	$73,108	$63,685	$63,685	$78,371
Net Flows	1,550	(3,573)	(1,111)	(3,076)	(1,863)
Market Appreciation (Depreciation)	(7,558)	(7,215)	14,457	6,370	2,121
Foreign Currency Adjustments	(394)	1,365	1,340	859	(135)
AUM—End of Period	$73,108	$63,685	$78,371	$67,838	$78,494
Average AUM	$75,705	$69,791	$66,321	$63,309	$78,711

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

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Management and Other Fees	$ 386,237	$ 381,256	$ 312,123	$ 223,386	$ 284,638
Incentive Fees	24,000	73,427	38,225	1,975	5,318
Net Revenue	410,237	454,683	350,348	225,361	289,956
Direct Employee Compensation and Benefits	137,871	131,601	108,701	76,262	92,039
Other Operating Expenses(a)	124,025	167,016	137,487	89,787	107,567
Total Operating Expenses	261,896	298,617	246,188	166,049	199,606
Operating Income	$ 148,341	$ 156,066	$ 104,160	$ 59,312	$ 90,350
Headcount(b):					
Managing Directors	19	19	24	24	35
Other Employees	677	661	571	564	585
Total	696	680	595	588	620

(a) Includes indirect support costs (including compensation and other operating expenses related thereto).
(b) Excludes headcount related to support functions. Such headcount is included in the Corporate headcount.

The geographical distribution of Asset Management net revenue is set forth below in percentage terms:

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
North America	68%	72%	63%	62%	59%
Europe	26%	22%	30%	32%	33%
Rest of World	6%	6%	7%	6%	8%
Total	100%	100%	100%	100%	100%

Asset Management Results of Operations

Nine Months Ended September 30, 2004 versus September 30, 2003. Asset Management net revenue was $290 million in the 2004 period, an increase of $65 million, or 29%, versus net revenue of $225 million in the corresponding period in 2003. Management and Other fees for the 2004 period were $285 million, up $61 million, or 27%, versus the corresponding period in 2003. Incentive fees earned in the 2004 period were $5 million, an increase of $3 million versus $2 million in the corresponding period in 2003 due to higher performance versus benchmarks in certain investment funds.

For the 2004 period, average AUM increased by approximately $15.4 billion, or 24%, versus the 2003 period. Net revenue grew at a faster rate than average AUM primarily due to a greater percentage of AUM concentrated in equity and alternative investments versus fixed income products (86% of total AUM in the 2004 period as compared to 83% in the 2003 period), which generally earn higher management fees. In addition, increased incentive fees earned in the 2004 period also contributed to increased net revenue.

AUM as of September 30, 2004 was $78.5 billion, an increase of $10.7 billion, or 16%, versus AUM of $67.8 billion as of September 30, 2003. During the nine months ended September 30, 2004, AUM increased $0.2 billion primarily due to net outflows of $1.9 billion that were more than offset by market appreciation of $2.1 billion. Net outflows were principally related to performance related withdrawals, asset allocation decisions and corporate restructurings.

Operating expenses were $200 million for the 2004 period, an increase of $34 million, or 20%, versus operating expenses of $166 million in the corresponding period in 2003. Employee compensation and benefits expense increased by $16 million, or 21%, versus the corresponding period in 2003, primarily due to increases in performance-based bonuses relating to the increased operating results and to a lesser extent, increases in headcount to support global growth. Other operating expenses increased by $18 million, or 20%, versus 2003 principally due to increases in premises and occupancy expense of $3 million, or 25%, and travel and entertainment expense of $2 million, or 29%, equipment expense of $2 million, or 90%, and all other expenses which, in the aggregate, increased $11 million or 16%. Premises and occupancy expense increased primarily due to the incurrence of duplicate rent in London and travel and entertainment expense increased due to business development efforts. Equipment expenses increased due to higher software maintenance costs and other expenses increased primarily due to higher transaction costs associated with higher AUM.

Asset Management operating income was $90 million in the 2004 period, an increase of $31 million, or 52%, versus operating income of $59 million for the corresponding period in 2003. Operating income as a percentage of segment net revenue was 31% for the 2004 period versus 26% for the corresponding period in 2003.

2003 versus 2002. Asset Management net revenue was $350 million in 2003, a decrease of $105 million, or 23%, from net revenue of $455 million in 2002. Management and Other fees for 2003 were $312 million, down $69 million, or 18%, versus the corresponding period in 2002. Incentive fees earned in 2003 were $38 million, $35 million lower than in 2002. Lower average AUM, significant net outflows in alternative investments and the decline in incentive fees, resulted in a decrease in net revenue in 2003.

In 2003, average AUM decreased by $3.5 billion, or 5%, versus 2002, primarily due to net asset outflows that occurred in early 2003. The majority of the net asset outflow occurred in the alternative investment product area due to the departure in early 2003 of a hedge fund manager and team. This outflow resulted in both reduced management fees and incentive fees in 2003. As the mix of AUM in 2003 shifted away from higher margin alternative investments, the average fees earned on AUM were lower in 2003 than in 2002. By the end of 2003, the downward trend in AUM was reversed due to significant market appreciation and an increase in net inflows of assets beginning in the second quarter, which offset the market depreciation and net outflows experienced in the first quarter.

AUM at December 31, 2003 was $78.4 billion, up approximately $15 billion from December 31, 2002 due almost entirely to market appreciation.

Operating expenses were $246 million for 2003, a decrease of $53 million, or 18%, versus operating expenses of $299 million in 2002. Employee compensation and benefits expense decreased by $23 million, or 17%, $10 million of which related to the reporting of compensation for non-managing directors who are members of LAM. In prior years, such compensation was reported in employee compensation and benefits expense. Also contributing to the decrease was lower headcount and performance-based bonuses as a result of lower operating results in 2003. Other operating expenses decreased $30 million, or 18%, in 2003 compared to 2002. Professional fees were $5 million lower than in 2002 when additional expense was incurred relating to the dissolving of an Asset Management

partnership arrangement and the reorganization of the LAM capital structure. Other expenses were $20 million lower than in 2002 principally due to additional costs incurred in 2002 relating to dissolving the aforementioned Asset Management partnership arrangement.

Asset Management operating income was $104 million in 2003, a decrease of $52 million, or 33%, versus operating income of $156 million in 2002. Operating income as a percentage of segment net revenue was 30% in 2003 versus 34% in 2002.

2002 versus 2001. Asset Management net revenue was $455 million in 2002, an increase of $45 million, or 11%, versus net revenue of $410 million in 2001. The increase was driven primarily by an increase of $49 million in performance-based incentive fees earned from alternative investment products. Management and Other fees in 2002 were slightly lower versus 2001 at $381 million.

In 2002, average AUM decreased by $5.9 billion, or 8%, versus 2001, primarily in equity products and, to a lesser extent, fixed income products, partially offset by increases in alternative investment products. While average AUM was lower in 2002 than average AUM in 2001, the average fees earned on AUM in 2002 increased due to a shift toward higher margin alternative investment products.

AUM at December 31, 2002 was $63.7 billion, a decrease of $9.4 billion from December 31, 2001, driven primarily by market depreciation of $7.2 billion and net outflows of $3.6 billion.

Operating expenses were $299 million for 2002, an increase of $37 million, or 14%, versus operating expenses of $262 million in 2001. Employee compensation and benefits expense decreased by $6 million, or 5%, primarily due to severance payments in 2001 that did not recur in 2002. Other operating expenses increased $43 million in 2002, or 35%, principally due to non-recurring professional fees and other costs in 2002 related to dissolving the aforementioned Asset Management partnership arrangement and an increase in support costs in 2002. Support costs increased as a result of the Asset Management segment bearing an increased level of support costs in 2002 versus 2001.

Asset Management operating income was $156 million in 2002, an increase of $8 million, or 5%, versus operating income of $148 million in 2001. Operating income as a percentage of segment net revenue was 34% in 2002 versus 36% in 2001.

Capital Markets and Other

The following table summarizes the operating results of the Capital Markets and Other segment:

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue:					
Capital Markets advisory fees	$ 11,246	$ 4,112	$ 1,833	$ 1,086	$ 10,383
Money management fees	26,090	25,753	23,272	15,836	27,773
Commissions	46,528	48,724	43,184	34,631	40,757
Trading Gains and losses-net	87,717	60,768	39,124	34,050	30,792
Underwriting	26,884	11,268	17,496	11,950	23,350
Investment gains (losses), non-trading-net	5,383	29,527	6,437	7,038	(2,216)
Interest Income	527,744	39,432(c)	18,292	15,695	6,307
Other	(3,684)	(2,699)	(2,571)	(3,788)	79
Total revenue	727,908	216,885	147,067	116,498	137,225
Interest expense	(503,054)	(33,417)(c)	(11,498)	(9,879)	(3,113)
Net Revenue	224,854	183,468	135,569	106,619	134,112
Direct Employee Compensation and Benefits	92,118	65,425	79,248	52,540	60,262
Other Operating Expenses(a)	129,480	97,505	100,003	62,338	70,463
Total Operating Expenses	221,598	162,930	179,251	114,878	130,725
Operating Income (Loss)	$ 3,256	$ 20,538	$ (43,682)	$ (8,259)	$ 3,387
Headcount(b):					
Managing Directors	30	30	32	32	32
Other Employees	224	190	181	179	237
Total	254	220	213	211	269

(a) Includes indirect support costs (including compensation and other operating expenses related thereto).
(b) Excludes headcount related to support functions. Such headcount is included in the Corporate headcount.
(c) The decline in interest income and interest expense in 2002 is primarily due to Lazard Group's exiting its London money market business in 2001. During 2001, the interest income and interest expense related to the London money markets business was $454,210 and $444,042, respectively.

Capital Markets and Other Results of Operations

The net revenue included in the Capital Markets and Other segment is related primarily to revenue earned from underwriting fees from securities offerings and secondary trading revenue earned in the form of commissions and trading profits from principal transactions in equity, fixed income and convertibles businesses. In addition, this segment earned underwriting and other fee revenue from corporate broking in the U.K. related to the January 2004 acquisition of the assets of Panmure Gordon. Also included in this segment are fund management fees and, if applicable, carried interest incentive fees related to merchant banking funds managed as part of this segment. Carried interest fees are earned when profits from merchant banking investments exceed a certain threshold. In addition, investment income and net interest income from long-term investments, cash balances and securities financing transactions also are included in the Capital Markets and Other segment. The activities described as part of this segment will remain in this segment subsequent to the separation. However,

Lazard Group has an option under the business alliance agreement to acquire the merchant banking business from LFCM Holdings. See “Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Business Alliance Agreement.”

Nine Months Ended September 30, 2004 versus September 30, 2003. Capital Markets and Other net revenue was $134 million in the 2004 period, an increase of $27 million, or 26%, versus net revenue of $107 million in the corresponding period in 2003. Higher net revenue in sales and trading was the principal contributor to the increase, including net revenue of $16 million generated from certain product areas not previously offered by Lazard Group, due to the acquisition of the assets of Panmure Gordon in January 2004. Increases in primary revenue in corporate broking, corporate bonds, convertibles and secondary revenue in equities were offset by a decrease in secondary trading in fixed income. In addition, incentive fees earned on the realization of carried interest on real estate-related merchant banking funds were $13 million in the 2004 period, while no incentive fees were recorded in the corresponding period in 2003.

Operating expenses were $131 million for the 2004 period, an increase of $16 million, or 14%, versus operating expenses of $115 million in the corresponding period in 2003. Employee compensation and benefits expense in the 2004 period increased by $8 million, or 15%, primarily due to increases in headcount associated with the acquisition of the assets of Panmure Gordon in the 2004 period, partially offset by decreases in bonus accruals in certain areas that experienced declines in revenue in the 2004 period. Other operating expenses increased by $8 million or 13%. Premises and occupancy costs decreased by $7 million in the 2004 period, primarily due to duplicate rent paid in London in the 2003 period with respect to both the old and new London facility that did not recur in 2004. Professional fees increased by $11 million in the 2004 period, primarily due to integration costs associated with the acquisition of the assets of Panmure Gordon, payments to former employees as a result of carried interest incentive fees recorded in merchant banking and consulting fees relating to our recently initiated merchant banking activities in the U.K. In connection with the acquisition of the assets of Panmure Gordon during the 2004 period, new service groups were added that did not exist in the 2003 period and which added an aggregate of $4 million across all other expense categories.

Capital Markets and Other operating income was $3 million in the 2004 period, versus a loss of $8 million in the corresponding period in 2003. Operating income as a percentage of segment net revenue was 3% for the 2004 period, versus a loss of 8% in the corresponding period in 2003.

2003 versus 2002. Capital Markets and Other net revenue was $135 million in 2003, a decrease of $48 million, or 26%, from net revenue of $183 million in 2002. The decrease in net revenue in 2003 was principally due to a gain in 2002 of $27 million on the sale of a portion of a long-term investment that did not recur in 2003. Also contributing to the decrease was lower secondary trading revenue of $12 million.

Operating expenses were $179 million for 2003, an increase of $16 million, or 10%, versus operating expenses of $163 million in 2002. Employee compensation and benefits expense in 2003 increased by $14 million, or 21%, primarily due to the establishment of a new convertible bond desk, the addition of a new equity team in London and an increase in employee bonuses in the corporate bond area. Offsetting these increases were decreases in headcount and performance-based bonuses in other product areas. Other operating expenses increased by $2 million, or 3%.

Capital Markets and Other operating loss was $44 million in 2003 versus operating income of $21 million in 2002. Operating loss as a percentage of net revenue was 32% in 2003 versus operating income as a percentage of net revenue of 11% in 2002.

2002 versus 2001. Capital Markets and Other net revenue was $183 million in 2002, a decrease of $42 million, or 18%, from net revenue of $225 million in 2001. In the second quarter of 2001, we exited our London money market business and commenced liquidation of related money market positions. During 2001, the London money market business generated $37 million in net revenue, with no comparable revenue in 2002. Other factors contributing to the decrease in net revenue in 2002 included a $10 million write-down of a long-term investment and a decrease in primary revenue of $19 million in 2002. Offsetting these decreases was a gain of $27 million on the sale of a portion of a long-term investment in 2002.

Operating expenses were $163 million for 2002, a decrease of $59 million, or 26%, versus operating expenses of $222 million in 2001. Employee compensation and benefits expense decreased by $27 million primarily due to the exiting of the London money markets business. Other operating expenses decreased by $32 million, with a decrease of $43 million primarily due to the exiting of the money markets business and a decrease in overhead expenses in 2002. Offsetting these decreases was an increase in 2002 in premises and occupancy expense of $11 million, including $27 million of expense relating to the lease write-off of the space vacated in London and duplicate rent paid in 2002 for a portion of the year for both the old and new space, offset by the absence in 2002 of a 2001 expense of $12 million for accelerated amortization of leasehold improvements in vacated office facilities in the U.S. and amortization of leasehold improvements.

Capital Markets and Other operating income was $21 million in 2002, an increase of $18 million versus operating income of $3 million in 2001. Operating income as a percentage of net revenue was 11% in 2002 versus 1% in 2001.

Geographic Data

For a summary of the consolidated net revenue and identifiable assets of Lazard Group as of and for the years ended December 31, 2001, 2002 and 2003 by geographic region, see Note 15 of notes to our historical consolidated financial statements.

Cash Flows

Historically, Lazard Group's cash flows have been influenced primarily by the timing of receipt of Financial Advisory and Asset Management fees, the timing of distributions to members and payment of bonuses to employees. In general, we collect our accounts receivable within 60 days. In restructuring transactions, particularly restructurings involving bankruptcies, receivables sometimes take longer to collect than 60 days due to issues such as court-ordered holdbacks.

Cash and cash equivalents were $284 million at September 30, 2004, a decrease of $32 million versus cash and cash equivalents of $316 million at December 31, 2003. During the nine months ended September 30, 2004, cash of $396 million was provided by operating activities, including $134 million from net income allocable to members, $65 million of noncash charges, principally consisting of depreciation and amortization of $13 million and minority interest of $52 million and $197 million being provided by net changes in other operating assets and operating liabilities. Cash of $6 million was used for investing activities, primarily related to $7 million in net additions to property. Financing activities during this period used $424 million of cash, primarily for distributions to members and minority interest holders of $418 million. Lazard Group traditionally makes payments for employee bonuses and distributions to members and minority interest holders in the first quarter with respect to the prior year's results.

Cash and cash equivalents were $316 million at December 31, 2003, a decrease of $17 million versus cash and cash equivalents of $333 million at December 31, 2002. During the year ended December 31, 2003, cash of $207 million was provided by operating activities, including $250 million

from net income allocable to members, and $108 million of noncash charges principally consisting of depreciation and amortization of $14 million and minority interest of $94 million, with these items partially offset by net changes in other operating assets and operating liabilities of $151 million. Cash of $54 million was provided by investing activities, principally as a result of proceeds of $100 million from the formation of the strategic alliance in Italy, offset by additions in property relating to leasehold improvements, principally in London and Paris, of $46 million. Financing activities used $287 million of cash, primarily relating to distributions to members and minority interest holders of $452 million, partially offset by $200 million invested by Intesa in connection with the formation of the strategic alliance in Italy.

Cash and cash equivalents were $333 million at December 31, 2002, an increase of $19 million versus cash and cash equivalents of $314 million at December 31, 2001. During the year ended December 31, 2002, cash of $437 million was provided by operating activities, including $297 million from net income allocable to members, $52 million provided by noncash charges related to depreciation and amortization of $12 million, minority interest of $40 million and $87 million being provided by net changes in other operating assets and operating liabilities. Cash of $18 million was used for investing activities primarily relating to additions to property. Cash used in financing activities was $410 million, primarily for distributions to Lazard Group's members and minority interest holders.

Liquidity and Capital Resources

Historically, Lazard Group's source of liquidity has been cash provided by operations, with a traditional seasonal pattern of cash flow. While employee salaries are paid throughout the year, annual discretionary bonuses have historically been paid to employees in January relating to the prior year. Our managing directors are paid a salary during the year, but a majority of their annual cash distributions with respect to the prior year have historically been paid to them in three monthly installments in February, March and April. In addition, and to a lesser extent, during the year we pay certain tax advances on behalf of our managing directors, and these advances serve to reduce the amounts due to the managing directors in the three installments described above. As a consequence, our level of cash on hand decreases significantly during the first quarter of the year and gradually builds up over the remaining three quarters of the year. We expect this seasonal pattern of cash flow to continue.

Lazard Group's consolidated financial statements are presented in U.S. dollars. Many of Lazard Group'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 year end exchange rates, while revenue and expenses are translated at average exchange rates during the year. Adjustments that result from translating amounts from a subsidiary's functional currency are reported as a component of members' equity. Such currency translation adjustments served to increase (decrease) members' equity by approximately ($12 million), $47 million, $51 million and ($2 million) in the years ended December 31, 2001, 2002 and 2003 and the nine month period ended September 30, 2004, respectively. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included on the consolidated statements of income.

During 2002 and 2003, following the hiring of new senior management, Lazard Group invested significant amounts in the recruitment and retention of senior professionals in an effort to reinvest in the intellectual capital of Lazard Group's business. As a result, while payments for services rendered by our managing directors prior to 2002 generally did not exceed net income allocable to members, in 2002 and 2003 distributions to its managing directors exceeded its net income allocable to members. The amounts of the distributions that exceeded net income allocable to members were the primary

cause for a decrease in members' equity during these periods. We expect this to be the case in 2004 as well. On a pro forma basis, Lazard Group will realize a further reduction of members' equity as a result of the separation. See "Unaudited Pro Forma Condensed Consolidated Statement of Financial Condition."

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. We maintain senior and subordinated lines of credit in excess of anticipated liquidity requirements. As of September 30, 2004, Lazard Group had $216 million in unused lines of credit available to it. These facilities provide us with the ability to meet short-term cash flow needs resulting from our various business activities. If these facilities prove to be insufficient, we would seek additional financing in the credit or capital markets, although we may be unsuccessful in obtaining such additional financing on acceptable terms or at all. A significant portion of these capital lines support the capital markets and other separated businesses.

Lazard Group's cash flow generated from operations historically has been sufficient to enable it to meet its obligations, including interest on $350 million of financings obtained since 2001. We believe that our cash flows from operating activities, after giving effect to the separation, should be sufficient for us to fund our current obligations for the next 12 months and beyond. In addition, we intend to maintain lines of credit that can be utilized should the need arise. Following the completion of this offering, we expect to have new credit facilities that will provide approximately $ million of undrawn borrowing capacity. We may, to the extent required, use other financing sources in addition to these new credit facilities.

Over the past several years, Lazard Group has entered into several financing agreements designed to strengthen both its capital base and liquidity, the most significant of which are described below. Each of these agreements is discussed in more detail in our historical consolidated financial statements and related notes included elsewhere in this prospectus.

In March 2001, Lazard Group issued $100 million of Mandatorily Redeemable Preferred Stock ("Class C Preferred Interests"). The Class C Preferred Interests are subject to mandatory redemption by Lazard Group in March 2011 and, prior to such date, are redeemable in whole or in part, at Lazard Group's option. The Class C Preferred Interests are entitled to receive distributions out of the profits of Lazard Group at a rate of 8% per annum, which distributions must be paid prior to any distributions of profits to holders of any other existing class of interests in Lazard Group. Unpaid distributions on the Class C Preferred Interests accrue but are not compounded. Upon liquidation of Lazard Group, the Class C Preferred Interests rank senior to members' equity. The Class C Preferred Interests will be redeemed in connection with the separation and recapitalization transactions.

In May 2001, a wholly-owned subsidiary of Lazard Group issued $50 million of Senior Notes due 2011. These notes, which are unsecured obligations and guaranteed by Lazard Group, currently bear interest at an annual rate of 7.53%.

In September 2002, Lazard Group and Intesa announced their agreement to form a strategic alliance wherein effective January 2003, Intesa effectively became a 40% partner in Lazard Group's business in Italy. Pursuant to the terms of this strategic alliance, Intesa made a $100 million investment in Lazard Group's business in Italy, and purchased a $50 million subordinated promissory note issued by Lazard Group's business in Italy. The subordinated promissory note has a scheduled maturity in 2078 (subject to extension), with interest payable annually at the rate of 3.0% per annum.

In addition to its direct investment in Lazard Group's business in Italy, Intesa also purchased a $150 million subordinated convertible promissory note from a wholly-owned subsidiary of Lazard

Group. The subordinated convertible promissory note, which is guaranteed by Lazard Group, is convertible into a contractual right that entitles the holder to receive a payment that would be equal to a 3% equity goodwill interest in certain fundamental transactions. This subordinated convertible promissory note has a scheduled maturity in 2018 and has interest payable annually at a variable interest rate between 3.0% and 3.25% per annum**.** The annual interest rate is 3.0% for the 12 months ending March 2005.

As of December 31, 2003 and September 30, 2004, Lazard Group was in compliance with all of its obligations under its various borrowing arrangements.

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 requires, 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. Regulatory approval is generally required for paying dividends in excess of certain established levels. See Note 13 of Notes to Consolidated Financial Statements for further information. These regulations differ in the U.S., the U.K., France, and other countries that we operate in. 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 “Business—Regulation” included elsewhere in this prospectus.

Substantially all of the net proceeds to be received from this offering and the additional financing transactions will be utilized in connection with the recapitalization, and, to a lesser extent, to capitalize LFCM Holdings. See “Use of Proceeds” and “Capitalization.” We expect that the net incremental interest cost related to the additional financings will be approximately $ per year. We expect to service the resultant incremental debt with operating cash flow and the utilization of credit facilities and, to the extent required, other financing sources.

In connection with the separation, we expect that Lazard Group will have the right to purchase the separated merchant banking activities from LFCM Holdings after this offering as described in “Certain Relationships and Related Transactions—Business Alliance Agreement.”

We expect that, as a result of this offering and related transactions, and future exchanges of LAZ-MD Holdings exchangeable interests for shares of our common stock, the tax basis of Lazard Group’s tangible and intangible assets attributable to our interest in Lazard Group will be increased. These increases in the tax basis of Lazard Group’s tangible and intangible assets attributable to our interest in Lazard Group would not have been available to us but for the redemption of the historical partner interests and the future exchanges of LAZ-MD Holdings exchangeable interests for shares of our common stock. We further expect that these increases in tax basis will reduce the amount of tax that we might otherwise be required to pay in the future. We intend to enter into a tax receivable agreement with LAZ-MD Holdings that will provide for the payment by us to LAZ-MD Holdings or its assignee of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivables agreement. While the actual amount and timing of payments under the tax receivable agreement will vary depending upon a number of factors, including the timing of exchanges and the amount and timing of our income, we expect that, as a result of the size of the increase in the tax basis of Lazard Group’s tangible and intangible assets attributable to our interest in Lazard Group, during the amortization period for such increased tax basis, the payments that may be made to LAZ-MD Holdings or its assignee could be substantial.

Lazard has not declared or paid any cash dividends on its common equity since its inception. Subject to compliance with applicable law, Lazard currently intends to declare quarterly dividends on

all outstanding shares of common stock and expects its initial quarterly dividend to be approximately $ per share, payable in respect of the quarter of 2005. The initial dividend will be prorated for the portion of that quarter following the closing of this offering. The Class B common stock will not be entitled to dividend rights. The declaration of this and any other dividends and, if declared, the amount of any such dividend, will be subject to the actual future earnings, cash flow and capital requirements of our company, the amount of distributions to us from Lazard Group and the discretion of our board of directors. See "Dividend Policy" included elsewhere in this prospectus.

Summary of Quarterly Performance

The following tables present unaudited condensed quarterly consolidated financial information on a historical basis for each of Lazard Group's eight trailing quarters consisting of the fourth quarter of 2002, first, second, third and fourth quarters of 2003 and the first, second and third quarters of 2004. The operating results for any quarter are not necessarily indicative of the results for any future period.

	Quarterly Performance Three Months Ended			
	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003
	($ in thousands)			
Net Revenue	$ 386,792	$228,791	$271,008	$ 306,270
Operating Expenses	245,994	179,591	183,706	189,400
Operating Income	$ 140,798	$ 49,200	$ 87,302	$ 116,870
Income Allocable to Members Before Extraordinary Gain	$ 85,056	$ 36,990	$ 64,983	$ 69,951
Net Income Allocable to Members	$ 85,056	$ 36,990	$ 64,983	$ 69,951

	Quarterly Performance Three Months Ended			
	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
	($ in thousands)			
Net Revenue	$ 377,315	$245,589	$327,585	$ 261,754
Operating Expenses	241,333	217,692	211,587	210,083
Operating Income	$ 135,982	$ 27,897	$115,998	$ 51,671
Income Allocable to Members Before Extraordinary Gain	$ 78,459	$ 15,053	$ 73,839	$ 39,917
Net Income Allocable to Members	$ 78,459	$ 15,053	$ 79,363	$ 39,900

Net revenue and operating income historically have fluctuated significantly between quarters. This variability arises from the fact that transaction completion fees comprise the majority of our net revenue, with the billing and recognition of such fees being dependent upon the successful completion of client transactions, the occurrence and timing of which is irregular and not subject to our control. In addition, incentive fees earned on AUM and compensation related thereto are generally not recorded until the fourth quarter of our fiscal year, when potential uncertainties regarding the ultimate realizable amounts have been determined.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of December 31, 2003:

	Contractual Obligations Payment Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			($ in thousands)		
Operating Leases	$ 520,308	$ 44,451	$ 83,151	$ 77,079	$ 315,627
Capital Leases	81,156	18,345	28,460	5,342	29,009
Notes Payable and Subordinated Loans	257,911	4,829	—	3,067	250,015
Mandatorily Redeemable Preferred Stock (a)	100,000	—	—	—	100,000
Merchant Banking Commitments (b)	15,012	15,012	—	—	—
Contractual Commitments to Managing Directors, Senior Advisors and Employees (c)	208,508	155,044	52,792	336	336
Total (d)	$ 1,182,895	$ 237,681	$ 164,403	$ 85,824	$ 694,987

(a) The Class C Preferred Interests will be redeemed in connection with the separation and recapitalization transactions.
(b) We may be required to fund our merchant banking commitments at any time through 2006, depending on the timing and level of investments by our merchant banking funds.
(c) During 2002 and 2003, following the hiring of new senior management, Lazard Group invested significant amounts in the recruitment and retention of senior professionals in an effort to reinvest in the intellectual capital of Lazard Group's business. The majority of these commitments will expire by December 31, 2004. The nature of the commitments to managing directors and employees, which represent most of the future commitments, is related primarily to guaranteed payments for services of managing directors and guaranteed compensation for employees. These payments and compensation were guaranteed to recruit and retain the professional talent needed to promote growth in our business. As a result, while payments for services rendered by our managing directors prior to 2002 generally did not exceed net income allocable to members, in 2002 and 2003 distributions to our managing directors exceeded our net income allocable to members. We expect this to be the case in 2004 as well.
(d) The table above excludes any obligations relating to the LAM equity rights. The table above also excludes any potential obligation payable in the event of an early termination of the Intesa strategic alliance. See "—Minority Interest."

Effect of Inflation

Lazard does not believe inflation will significantly affect its compensation costs as they are substantially variable in nature. However, the rate of inflation may affect Lazard Group expenses such as information technology and occupancy costs. To the extent inflation results in rising interest rates and has other effects upon the securities markets, it may adversely affect our financial position and results of operations by reducing AUM, net revenue or otherwise. See "Risk Factors—Risks Related to Our Business—Difficult market conditions can adversely affect our business in many ways, including by reducing the volume and value of the transactions involving our Financial Advisory business and reducing the value or performance of the assets we manage in our Asset Management business which, in each case, could materially reduce our revenue or income."

Critical Accounting Policies and Estimates

Management's discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with U.S. GAAP. The preparation of our 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, we evaluate our estimates, including those related to revenue recognition, compensation liabilities, income taxes, investing activities and goodwill. We base these estimates on historical experience and various other

assumptions that we believe 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. Our actual results may differ from these estimates.

We believe that the critical accounting policies set forth below comprise the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue Recognition

We generate substantially all of our net revenue from providing financial advisory, asset management and capital markets services to clients. We recognize revenue when the following criteria are met:

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

Our clients generally enter into agreements with us that vary in duration depending on the nature of the service provided. We typically bill clients for the full amounts due under the applicable agreements on or after the dates on which the specified service has been provided. Generally, payments are due within 60 days of billing. We assess whether collection is probable based on a number of factors, including past transaction history with the client and an assessment of the client's current creditworthiness. If, in our judgment, collection of a fee is not probable, we will not recognize revenue until the uncertainty is removed. In rare cases, an allowance for doubtful collection may be established, for example, if a fee is in dispute or litigation has commenced.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process requires us to estimate our 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 on long-term investments and depreciation. These temporary differences result in deferred tax assets and liabilities, which are included within our consolidated statements of financial condition. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. Lazard Group has recorded a gross deferred tax asset of $60 million as of December 31, 2003, which is fully offset by a valuation allowance due to uncertainties related to its ability to utilize such deferred tax assets, which principally consist of certain foreign net operating loss carryforwards, before they expire. Our determination of the need for a valuation allowance is based on our estimates of future taxable income by jurisdiction, and the period over which our corresponding deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust our valuation allowance, which could materially impact our consolidated financial position and results of operations.

In addition, in order to determine our quarterly tax rate we are required to estimate full year pre-tax income and the related annual income tax expense in each jurisdiction. Tax exposures 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 our overall effective tax rate. Significant management judgment is required in determining our provision for income taxes, our deferred tax

assets and liabilities and any valuation allowance recorded against our net deferred tax assets. Furthermore, our interpretation of complex tax laws may impact our measurement of current and deferred income taxes.

Valuation of Investments

"Marketable investments" and "long-term investments" consist principally of investments in exchange traded funds, merchant banking and alternative investment funds, and other privately managed investments. Gains and losses on marketable investments and long-term investments, which arise from changes in the fair value of the investments, are not predictable and can cause periodic fluctuations in net income allocable to members.

In determining fair value, we separate our investments into two categories. The first category consists of those investments that are publicly-traded, which, as of September 30, 2004, were approximately 49% of our marketable investments and long-term investments. For these investments, we determine value by quoted market prices. The second category consists of those that are not publicly-traded. For these investments, we determine value based upon our best estimate of fair value. As of September 30, 2004, this second category of investments comprises the remaining 51% of our marketable investments and long-term investments.

The fair value of those investments that are not publicly traded is based upon an analysis of the investee's financial results, condition, cash flows and prospects. Adjustments to the carrying value of such investments are made if there are third-party transactions evidencing a change in value. Adjustments also are made, in the absence of third-party transactions, if we determine that the expected realizable value of the investment differs from its carrying value. In reaching that determination, we consider many factors, including, but not limited to, the operating cash flows and financial performance of the investee, expected exit timing and strategy, and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Partnership interests, including general partnership and limited partnership interests in real estate funds, are recorded at fair value based on changes in the fair value of the partnerships' underlying net assets.

Because of the inherent uncertainty in the valuation of investments that are not readily marketable, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed. We seek to maintain the necessary resources, with the appropriate experience and training, to ensure that control and independent price verification functions are adequately performed.

Goodwill

In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill is tested for impairment annually or more frequently if circumstances indicate impairment may have occurred. In this process, we make estimates and assumptions in order to determine the fair value of our assets and liabilities and to project future earnings using valuation techniques, including a discounted cash flow model. We use our best judgment and information available to us at the time to perform this review. Because our assumptions and estimates are used in projecting future earnings as part of the valuation, actual results could differ.

Consolidation of VIEs

We consolidate our investments in various limited partnerships if we determine that we are the primary beneficiary or have substantial influence and control the entity. The primary beneficiary is the party that absorbs a majority of the entity's expected losses or residual returns, or both. There are

significant judgments and estimates involved in determining who is the primary beneficiary. In accordance with FASB Interpretation No. 46R ("FIN 46"), the assets, liabilities and results of operations of a variable interest entity should be included in the consolidated financial statements of the primary beneficiary. In addition, we consolidate the operations of those limited partnerships in which we have an investment when we determine the limited partnership is not a variable interest entity, in cases where we exercise significant influence and have the ability to control the limited partnership. The third party's interest in these consolidated entities is reflected as minority interest in our consolidated financial statements.

Risk Management

Risk management is an important part of our business, but is focused primarily on the activities of the Capital Markets and Other segment, which will be part of the separated businesses and not be retained by us following this offering. As a result, we have separately summarized the discussion of risk management for our Financial Advisory and Asset Management, Corporate and Capital Markets and Other segments.

Financial Advisory and Asset Management

We believe that, due to the nature of the businesses and the manner in which we conduct our operations, the Financial Advisory and Asset Management segments are not subject to material market risks such as equity price risk, but are subject to foreign currency exchange rate risks which are summarized below.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk arises from the possibility that our revenue and expenses may be affected by movements in the rate of exchange between non-U.S. dollar denominated balances (primarily euros and British pounds) and the U.S. dollar, the currency in which our financial statements are presented. In 2003, approximately 24% of Lazard Group's operating income was generated in non-U.S. dollar currencies.

Lazard Group generally does not hedge non-dollar foreign exchange exposure, as described above, arising in its operations outside the U.S. These foreign operations manage their individual foreign currency exposures with reference to their own base currency. However, Lazard Group does track and control the foreign currency exchange rate risks arising in each principal operation and has established limits for such exposures. In certain cases, Lazard Group may take open foreign exchange positions with a view to profit within internally defined limits, but Lazard Group does not utilize foreign exchange options in this context.

Based on the levels of operating income in 2003 denominated in euros and in British pounds, we estimate that operating income would increase or decrease by approximately $1.5 million in the event of a 1% change in the exchange rate of the euro versus the U.S. dollar and approximately $0.5 million in the event of a 1% change in the exchange rate of the British pound versus the U.S. dollar.

For more information, see "Risk Factors—Risks Related to Our Business—We are exposed to foreign currency exchange rate risks. Fluctuations in foreign currency exchange rates could lower our net income or negatively impact the portfolios of our Asset Management clients and may affect the levels of our AUM."

Corporate

Our Corporate activities are exposed to risks arising from transactions in trading and non-trading derivatives and to interest rate risk arising from short-term assets and third party loans.

Trading and Non-Trading Derivatives

We enter into forward foreign exchange contracts, interest rate swaps and other contracts for trading purposes, and non-trading derivative contracts, including forward foreign exchange contracts, interest rate swaps, cross-currency interest rate swaps and other derivative contracts to hedge exposures to interest rate and currency fluctuations. These trading and non-trading contracts are recorded at their fair values on our statements of financial condition and the related gains and losses on trading contracts are included in "trading gains and losses—net" on our consolidated statements of income. Lazard Group's hedging strategy is an integral part of its trading strategy and therefore the related gains and losses on Lazard Group's hedging activities are also recorded in "trading gains and losses-net" on the consolidated statements of income.

The table below presents the fair values of Lazard Group's trading and non-trading derivatives as of December 31, 2002 and 2003 and September 30, 2004:

	As of December 31,		As of September 30, 2004
	2002	2003	
		($ in thousands)	
Assets:			
Trading Derivatives:			
Interest rate swap contracts	$ 531	$ 695	—
Exchange rate contracts	34	5	—
Total	$ 565	$ 700	—
Liabilities:			
Non-Trading Derivatives—Interest rate swap contracts	$ 4,191	$ 3,222	$ 1,442

Interest Rate and Foreign Currency Risk—Trading, Non-Trading and Securities Owned

The risk management strategies that we employ use various stress tests to measure the risks of trading, non-trading and securities owned activities. Based on balances of securities owned, our interest rate risk as measured by a 0.25% +/- movement in interest rates totaled $50 thousand as of December 31, 2003 and $100 thousand as of September 30, 2004. Foreign currency risk, on those same balances, measured by a 2% +/- movement against the U.S. dollar totaled $98 thousand as of December 31, 2003 and $47 thousand as of September 30, 2004.

Interest Rate Risk—Short Term Investments and Corporate Indebtedness

A significant portion of our liabilities have fixed interest rates or maximum interest rates, while our cash and short-term investments generally have floating interest rates. We estimate that operating income relating to cash and short-term investments and corporate indebtedness would increase by approximately $4 million, on an annual basis, in the event of a 1% increase in interest rates, and would decrease by $4.4 million, on an annual basis, in the event of a 1% decrease in interest rates.

Capital Markets and Other

Risk management is an important part of the operation of the Capital Markets and Other segment since the business is exposed to a variety of risks including market, credit, settlement and other risks that are material and require comprehensive controls and ongoing management. Lazard Group utilizes a Global Capital Markets Risk Committee to assess risk management practices, particularly as these practices relate to regulatory requirements. In addition, Lazard Group utilizes an independent Risk Management Group, which reports to Lazard Group's chief financial officer and is responsible for

analyzing risks and for coordinating and monitoring the risk management process. Further, the Risk Management Group supports the Global Capital Markets Risk Committee by providing risk profiles and analyses to the committee.

The Global Capital Markets Risk Committee and the Risk Management Group are responsible for the maintenance of a comprehensive risk management practice and process including:

- Ÿ a formal risk governance organization that defines the oversight process and its components,
- Ÿ clearly defined risk management policies and procedures supported by a specific framework,
- Ÿ communication and coordination among the business executives and risk functions, while maintaining strict segregation of responsibilities, controls, and oversight, and
- Ÿ clearly defined risk tolerance levels, which are regularly reviewed to ensure that our risk-taking is consistent with our business strategy, capital structure, and current and anticipated market conditions.

Risks inherent in the Capital Markets business are summarized below.

Market Risk

Market risk is the potential change in a financial instrument's value caused by fluctuations in interest and currency exchange rates, equity prices or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

Historically, Lazard Group has sought to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price, and spread movements of trading inventories and related financing and hedging activities. Lazard Group has employed a combination of cash instruments and derivatives to hedge market exposure. The following discussion describes the types of market risk faced in the Capital Markets and Other segment.

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments, primarily securities owned and securities sold but not yet purchased. Lazard Group typically uses U.S. Treasury securities in the Capital Markets and Other segment to manage interest rate risk relating to interest bearing deposits of non-U.S. banking operations as well as certain non-U.S. securities owned. Lazard Group historically hedged its interest rate risk by using interest rate swaps and forward rate agreements. Interest rate swaps generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Forward rate agreements are contracts under which two counterparties agree on the interest to be paid on a notional deposit of a specified maturity at a specific future settlement date with no exchange of principal.

Currency Risk. Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Lazard Group has used currency forwards and options in the Capital Markets and Other segment to manage currency risk. Exchange rate contracts include cross-currency swaps and foreign exchange forwards. Currency swaps are agreements to exchange future payments in one currency for payments in another currency. These agreements are used to transform the assets or liabilities denominated in different currencies. Foreign exchange forwards are contracts for delayed delivery of currency at a specified future date.

Equity Price Risk. Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities. The Capital Markets and Other segment is subject to equity price risk primarily in securities owned and securities sold but not yet purchased as well as for equity swap contracts entered into for trading purposes.

Credit Risk

The Capital Markets and Other segment is exposed to the risk of loss if an issuer or counterparty fails to perform its obligations under contractual terms and the collateral held, if any, is deemed insufficient or worthless. Both cash instruments and derivatives expose the business to this type of credit risk. Lazard Group has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Capital Markets and Other segment executes, settles and finances various customer securities transactions. Execution of securities transactions includes the purchase and sale of securities, which may expose us to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Capital Markets and Other segment may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to other customers or counterparties. Lazard Group has historically sought to control the risks associated with customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

Liabilities to other brokers and dealers related to unsettled transactions (*i.e.*, securities failed-to-receive) are recorded at the amount for which the securities were acquired and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, Lazard Group may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

Concentrations of Credit Risk

The exposure to credit risk associated with the Capital Markets and Other trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

At December 31, 2002 and 2003, Lazard Group's most significant concentration of credit risk was with the U.S. Government and its agencies. This concentration consists of both direct and indirect exposures. Direct exposure primarily results from securities owned that are issued by the U.S. Government and its agencies. Indirect exposure results from maintaining U.S. Government and agency securities as collateral for resale agreements and securities borrowed transactions. The direct exposure on these transactions is with the counterparty; thus, the Capital Markets and Other segment has credit exposure to the U.S. Government and its agencies only in the event of the counterparty's default.

Off-Balance Sheet Risks

The Capital Markets and Other segment may be exposed to a risk of loss not reflected on the consolidated financial statements for securities sold but not yet purchased, should the value of such securities rise.

For transactions in which credit is extended to others, the Capital Markets and Other segment seeks to control the risks associated with these activities by requiring the counterparty to maintain margin collateral in compliance with various regulatory and internal guidelines. Counterparties include customers who are generally institutional investors and brokers and dealers that are members of major exchanges. Required margin levels are monitored daily and, pursuant to such guidelines, counterparties are required to deposit additional collateral or reduce securities positions when necessary.

It is the policy of the Capital Markets and Other segment to take possession of securities purchased under agreements to resell. The market value of the assets acquired are monitored to ensure their adequacy as compared to the amount at which the securities will be subsequently resold, as specified in the respective agreements. The agreements provide that, where appropriate, the delivery of additional collateral may be required.

In connection with securities sold under agreements to repurchase, the Capital Markets and Other segment monitors the market value of assets delivered to ensure that the collateral value is not excessive as compared to the amount at which the securities will be subsequently repurchased.

Operational Risk

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people, systems or external events excluding credit, liquidity, market and insurance risk. It arises from various sources such as organization, compliance, operational risk assessment and control, employees and agents, process and systems, external events and outsourcing. Lazard Group has developed a risk management framework to ensure compliance with applicable regulatory requirements. The securities operations area prepares various daily, weekly and monthly reports to monitor these risks.

Risk Management Framework

The risk management framework utilized in addressing the risks associated with the Capital Markets and Other segment of Lazard Group's business is described below.

Market Risk

Based on the balances of securities owned, at the applicable dates, we quantify the sensitivities of our current portfolios to changes in market variables. These sensitivities are then utilized in the context of historical data to estimate earnings and loss distributions that current portfolios could have incurred throughout the historical period. From these distributions, we derive a number of useful risk statistics, including a statistic we refer to as Value at Risk, or "VaR." The disclosed VaR is an estimate of the maximum amount current portfolios could lose with 99% confidence, over a given time interval. The VaR for our overall portfolios is less than the sum of the VaRs for individual risk categories because movements in different risk categories occur at different times and, historically, extreme movements have not occurred in all risk categories simultaneously. The difference between the sum of the VaRs for individual risk categories and the VaR calculated for all risk categories is shown in the following tables and may be viewed as a measure of the diversification within our portfolios.

In our VaR system, we use a historical simulation for two years to estimate VaR using a 99% confidence level and a one-day holding period for trading instruments.

In addition to the VaR risk measurement, the risk framework applies various stress tests to test the portfolios under stressful situations as follows:

Interest Rate Risk:	Parallel moves of treasury yield curves of +/- 0.25%.
Curve Risk:	Non-parallel moves of treasury yield curves within +/- 0.25%.
Spread Risk:	For corporate bonds only, +/- 0.50% moves in yield curve.
Equity Price Risk:	+/- 10% move in equity prices.
Currency Risk:	+/- 2% move in foreign exchange rates against U.S. dollars.

The following table summarizes our risk exposure according to the categories described above as of December 31, 2003 and September 30, 2004.

	Risk Measures		
	December 31, 2003	September 30, 2004	Average(1)
	($ in thousands)		
Interest Rate Risk	$ 551	$ 14	$ 605
Curve Risk	1,026	1,323	1,053
Spread Risk	651	379	772
Equity Price Risk	964	1,422	1,369
Currency Risk	—	97	133
VaR	364	944	891

(1) Average is based on an average of monthly ending amounts from October 1, 2003 through September 30, 2004.

Credit Risk

We actively monitor our credit risk and exposure that originates from our business. Credit risk against each issuer is measured by calculating the risk-adjusted exposure. The risk adjustment is based on rating of the issuer, and this risk is netted for all positions with the same issuer.

The credit risk framework determines two types of credit risks:

Credit Risk of the Issuer. The framework analyzes current positions in each issuer to determine the risk adjusted exposure, which is the estimated maximum potential exposure to the issuer in the future. Each issuer has a limit based on its rating. The portfolio's aggregate risk-adjusted exposure is monitored on a daily basis. The levels of risk-adjusted exposures in the U.S. bond and convertible desks are set forth below:

	Credit Risk of the Issuer			
	As of December 31, 2003	As of September 30,		Average(1)
		2003	2004	
	($ in thousands)			
Risk Adjusted Exposure	$ 17,430	$37,369	$25,203	$ 27,020

(1) Average is based on an average of monthly ending amounts from October 1, 2003 through September 30, 2004.

Credit Risk of the Trading Counterparty. We utilize a report indicating the gross counterparty exposure and settlement risk. The settlement risk indicates the risk if the counterparty reneges on a trade. In that case, we may have to buy or sell the security at additional cost. The framework has established limits for counterparties based on ratings.

Limit Monitoring Process

Lazard Group has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral and continually assessing the creditworthiness of counterparties.

The risk framework has developed a portfolio approach for risk measurements. This helps senior management assign limits at various levels such as location, trading desks and issuers. Senior management establishes policy limits representing the maximum risk it is willing to take on a normal day.

Credit risk limits take into account measures of both current and potential exposures and are set and monitored by broad risk type, product type and tenor to maturity. Credit risk mitigation techniques

include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral should unfavorable events occur, the right to call for collateral when certain exposure thresholds are exceeded, and the purchase of credit default protection.

Recently Issued Accounting Standards

Effective January 1, 2003, Lazard Group adopted FIN 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 requires certain disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of FIN 45 did not have a material impact on Lazard Group's consolidated financial position or results of operations.

In December 2003, the Financial Accounting Standards Board ("FASB") issued FIN 46R, Consolidation of Certain Variable Interest Entities—an interpretation of ARB No. 51, which further clarifies FIN 46, which was issued on January 17, 2003. FIN 46R clarifies when an entity should consolidate a Variable Interest Entity ("VIE"), more commonly referred to as a special purpose entity, or "SPE." A VIE is an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties, and may include many types of SPEs. FIN 46R requires that an entity shall consolidate a VIE if that entity has a variable interest that will absorb a majority of the VIE's expected losses if they occur, receive a majority of the VIE's expected residual returns if they occur, or both. FIN 46R does not apply to certain qualifying SPEs ("QSPEs"), the accounting for which is governed by Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financing Assets and Extinguishments of Liabilities. FIN 46R is effective for newly created VIEs beginning January 1, 2004 and for existing VIEs as of the first reporting period beginning after March 15, 2004.

Effective January 1, 2004, Lazard Group adopted FIN 46R for VIEs created after December 31, 2003 and for VIEs in which Lazard Group obtained an interest after December 31, 2003. Lazard Group adopted FIN 46R in the second quarter of 2004 for VIEs in which it holds a variable interest that it acquired on or before December 31, 2003.

Lazard Group is involved with various entities in the normal course of business that are VIEs and hold 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 Group is the primary beneficiary were consolidated in the second quarter of 2004 in accordance with FIN 46R. Those VIEs include company sponsored venture capital investment vehicles established in connection with our compensation plans.

Lazard Group's merchant banking activities consist of making private equity, venture capital and real estate investments on behalf of customers. At December 31, 2002 and 2003, in connection with its merchant banking activities, the net assets of entities for which Lazard Group has a significant variable interest was approximately $108 million and $148 million, respectively. Lazard Group's variable interests associated with these entities, primarily carried interests and management fees, were approximately $24 million at each of such dates which represent the maximum exposure to loss, only if total assets declined 100% at December 31, 2002 and 2003. At September 30, 2004, the consolidated statement of financial condition included $20 million of incremental assets relating to the consolidation of VIEs for such merchant banking activities in which Lazard Group was deemed to be the primary beneficiary.

In connection with its Capital Markets and Other segment activities, Lazard Group holds a significant variable interest in an entity with assets of $9 million and liabilities of $17 million at December 31, 2002 and with assets of approximately $4 million and liabilities of approximately $16 million at December 31, 2003. Lazard Group's variable interests associated with this entity, primarily Paid-In-Kind ("PIK") notes, were approximately $17 million and $16 million at December 31, 2002 and 2003, respectively. As the note holders have sole recourse only to the underlying assets, Lazard Group has no exposure to loss at December 31, 2002 and 2003. Also, as Lazard Group is not the primary beneficiary, the entity has not been consolidated.

In connection with its Asset Management business, Lazard Group is the asset manager and holds significant variable interests in various hedge funds, where the aggregate net assets at December 31, 2002 and 2003 was approximately $6 million and $8 million, respectively. Lazard Group's maximum exposure to loss at December 31, 2002 and 2003 was approximately $1 million and $7 million, respectively. Such funds, to the extent they still existed, were consolidated because Lazard Group was deemed to be the primary beneficiary upon the adoption of FIN 46R.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 clarifies the circumstances under which a contract with an initial investment meets the characteristics of a derivative under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 also amended other existing pronouncements to result in more consistent reporting of derivative contracts. This pronouncement is effective for all contracts entered into or modified after June 30, 2003. Lazard Group adopted SFAS No. 149 as required, with no material impact on Lazard Group's consolidated financial statements.

In May 2003, the FASB issued the SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 requires that the issuer classify a financial instrument that is within its scope as a liability. The initial recognition of SFAS No. 150 applies to financial instruments entered into or modified after May 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Lazard Group's classification of mandatorily redeemable preferred stock is in accordance with SFAS No. 150.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employers' Disclosure about Pensions and Other Post-Retirement Benefits. The Statement requires additional disclosures to those in the original SFAS 132 about assets, obligations, cash flows and net periodic benefit costs of defined benefit pension plans and other defined benefit post-retirement plans. Lazard Group adopted the provisions of SFAS No. 132 as of December 31, 2003.

In March 2004, the FASB Emerging Issues Task Force ("EITF") reached a final consensus on Issue 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. EITF 03-1 requires that when the fair value of an investment security is less than its carrying value, an impairment exists for which the determination must be made as to whether the impairment is other-than-temporary. The EITF 03-1 impairment model applies to all investment securities accounted for under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and to investment securities accounted for under the cost method to the extent an impairment indicator exists. Under the guidance, the determination of whether an impairment is other than temporary and therefore would result in a recognized loss depends on market conditions and management's intent and ability to hold the securities with unrealized losses. Lazard Group adopted the impairment valuation and recognition guidance in EITF 03-1 for reporting periods after June 15, 2004. The adoption of EITF 03-1 had no impact on Lazard Group's consolidated financial position or results of operations since Lazard Group does not have any securities accounted for under SFAS No. 115.

BUSINESS

Overview

We are a preeminent international financial advisory and asset management firm that 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. The first Lazard partnership was established in 1848. Over time we have extended our activities beyond our roots in New York, Paris and London. We operate today from 27 cities in key business and financial centers across 15 countries throughout Europe, North America, Asia and Australia. We focus primarily on two businesses, Financial Advisory and Asset Management. We believe that the mix of our activities across business segments, geographic regions, industries and investment strategies helps to diversify and stabilize our revenue stream.

Industry Trends and Strategic Focus

Industry Trends

We believe that a combination of long-term trends engender a favorable climate for revenue and profit growth in the financial services industry segments in which we compete. Longer-term trends that benefit our Financial Advisory business include:

- **Globalization.** Companies around the world are continuing to globalize their operations, including through merger and acquisition activity.
- **Focus on Stockholder Value.** Companies around the world are strongly focused on stockholder value, which drives continual portfolio rebalancing, including mergers, acquisitions, divestitures, restructurings, joint ventures, company sales and related transactions.
- **Consolidation.** Intense and often increasing commercial competition is fueling the need for companies to realize economies of scale and scope and to optimize strategic positioning, which in turn drives the market for mergers and acquisitions. In addition, ongoing cycles in various international economies of deregulation and sometimes re-regulation add to the impetus of companies to either consolidate or restructure their portfolios.
- **Expansion of Leverage Markets.** Long-term increases in investor demand for debt of non-investment grade issuers have driven growth in acquisitions by financial sponsors, as well as in the number of highly leveraged companies, a portion of which may become candidates for financial restructuring advisory services, particularly in less favorable economic environments.

Some of the trends influencing long-term growth in the markets served by our Asset Management business include:

- **Demographics.** Aging populations in both developed and emerging economies around the world have increased the pools of savings available and the need for retirement investment services by institutions and individuals.
- **Internationalization.** Investors around the world are internationalizing their investment portfolios, which plays to our strengths in managing international and global portfolios of equity and fixed income securities.
- **Acceptance of Alternative Investments.** Many institutional and high-net worth investors are increasing their allocations to alternative investments to diversify risk while maintaining high targeted absolute returns. Growing acceptance of these strategies fuels the market for products such as the hedge funds and merchant banking funds that we manage.

The markets in which we compete have begun to experience greater than normal growth in comparison to recent fiscal periods. Recovery in global equity markets during 2003, increases in corporate profits and consumer income following the recent recession, and increasing availability of financing are driving increased demand for mergers and acquisitions and asset management services. However, these trends are cyclical in nature and subject to periodic reversal. Due to the mix of our businesses, some of our businesses experienced performance declines during the recent recessionary period, while others, such as our Financial Restructuring practice, were growing. At present, our Financial Restructuring practice is trending down on a cyclical basis, while our Mergers and Acquisitions practice and Asset Management business are trending up.

The following table sets forth selected key industry indicators:

Key Industry Indicators
($ in billions, except as otherwise indicated)

	As of or for Year Ended December 31,			As of or for Nine Months Ended September 30,				
	1983	1993	2003	2003	2004	CAGR(a) '83-'03	CAGR(a) '93-'03	Change 9/03-9/04
General Economic & Market Activity:								
Worldwide GDP ($ in trillions) (b)	$ 11.5	$ 24.2	$ 36.1	*	*	*6%*	*4%*	*
Dow Jones Industrial Average	1,259	3,754	10,454	9,275	10,080	*11*	*11*	*9%*
MSCI World Index (c)	184	598	1,036	910	1,048	*9*	*6*	*15*
Advisory Activities:								
Worldwide M&A (d)	$ 85	$ 359	$ 1,204	$ 874	$ 1,088	*14%*	*13%*	*24%*
U.S. M&A (d)	85	185	465	331	506	*9*	*10*	*53*
Europe M&A (d)	* (e)	112	477	347	359	*24(e)*	*16*	*4*
Transatlantic M&A (d)	2	22	102	76	82	*21*	*17*	*8*
Worldwide M&A > $1 billion (d)	21	107	654	486	636	*19*	*20*	*31*
Global Corporate Debt Defaults (f)	1	2	34	30	8	*18*	*33*	*(72)*
Asset Management Activities:								
U.S. Assets in U.S. & Global Corporate Equities (g)	$1,746	$5,923	$13,865	$12,317	$ 13,957	*11%*	*9%*	*13%*
Worldwide Assets Managed by Top 100 Managers (h)	1,085	3,531	21,406	*	*	*16*	*20*	*
Foreign Equities & ADRs Held by U.S. Residents (g)	26	544	1,972	1,661	2,093	*24*	*14*	*26*
Global Hedge Fund Assets Under Management (i)	*	172	820	*	*	*	*17*	*

(a) Calculated compound annual growth rate.
(b) *Source:* The Economist Intelligence Unit, June 2004.
(c) *Source:* Morgan Stanley Capital International, Inc.
(d) *Source:* Thomson Financial, November 11, 2004; Transaction geographies reported based on location of target. Figures based on completed transactions.
(e) Not available. CAGR data is with respect to the years 1985 to 2003.
(f) *Source:* Moody's Investors Service Inc.© Cited with permission. All rights reserved.
(g) *Source:* The Federal Reserve.
(h) *Source:* Pensions & Investments.
(i) *Source:* 2004 Van Hedge Fund Advisors International.
* Indicates data not available.

Competitive Advantages

We attribute our success and distinctiveness to a combination of long-standing advantages from which we and our predecessor partnerships have benefited, including:

- **Experienced People.** Our professionals concentrate on solving complex strategic and financial problems and executing specialized investment strategies. We strive to maintain and enhance our base of highly talented professionals and pride ourselves on being able to offer clients more senior-level attention than may be available from many of our competitors.

- **Independence.** We are an independent firm, free of many of the conflicts that can arise at larger financial institutions as a result of their varied sales, trading, underwriting, research and lending activities. We believe that recent instances of perceived or actual conflicts of interest, and the desire to avoid any potential future conflicts, have increased the demand by managements and boards of directors for trusted, unbiased advice from professionals whose main product is advice.
- **Reputation.** Our firm has a brand name with over 150 years of history. We believe this brand name connotes superior service, integrity and creative solutions. Throughout our history, we have been focused on providing world-class professional advice in complex strategic and financial assignments, utilizing both our global capabilities and deeply rooted, local know-how.
- **Focus.** We are focused on two primary businesses—Financial Advisory and Asset Management—rather than on a broad range of financial services. We believe this focus has helped, and will continue to help, us attract clients and recruit professionals who want to work in a firm where these activities are the central focus.
- **Global Presence with Local Relationships.** We have been pioneers in offering financial advisory services on an international basis and in investing in international markets through our Asset Management business. We do not regard any single jurisdiction as our home country. Instead, we believe that linking our talented, indigenous professionals, deep local roots and industry expertise across offices enables us to be a global firm while maintaining a local identity. We believe this approach allows us to build close local relationships with our clients and to develop insight into both local and international commercial, economic and political issues affecting their businesses. Our ability to put clients in contact with our skilled professionals around the world is central to our specialized skill in performing cross-border transactions and worldwide investment mandates. In Asset Management, this is reflected through LAM's global research platform of analysts as well as the provision of local investment solutions and services to clients.
- **Balance.** We seek to balance the sources of our earnings among multiple geographic regions, industries, advisory practice areas and investment sectors in order to provide greater diversification and stability to our revenue stream. For example, our Financial Advisory business includes both our Mergers and Acquisitions practice and Financial Restructuring practices, which historically have been countercyclical to each other, thus helping to stabilize our revenue stream. In addition, our relationships in one of these practice areas often lead to future engagements for the other. Our Asset Management business complements the Financial Advisory business by helping to provide further stability, principally because we generate significant recurring client business from year to year. Our revenue also is geographically diversified: in 2003, we derived 52% of our net revenue from continuing operations from our offices in North America, 45% from our offices in Europe and 3% from offices in the rest of the world.
- **Strong Culture.** We believe that our people are united by a desire to be a part of an independent firm in which their activities are at the core and by a commitment to excellence and integrity in their activities. This is reinforced by the significant economic stake our managing directors have in our success. When hiring new employees, we identify candidates that have traits consistent with our values in order to further maintain our culture. In our opinion, the strength of our many long-term client relationships is a testament to our distinctive culture and approach to providing superior advice to our clients.

Principal Business Lines

Our business is organized around two segments: Financial Advisory and Asset Management.

Financial Advisory

We offer corporate, partnership, institutional, government and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions, restructurings and various other corporate finance matters. We focus on solving our clients' most complex problems, providing advice to senior management, boards of directors and business owners of prominent companies and institutions in transactions that typically are of significant strategic and financial importance to them.

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

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

In 2003, Financial Advisory net revenue totaled $691 million, accounting for 66% of our net revenue from continuing operations. We earned advisory revenue from 370 clients in 2003. We earned $1 million or more from 137 clients in 2003, and in that year the ten largest fee paying clients constituted 30% of our segment net revenue, and no client individually constituted more than 10% of segment net revenue.

We believe that we have been pioneers in offering financial advisory services on an international basis, with the establishment of our New York, Paris and London offices dating back to the nineteenth century. We maintain major local presences in the U.S., the U.K., France and Italy, including a network of regional branch offices in the U.S. and France, as well as presences in Australia, Canada, Germany, Hong Kong, India, Japan, the U.K., the Netherlands, Sweden, Singapore, South Korea and Spain. Our Italian office is operated as a strategic alliance with Intesa. Pursuant to the strategic alliance, Intesa holds 40% of the equity of, and a $50 million subordinated promissory note from, the entity that operates our Italian business and has representation on its board of directors, and a $150 million note issued by a financing subsidiary of Lazard Group, and both notes are guaranteed by Lazard Group. We also have recently entered into a joint venture with Signatura Advisory called Signatura Lazard, which will provide local and cross-border financial services in Brazil, and a strategic alliance with MBA Banco de Inversiones regarding the provision of cross-border advisory services to institutions investing in companies in Argentina and to Argentine companies investing abroad.

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

Services Offered

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

When we advise clients that are contemplating the sale of certain businesses, assets or their entire company, our services include evaluating and recommending financial and strategic alternatives with respect to a sale, advising on the appropriate sales process for the situation, valuation issues, assisting in preparing an offering memorandum or other appropriate sales materials and rendering, if appropriate, fairness opinions. We also identify and contact selected qualified acquirors and assist in negotiating and closing the proposed sale.

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

When we assist clients in raising private or public market financing, our services include originating and executing private placements of equity, debt and related securities, assisting clients in connection with securing, refinancing or restructuring bank loans, originating public underwritings of equity, debt and convertible securities and originating and executing private placements of partnership and similar interests in alternative investment funds such as leveraged buyout, mezzanine or real estate focused funds. In addition, we may advise on capital structure and assist in long-range capital planning and rating agency relationships.

In April 2004, Lazard Group and CDC IXIS, a subsidiary of Caisse Nationale des Caisses d’Epargne, entered into a cooperation arrangement to place and underwrite securities on the French equity primary capital markets under a common brand, “Lazard-Ixis,” and cooperate in their respective origination, syndication and placement activities. This cooperation covers French listed companies exceeding a market capitalization of €500 million.

Following this offering, we intend to enter into an arrangement with LFCM Holdings under which Lazard Group’s separated Capital Markets and Other business segment will continue to underwrite and distribute U.S. and U.K. securities offerings originated by our Financial Advisory business in a manner intended to be similar to our practice prior to this offering, with revenue from such offerings generally continuing to be divided evenly between Lazard Group and LFCM Holdings.

Staffing

We staff our assignments with a team of quality professionals with appropriate product and industry expertise. We pride ourselves on, and we believe we are differentiated from our competitors

by, being able to offer a relatively high level of attention from senior personnel to our clients and organizing ourselves in such a way that managing directors who are responsible for securing and maintaining client relationships also actively participate in providing related transaction execution services. Our managing directors have significant experience, and many of them are able to use this experience to advise on both mergers and acquisitions and restructuring transactions, depending on our clients' needs. Many of our managing directors and senior advisors come from diverse backgrounds, such as senior executive positions at corporations, government, law and strategic consulting, which we believe enhances our ability to offer sophisticated advice and custom solutions to our clients.

Industries Served

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

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

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

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

- government advisory,
- fund raising for alternative investment funds, and
- corporate finance.

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

Strategy

Since January 2002, when new senior management joined our firm, our focus in our Financial Advisory business has been on:

- making a significant investment in our intellectual capital with the addition of many senior professionals who we believe have strong client relationships and industry expertise. We have recruited or promoted 68 new managing directors from January 2002 through September 30, 2004, contributing to a 48% increase, net of departures, in Financial Advisory managing director headcount over that period, with the result that approximately 55% of our managing directors have joined our firm or been promoted since January 2002,

- Ÿ increasing our contacts with existing clients to further enhance our long-term relationships and our efforts in developing new client relationships,
- Ÿ expanding the breadth and depth of our industry expertise in areas such as media and general industrials and adding new practice areas such as power and energy and fund-raising for alternative investment funds,
- Ÿ coordinating our industry specialty activities on a global basis and increasing the integration of our industry experts with our Financial Restructuring professionals, and
- Ÿ broadening our geographic presence by adding new offices in the Netherlands (Amsterdam), Canada (Toronto) and Australia (Sydney), as well as three new regional offices in the U.S. (Atlanta, Houston and Los Angeles) and entering into new strategic alliances in two new geographies (Argentina and Brazil).

We made these investments during a period of financial market weakness, when many of our competitors were reducing senior staffing, to position ourselves to capitalize more fully on any financial services industry recovery.

In addition to the recent expansion of our Financial Advisory team, we believe that the following external market factors may enable our Financial Advisory practice to benefit from future growth in the global mergers and acquisitions advisory business:

- Ÿ increasing demand for independent, unbiased financial advice, and
- Ÿ a potential increase in cross-border mergers and acquisitions and large capitalization mergers and acquisitions, two of our areas of historical specialization, which experienced greater than average declines in recent years.

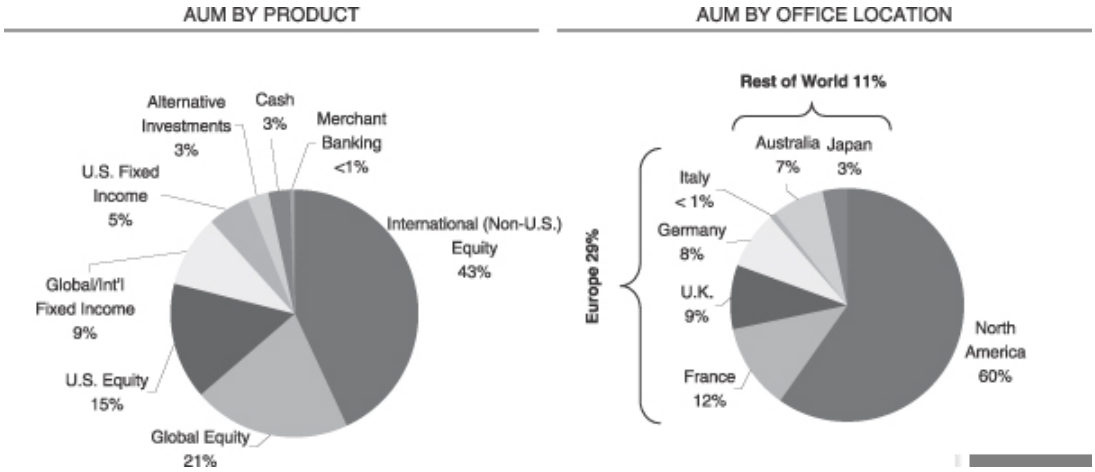
Going forward, our strategic emphasis in our Financial Advisory business is to leverage the investments we have made in recent years to grow our business and drive our productivity. While we will continue opportunistically to attract outstanding individuals to this practice, we anticipate that our recent managing director expansion program is now substantially complete.

Asset Management

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

As of September 30, 2004, total AUM was $78.5 billion, 79% of which was invested in equities, 15% in fixed income, 3% in alternative investments, 3% in cash and less than 1% in merchant banking funds. As of the same date, approximately 54% of our AUM was invested in international (*i.e.*, non-U.S.) investment strategies and 25% was invested in global investment strategies and 21% was invested in U.S. investment strategies, and our top ten clients and third-party relationships accounted for 23% of total AUM. Approximately 80% of our AUM as of that date was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors. Approximately 20% of AUM as of September 30, 2004 was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

The charts below illustrates the mix of our AUM as of September 30, 2004, measured by broad product strategy and by office location.



LAM and LFG

Our largest Asset Management subsidiaries are LAM in New York, San Francisco, London, Milan, Frankfurt, Hamburg, Tokyo, Sydney and Seoul (aggregating $69.3 billion in total AUM as of September 30, 2004), and LFG in Paris (aggregating $8.8 billion in total AUM as of September 30, 2004). LAM was founded in 1970 and LFG can trace its history back to 1969. These operations provide our business with a global presence and local identity.

Primary distinguishing features of these businesses include:

- a global footprint with global research, global mandates and global clients,
- a broad-based team of approximately 165 investment professionals: LAM has approximately 140 investment professionals, which includes our approximately 60 focused, in-house, investment analysts across all products and platforms (36 of whom are on our global research platform), many of whom have substantial industry or sector specific expertise, and LFG has approximately 25 investment professionals, including six investment analysts, in each case as of September 30, 2004,
- a security selection-based investment philosophy applied across products,
- worldwide brand recognition and multi-channel distribution capabilities,
- the significant investment in technology and systems development we have made, and
- substantial equity participation in LAM held by a broad group of key employees.

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

- pick securities, not markets,
- find relative value, and
- manage risk.

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

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

At LAM, we conduct investment research on a global basis, to develop market, industry and company specific insight. Approximately 60 investment analysts, located in our worldwide offices, conduct research and evaluate investment opportunities around the world across all products and platforms. The LAM global research platform is organized around six global industry sectors:

- consumer goods,
- financial services,
- health care,
- industrials,
- power, and
- technology, media and telecommunications.

Our analysts recommend companies to portfolio managers and work with them on an ongoing basis to make buy and sell decisions. At LFG, six investment analysts conduct research and evaluate investment opportunities, primarily focused on large capitalization European companies.

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

	Global	Regional	Domestic
Equities	***Global*** Large Capitalization Small Capitalization Emerging Markets Thematic Convertibles* ***EAFE (Non-US)*** Large Capitalization Small Capitalization Multi-Capitalization ***Global Ex*** Global Ex-UK Global Ex-Japan Global Ex-Australia	***Pan-European*** Large Capitalization Small Capitalization ***Eurozone*** Large Capitalization** Small Capitalization** ***Continental European*** Small Cap Multi Cap Eurozone (*i.e.*, Euro Bloc) Euro-Trend (Thematic)	***U.S.*** Large Capitalization** Mid Capitalization Small Capitalization Multi-Capitalization ***Other*** U.K. (Large Capitalization) U.K. (Small Capitalization) Australia France (Large Capitalization)* France (Small Capitalization)* Japan**
Fixed Income and Cash Management	***Global*** Core Fixed Income High Yield Short Duration	***Pan-European*** Core Fixed Income High Yield Cash Management* ***Eurozone*** Fixed Income** Cash Management* Corporate Bonds**	***U.S.*** Core Fixed Income High Yield Short Duration Municipals Cash Management* ***Non-U.S.*** U.K. Fixed Income
Alternative	***Global*** Global Opportunities (Long/Short) Fund of Hedge Funds Fund of Closed-End Funds	***Regional*** European Explorer (Long/Short) Emerging Income	

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

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

Distribution. We distribute our products through a broad array of marketing channels on a global basis. LAM's marketing, sales and client service efforts are organized through a global market delivery and service network, with distribution professionals located in New York, San Francisco, London, Milan, Frankfurt, Hamburg, Tokyo, Sydney and Seoul. We have developed a well-established presence

in the institutional asset management arena, managing money for corporations, labor unions and public pension funds around the world. In addition, we manage assets for insurance companies, savings and trust banks, endowments, foundations and charities.

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

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

The managing directors of LAM and other key LAM employees hold LAM equity units, which entitle their holders to payments in connection with selected fundamental transactions affecting Lazard Group or LAM. For more information regarding these rights, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Merchant Banking

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

In connection with the separation, we will transfer to LFCM Holdings all of our merchant banking fund management activities, except for our merchant banking business in France, which is regulated as part of our Paris-based banking affiliate, LFB. We also will transfer to LFCM Holdings $20.8 million of principal investments by Lazard Group in the funds managed as part of the separated business, while our investment of $10.6 million in our French merchant banking funds will be retained in Lazard Group.

LFCM Holdings will operate the merchant banking business transferred to it in the separation. Consistent with Lazard Group's intent to support the development of the merchant banking business, including investing capital in future funds to be managed or formed by the merchant banking subsidiary of LFCM Holdings, and in order to benefit from what we believe to be the potential of this business, Lazard Group will be entitled to receive from LFCM Holdings payments equal to the incentive fees attributable to these funds (net of compensation payable to investment professionals who manage these funds) pursuant to the business alliance agreement between us and LFCM Holdings. In addition, pursuant to the business alliance agreement, we will have an option to acquire the merchant banking business owned by LFCM Holdings and will have the right to participate in the oversight and investment decisions of LFCM Holdings' funds and consent to certain actions. We will continue to abide by our obligations with respect to transferred funds and will agree not to compete with LFCM Holdings' funds. For a description of these and other arrangements with respect to the merchant banking fund management activities being transferred to LFCM Holdings, see "Certain Relationships and Related Transactions—Business Alliance Agreement."

We believe that the merchant banking business that will be transferred to LFCM Holdings has benefited recently from renewed attention and commitment by senior management. We believe that the merchant banking business can derive significant benefits from the resources of our Financial Advisory business as contemplated by the business alliance agreement, including sourcing

investment opportunities through Financial Advisory client relationships. In addition, our Financial Advisory business can benefit from association with our merchant banking funds and their portfolio companies.

As of September 30, 2004, Lazard Group's merchant banking business in North America consisted of a number of funds specializing in real estate, venture capital and private equity, with $1,255 million of AUM, and in France consisted of a group of private equity funds and an affiliated investment company with approximately $453 million of AUM. Lazard Group's investments in these funds totaled $31.4 million as of September 30, 2004. Lazard Group is also in the process of raising capital for a number of new merchant banking funds in North America and Europe.

Strategy

Our strategic plan in our Asset Management business is to focus on delivering superior investment performance and client service and broadening our product offerings and distribution in selected areas order to continue to drive improved business results. In March 2004, we undertook a senior management transition at LAM to put in place the next generation of leadership and to better position the business to execute our strategic plan. Over the past several years, in an effort to improve LAM's operations and expand our business, we have:

- Ÿ focused on enhancing our investment performance,
- Ÿ improved our investment management platform by hiring ten senior equity analysts and filling the newly established position of Head of Risk Management,
- Ÿ strengthened our marketing capabilities by establishing a global consultant relations effort aimed at improving our relations with the independent consultants who advise many of our clients on the selection of investment managers,
- Ÿ expanded our product platform by "lifting-out" experienced portfolio managers to establish new products in the hedge fund area and in thematic investing, and
- Ÿ launched new products such as "Lazard European Explorer," a European long/short strategy, and "Lazard Global Total Return and Income Fund, Inc.," a closed-end fund.

We believe that LAM has long maintained an outstanding team of portfolio managers and global research analysts. We intend to maintain and supplement our intellectual capital to achieve our goals. We also believe that LAM's specific investment strategies, global reach, unique brand identity and access to multiple distribution channels will allow it to leverage into new investment products, strategies and geographic locations. In addition, we plan to expand our participation in merchant banking activities through investments in new and successor funds.

Employees

We believe that our people are our most important asset, and it is their reputation, talent, integrity and dedication that underpin our success. As of September 30, 2004, after giving effect to the separation, we employed approximately 2,375 people, which includes 130 managing directors and 525 other professionals in our Financial Advisory segment and 35 managing directors and 262 other professionals in our Asset Management segment. We strive to maintain a work environment that fosters professionalism, excellence, diversity and cooperation among our employees worldwide. We utilize an evaluation process at the end of each year to measure performance, determine compensation and provide guidance on opportunities for improved performance. None of our employees are subject to any collective bargaining agreements and we believe that we have good relations with our employees.

See "Management" and "Risk Factors."

Competition

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

While our competitors vary by country in our Mergers and Acquisitions practice, we believe our primary competitors in securing mergers and acquisitions advisory engagements are Bear Stearns, Citigroup, Credit Suisse First Boston, Goldman Sachs, JPMorgan Chase, Lehman Brothers, Mediobanca, Merrill Lynch, Morgan Stanley, Rothschild and UBS. In our Financial Restructuring practice our primary competitors are The Blackstone Group, Greenhill & Co. and Rothschild.

We believe that our primary competitors in our Asset Management business include, in the case of LAM, Alliance Bernstein, AMVESCAP, Brandes Investment Partners, Capital Management & Research, Fidelity, Lord Abbett and Schroders and, in the case of LFG, Swiss private banks with offices in France as well as large institutional banks and fund managers. We face competition in merchant banking both in the pursuit of outside investors for our merchant banking funds and to acquire investments in attractive portfolio companies. We compete with hundreds of other funds, many of which are subsidiaries of or otherwise affiliated with large financial service providers.

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

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products than we offer, including loans, deposit taking, insurance and brokerage services. Many of these firms also have more extensive asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking and securities products with commercial banking, insurance and other financial services revenue in an effort to gain market share, which could result in pricing pressure in our businesses. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors.

Regulation

Our businesses, as well as the financial services industry generally, are subject to extensive regulation throughout the world. As a matter of public policy, regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our stockholders or creditors. In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. The exchanges, the NASD and the National Futures Association are voluntary, self-
regulatory bodies composed of members, such as our broker-dealer subsidiaries, that have agreed to abide by the respective bodies’ rules and regulations. Each of these and non-U.S. regulatory

organizations may examine the activities of, and may expel, fine and otherwise discipline, member firms and their employees. The laws, rules and regulations comprising this framework of regulation and the interpretation and enforcement of existing laws, rules and regulations are constantly changing. The effect of any such changes cannot be predicted and may impact the manner of operation and profitability of our company.

Our U.S. broker-dealer subsidiary, Lazard Frères & Co. LLC, through which we will conduct our U.S. Financial Advisory business, is currently registered as a broker-dealer with the SEC, the NASD, and as a broker-dealer in all 50 states, the District of Columbia and Puerto Rico, and is a member firm of the NYSE, the AMEX and the Boston Stock Exchange. In connection with the separation, Lazard Frères & Co. LLC intends to withdraw its membership in the NYSE, the AMEX and the Boston Stock Exchange, at which time the NASD will become its primary regulator. We expect the broker-dealer subsidiary to be formed under LFCM Holdings will apply for membership on these exchanges. As such, Lazard Frères & Co. LLC is subject to regulations governing effectively every aspect of the securities business, including the effecting of securities transactions, minimum capital requirements, record-keeping and reporting procedures, relationships with customers, experience and training requirements for certain employees and business procedures with firms that are not members of certain regulatory bodies. Lazard Asset Management Securities LLC, a subsidiary of LAM, also is registered as a broker-dealer with the SEC, the NASD and in all 50 states, the District of Columbia and Puerto Rico. Lazard & Co., Limited, our wholly-owned U.K. subsidiary, is subject to regulation by the Financial Services Authority in the U.K. Lazard Frères SAS, our wholly-owned French subsidiary, is subject to regulation by the Comité de la Réglementation Bancaire et Financière for its banking activities, conducted though its affiliate LFB. In addition, the investment services activities of the Paris group, exercised through LFB and other subsidiaries of Lazard Frères SAS, primarily LFG (asset management) and Fonds Partenaires Gestion (merchant banking), are subject to regulation and supervision by the Autorité des Marchés Financiers (AMF). Our business is subject to regulation by non-U.S. governmental and regulatory bodies and self-regulatory authorities in other countries where we operate. Violation of applicable regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines and the suspension, expulsion or other disciplining of a firm, its officers or employees.

Our broker-dealer subsidiary is also subject to the SEC's uniform net capital rule, Rule 15c3-1, and the net capital rules of the NYSE and the NASD, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiary. The uniform net capital rule sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. The NYSE and the NASD may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below its requirements. In addition, our broker-dealer subsidiary is subject to certain notification requirements related to withdrawals of excess net capital. Our broker-dealer subsidiary is also subject to several new laws and regulations that were just recently enacted. The USA Patriot Act of 2001 has imposed new obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures. Additional obligations under the USA Patriot Act regarding procedures for customer verification became effective on October 1, 2003. Failure to comply with these new requirements may result in monetary, regulatory and, in the case of the USA Patriot Act, criminal penalties.

Certain of our Asset Management subsidiaries are registered as investment advisers with the SEC. As registered investment advisers, each is subject to the requirements of the Investment Advisers Act and the SEC's regulations thereunder. Such requirements relate to, among other things, on principal transactions between an adviser and advisory clients, as well as general anti-fraud prohibitions. The Investment Company Act regulates the relationship between a mutual fund and its investment adviser (and other service providers) and prohibits or severely restricts principal

record-keeping and reporting requirements, disclosure requirements, limitations on trades where a single broker acts as the agent for both the buyer and seller (known as “agency cross”), and limitations on transactions, affiliated transactions and joint transactions. Prior to this offering, Lazard Asset Management Securities LLC, a subsidiary of LAM, served as the underwriter or distributor for mutual funds and hedge funds managed by LAM, and as an introducing broker to Lazard Frères & Co. LLC for unmanaged accounts of LAM’s private clients. Lazard Fund Managers Limited and Lazard Asset Management Limited, subsidiaries of LAM, are subject to regulation by the Financial Services Authority in the U.K.

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

Many of our affiliates that participate in securities markets are subject to comprehensive regulations that include some form of capital structure regulations and other customer protection rules. These standards, requirements and rules are implemented throughout the European Union and are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under the SEC and NASD rules. European Union directives also permit local regulation in each jurisdiction, including those in which we operate, to be more restrictive than the requirements of such directives, and these sometimes burdensome local requirements can result in certain competitive disadvantages to us. In addition, the Japanese Ministry of Finance and the Financial Supervisory Agency in Japan as well as Australian, German, French and Swiss banking authorities, among others, regulate various of our operating entities and also have capital standards and other requirements comparable to the rules of the SEC.

Over the past several years, European Union financial services regulators have taken steps to institute consolidated supervision over a wide range of financial services companies that conduct business in the European Union, even if their head offices are located outside of the European Union. Under the Financial Conglomerates Directive (2002/87/EC), we, along with a number of our competitors, will be required to submit to consolidated supervision by a European Union financial services regulator commencing on January 1, 2005, unless we are already subject to “equivalent” supervision by another regulator. On June 8, 2004, the SEC issued final regulations establishing a consolidated supervision framework for investment banks. The regulations became effective on August 20, 2004. Under these regulations, we can voluntarily submit to a stringent framework of rules relating to group-wide capital levels, internal risk management control systems and regulatory reporting requirements. We currently expect to elect to become subject to consolidated supervision by the SEC.

We are working with the SEC to fully understand the consequences of submitting to its consolidated supervision framework. We are unable at this time to accurately predict the impact that these regulations will have on our businesses and financial results. It is possible that these regulations may ultimately require that we increase our regulatory capital, which may adversely affect our profitability and result in other increased costs.

Legal Proceedings

Our businesses, as well as the financial services industry generally, are subject to extensive regulation throughout the world. We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition but might be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

We have received a letter from the NASD as part of what we understand to be an industry investigation relating to gifts and gratuities. In addition, we have received a subpoena from the SEC similarly seeking information concerning gifts and entertainment involving a mutual fund company. We believe that other broker-dealers have received similar subpoenas. The investigations primarily are focused on the capital markets business that will be part of the separated businesses. These investigations are in their early stages and we cannot predict their potential outcomes.

Properties

The following table lists the properties used for the entire Lazard organization, including properties used by the separated businesses. As a general matter, one or both of our Financial Advisory and Asset Management segments uses the following properties. We expect to license or sublease to LFCM Holdings certain office space, including office space that is used by the separated businesses. This will include subleasing or licensing approximately square feet of excess space under the lease in London located at 50 Stratton Street to LFCM Holdings, which LFCM Holdings expects to further sublease to third parties. See “Certain Relationships and Related Transactions—Agreements with LAZ-MD Holdings and LFCM Holdings.”

Location	Square feet	Comments
New York	273,000 square feet of leased space	Key office located at 30 Rockefeller Plaza, New York, New York, 10020.
Other North America	47,400 square feet of leased space	Includes offices in Atlanta, Chicago, Houston, Los Angeles, Montreal, San Francisco, Toronto and Washington, D.C.
Paris	112,400 square feet of leased space	Key office located at 121 Boulevard Haussmann, 75382 Paris Cedex 08.
London	142,400 square feet of leased space	Key office located at 50 Stratton Street London W1J 8LL.
Milan	27,000 square feet of leased space	Key office located at via Dell’Orso 2 20121 Milan.
Other Europe	59,300 square feet of leased space	Includes offices in Amsterdam, Berlin, Bordeaux, Frankfurt, Hamburg, Lyon, Madrid, Rome and Stockholm.
Asia and Australia	42,500 square feet of leased space	Includes offices in Mumbai, Hong Kong, New Delhi, Seoul, Singapore, Sydney and Tokyo.

We believe that we currently maintain sufficient space to meet our anticipated needs.

Directors and Executive Officers

Set forth below is information concerning our directors and executive officers. We expect to appoint additional directors over time who are not employees of Lazard or otherwise affiliated with management.

Name	Age	Position
Bruce Wasserstein	57	Chairman and Chief Executive Officer
Michael J. Castellano	58	Managing Director and Chief Financial Officer
Steven J. Golub	58	Managing Director and Vice Chairman, Chairman of Financial Advisory Group
Scott D. Hoffman	42	Managing Director and General Counsel
Charles G. Ward, III	52	President, Chairman of Asset Management Group

Executive officers are appointed by, and serve at the pleasure of, our board of directors. A brief biography of each director and executive officer follows.

Bruce Wasserstein will serve as the Chairman of our board of directors and Chief Executive Officer. Mr. Wasserstein has served as the Head of Lazard and Chairman of the Executive Committee since January 2002. Prior to joining Lazard, Mr. Wasserstein was Executive Chairman at Dresdner Kleinwort Wasserstein from January 2001 to November 2001. Prior to joining Dresdner Kleinwort Wasserstein, he served as CEO of Wasserstein Perella Group (an investment banking firm he co-founded) from February 1988 to January 2001, when Wasserstein Perella Group was sold to Dresdner Bank. Prior to founding Wasserstein Perella Group, Mr. Wasserstein was the Co-Head of Investment Banking at The First Boston Corporation. Prior to joining First Boston, Mr. Wasserstein was an attorney at Cravath, Swaine & Moore. Mr. Wasserstein also currently serves as Chairman of Wasserstein & Co., LP, a private merchant bank. Mr. Wasserstein has over 30 years of experience in the investment banking and mergers and acquisitions industry.

Michael J. Castellano will be our Chief Financial Officer. Mr. Castellano has served as a Managing Director and Chief Financial Officer of Lazard Group since August 2001. Prior to joining Lazard, Mr. Castellano held various senior management positions at Merrill Lynch & Co. from August 1991 to August 2001, including Senior Vice President—Chief Control Officer for Merrill Lynch's capital markets businesses, Chairman of Merrill Lynch International Bank and Senior Vice President —Corporate Controller. Prior to joining Merrill Lynch & Co., Mr. Castellano was a partner with Deloitte & Touche where he served a number of investment banking clients over the course of his 24 years with the firm. Mr. Castellano has 35 years of relevant investment banking and securities industry experience.

Steven J. Golub will be our Vice Chairman and Chairman of our Financial Advisory Group. Mr. Golub has served as Vice Chairman of Lazard Group since October 2004 and as a Managing Director of Lazard Group since January 1986. Mr. Golub previously served as Chief Financial Officer from July 1997 to August 2001. Mr. Golub also served as a Senior Vice President of Lazard from May 1984 to January 1986. Prior to joining Lazard, Mr. Golub was a Partner at Deloitte Haskins & Sells from July 1980 to May 1984. Prior to joining Deloitte Haskins & Sells, he served as the Deputy Chief Accountant in the Chief Accountant's Office of the Securities and Exchange Commission from January 1979 to June 1980. Mr. Golub currently serves on the Board of Directors of Minerals Technologies Inc. Mr. Golub has 20 years of experience in the investment banking and mergers and acquisitions industry.

Scott D. Hoffman will be our General Counsel. Mr. Hoffman has served as a Managing Director of Lazard Group since January 1999 and General Counsel of Lazard Group since January 2001.

Mr. Hoffman previously served as Vice President and Assistant General Counsel from February 1994 to December 1997 and as a Director from January 1998 to December 1998. Prior to joining Lazard, Mr. Hoffman was an attorney at Cravath, Swaine & Moore. Mr. Hoffman has 17 years of experience in the investment banking and mergers and acquisitions industry.

Charles G. Ward, III will be our President and Chairman of our Asset Management Group. Mr. Ward has served as President and a Managing Director of Lazard Group since February 2002 and is the Chairman of our Asset Management Group. Prior to joining Lazard, he was variously the Head or Co-Head of Global Investment Banking and Private Equity of Credit Suisse First Boston, or "CSFB," from February 1994 to February 2002. Mr. Ward also served as a member of the Executive Board of CSFB from February 1994 to February 2002 and as President of CSFB from April 2000 to November 2000. Prior to joining CSFB, Mr. Ward co-founded Wasserstein Perella Group in February 1988 and served as President of Wasserstein Perella & Co. from January 1990 to February 1994. Prior to serving at Wasserstein Perella & Co., Mr. Ward was Co-Head of Mergers and Acquisitions and the Media Group at The First Boston Corporation where he worked from July 1979 to February 1988. Mr. Ward has more than 25 years of experience in the investment banking and mergers and acquisitions industry.

There are no family relationships between any of the executive officers or directors of Lazard. There are no restrictions under Bermuda law as to nationality or professional qualifications for directors. However, exempted companies such as Lazard must comply with Bermuda resident representation provisions under the Companies Act, which, as a company whose shares are listed on an appointed stock exchange, including the NYSE, require Lazard to have a resident representative. The resident representative is responsible for making a report to the Bermuda Registrar of Companies in the event he or she becomes aware that Lazard has committed a breach of any provision of the Companies Act or where any issue or transfer of shares of Lazard have been effected in contravention of any other statute regulating the issue or transfer of shares.

Board Composition; Classes of Directors

Following this offering, we expect that our board will consist of members, at least a majority of whom we expect to satisfy the independence standards established by the applicable rules, including the Sarbanes-Oxley Act of 2002, of the SEC and the NYSE. It is anticipated that our board of directors will meet at least quarterly. We expect at least half of our independent directors will be non-U.S. residents at the time of their appointment.

Because LAZ-MD Holdings initially will hold a majority of the voting power in us, we could qualify for various exceptions to governance standards as a "controlled company." We do not, however, intend to elect to be treated as a controlled company following this offering.

Our board of directors is divided into three classes, each of whose members serve for a staggered three-year term. Upon the expiration of the term of a class of directors, directors in the class will be up for election for three-year terms at the annual meeting of stockholders to be held in the year in which the term expires.

Board Committees

Our board of directors will establish several standing committees in connection with the discharge of its responsibilities. These committees will include an audit committee, a compensation committee and a nominating and corporate governance committee. The board of directors also will establish such other committees as it deems appropriate, in accordance with applicable law and our bye-laws.

Audit Committee

We expect that the members of the audit committee will be appointed promptly following this offering. All of the members of the audit committee will be independent, as determined in accordance with the rules of the NYSE and any relevant federal securities laws and regulations. The audit committee will assist our board of directors in monitoring the integrity of the financial statements, the independent auditors' qualifications, independence and performance, the performance of our company's internal audit function and compliance by our company with certain legal and regulatory requirements.

Compensation Committee

We expect that the members of the compensation committee will be appointed promptly following this offering. All of the members of the compensation committee will be independent, as determined in accordance with the rules of the NYSE and any relevant federal securities laws and regulations. The compensation committee will have overall responsibility for evaluating and approving the executive officer incentive compensation, benefit, severance, equity-based or other compensation plans, policies and programs of our company. The compensation committee also will be responsible for producing an annual report on executive compensation for inclusion in our proxy statement. We do not anticipate having any compensation committee interlocks.

Nominating and Corporate Governance Committee

We expect that the members of the nominating and corporate governance committee will be appointed promptly following this offering. All of the members of the nominating and corporate governance committee will be independent, as determined in accordance with the rules of the NYSE and any relevant federal securities laws and regulations. The nominating and corporate governance committee will assist our board of directors in promoting the best interests of our company and our stockholders through the implementation of sound corporate governance principles and practices.

The nominating and corporate governance committee will identify individuals qualified to become board members and recommend to our board of directors the director nominees for each annual meeting of stockholders. It also will review the qualifications and independence of the members of our board of directors and its various committees on a regular basis and make any recommendations the committee members may deem appropriate from time to time concerning any changes in the composition of our board of directors and its committees. The nominating and corporate governance committee also will recommend to our board of directors the corporate governance guidelines and standards regarding the independence of outside directors applicable to our company and review such guidelines and standards and the provisions of the nominating and corporate governance committee charter on a regular basis to confirm that such guidelines, standards and charter remain consistent with sound corporate governance practices and with any legal, regulatory or NYSE requirements. The nominating and corporate governance committee also will monitor our board of directors and our company's compliance with any commitments made to regulators or otherwise regarding changes in corporate governance practices and will lead our board of directors in its annual review of our board of directors' performance.

Compensation Committee Interlocks and Insider Participation

We do not anticipate any interlocking relationships between any member of our compensation committee or our nominating and corporate governance committee and any of our executive officers that would require disclosure under the applicable rules promulgated under the U.S. federal securities laws.

The Management Committee

Our management committee will be composed of our executive officers and other business line and department heads. Our management committee will meet regularly to discuss matters of interest to its respective members and to review firm-wide strategy and other issues.

Director Compensation

Non-Employee Directors

We anticipate that directors who are not our employees will receive an annual retainer of $ in cash for service on our board of directors, inclusive of meeting fees. In addition, non-employee directors will receive a grant of shares of our restricted common stock upon initial election to office and shares of our restricted common stock annually thereafter. All or a portion of these shares of common stock may vest in installments.

We also anticipate that the chairman of the audit committee will receive an additional annual retainer of $ in cash, the chairman of the compensation committee will receive an additional annual retainer of $ in cash and the chairman of the nominating and corporate governance committee will receive an additional annual retainer of $ in cash. No other remuneration will be paid to our board members in their capacity as directors.

Employee Directors

Our employees who also serve as directors will receive compensation for their services as employees, but they will not receive any additional compensation for their service as directors.

Executive Compensation

The following table sets forth information regarding the compensation paid by Lazard Group to the Head of Lazard and Chairman of the Executive Committee and Lazard Group's executive officers, collectively referred to as the "named executive officers" in this prospectus, during Lazard Group's fiscal year ended December 31, 2004.

2004 Compensation Information

Name and Principal Position	Salary ($)	Bonus ($)	All Other Compensation ($)
Bruce Wasserstein			
Michael J. Castellano			
Steven J. Golub			
Scott D. Hoffman			
Charles G. Ward, III			

In 2004, Lazard Group did not pay long-term compensation to its named executive officers.

Retirement Plan Benefits

Each of Messrs. Golub and Hoffman have an accrued benefit under the Lazard Frères & Co. LLC Employees' Pension Plan, a qualified defined-benefit pension plan, and Mr. Hoffman has accrued additional benefits under a related supplemental defined-benefit pension plan. The annual benefit under such plans, payable as a single life annuity commencing at age 65, would be $4,332 for Mr. Golub and $18,852 for Mr. Hoffman. These benefits accrued in each case prior to the applicable officer's becoming a managing director of Lazard. Benefit accruals under both of these plans were frozen for all participants effective January 31, 2005.

Arrangements with Our Managing Directors

In connection with this offering, Lazard Group, on behalf of itself, us, and its other affiliates, has entered into Agreements Relating to Retention and Noncompetition and Other Covenants (the "retention agreements") with substantially all of our Financial Advisory managing directors and Asset Management managing directors who are not employed by LAM. Asset Management managing directors who are employed by LAM participate in separate equity arrangements at LAM, which contain restrictive covenants. The material terms of the retention agreements and the LAM arrangements are described below. See "—The Retention Agreements" and "—LAM Managing Directors."

The Retention Agreements

The terms set forth below describe the material terms of the form of retention agreement entered into with our managing directors who are currently working members. You should refer to the exhibits that are a part of the registration statement for a copy of the form of agreement. See "Where You Can Find More Information."

Participation in this Offering

As part of the retention agreement, the managing director agrees to execute and deliver all documents, consents and agreements that are necessary to effectuate this offering and related transactions, and we agree that certain material terms of the agreements described below will not be modified in a manner that materially and adversely affects the rights provided thereunder.

In connection with the transactions, each retention agreement provides that the managing director's unvested working member interests will vest, and the managing director will receive, in exchange for his or her working member interests, LAZ-MD Holdings exchangeable interests. They also will have their working member capital exchanged for an identical amount of capital in LAZ-MD Holdings, and receive a profits interest in LAZ-MD Holdings. The chart below sets forth the amounts of interests that will be held by each named executive officer:

Managing Director	LAZ-MD Holdings Exchangeable Interests	Capital	LAZ-MD Holdings Profits Interests
Bruce Wasserstein			
Michael J. Castellano			
Steven J. Golub			
Scott D. Hoffman			
Charles G. Ward, III			

LAZ-MD Holdings Exchangeable Interests

The retention agreements provide that the LAZ-MD Holdings exchangeable interests may, at the managing director's election, be effectively exchangeable into shares of our common stock on the eighth anniversary of this offering. In addition, the managing director may elect such an exchange on an accelerated basis under certain circumstances, as follows:

- If the managing director continues to provide services through the third anniversary of this offering (or is terminated without cause or due to disability prior thereto) and has not violated any of the restrictive covenants described below, the managing director may elect such a conversion in three equal installments on and after each of the third, fourth, and fifth anniversaries of this offering.
- If the managing director continues to provide services through the second anniversary of this offering but not through the third anniversary of this offering (and was not terminated without cause or due to disability) and has not violated any of the restrictive covenants described below, the managing director may elect such an exchange in three equal installments on and after each of the fourth, fifth, and sixth anniversaries of this offering.
- If a managing director incurs a termination of services due to death on or prior to the second anniversary of this offering, all exchangeable interests held by the managing director shall, at our election, either become exchangeable no later than the first anniversary of such death or be purchased by LAZ-MD Holdings no later than the first anniversary of such death at the trading price of our common stock on the date of such repurchase. The same treatment shall apply upon a death on or prior to the second anniversary of this offering that occurs subsequent to the managing director's retirement, provided that the managing director did not violate any of the restrictive covenants described below subsequent to retirement (without regard to the time limits generally applicable to such covenants). For purposes of the agreement, retirement is defined as voluntary termination following attainment either of both age 55 and 10 years of service as a managing director or attainment of age 65.
- If a managing director incurs a termination of services due to death subsequent to the second anniversary of this offering, but prior to the fourth anniversary of this offering, all exchangeable interests held by the managing director may be exchanged on the later of the third anniversary of this offering and the anniversary of this offering that next follows the date of such death. The same treatment shall apply upon a death subsequent to the second anniversary of this offering, but prior to the fourth anniversary of this offering that occurs subsequent to the managing director's retirement, provided that the managing director did not violate any of the restrictive covenants described below subsequent to retirement (without regard to the time limits generally applicable to such covenants).
- In the event of a change of control, all exchangeable interests held by the managing director will be exchanged immediately by our managing directors prior to the change of control at a time and in a fashion designed to allow the managing director to participate in the change of control on a basis no less favorable than that applicable to our stockholders generally. This acceleration right will apply to all holders of LAZ-MD Holdings exchangeable interests regardless of whether they sign or are asked to sign a retention agreement.

The stockholders' committee also can accelerate the above described exchange schedule in its discretion, but only with the prior approval of our board of directors. Both we and LAZ-MD Holdings have the right to require the managing director to effectively exchange the exchangeable interests into shares of our common stock during the 30-day period commencing on the ninth anniversary of this offering, if no such exchange has previously occurred.

Profits Interests

The retention agreements provide that LAZ-MD Holdings profits interests will receive distributions designed to reimburse the managing director for income taxes due in respect of such profits interests. In addition, beginning as of the third anniversary of this offering, the LAZ-MD Holdings profits interests will receive distributions parallel to the dividends paid on our shares of common stock. The retention agreements provide that LAZ-MD Holdings profits interests will be granted only if the managing director continues to provide services as of this offering and only while such managing director continues to provide services to us.

Capital

The retention agreements provide that LAZ-MD Holdings shall assume the existing obligations of Lazard Group for capital in Lazard Group and that LAZ-MD Holdings shall distribute to each managing director who is a party to a retention agreement amounts in respect of the managing director's capital accounts relating to his or her working member interests in equal installments on the first, second, third and fourth anniversaries of this offering. Each managing director also agrees that his rights to all capital of LAZ-MD Holdings allocated with respect to the LAZ-MD Holdings exchangeable interests and related profits interests shall be forfeited without payment therefor upon the exchange of the LAZ-MD Holdings exchangeable interests.

Services

Pursuant to the retention agreement, each managing director makes a commitment that is not legally binding to continue to provide services to us at least through the second anniversary of this offering, and, while providing services, to devote his entire working time, labor, skill and energies to us. The retention agreements provide each of the managing directors with a minimum base salary. The retention agreements also provide that annual bonuses will be determined in the sole discretion of the Chief Executive Officer of Lazard, subject to approval by our board of directors or an appropriate committee thereof if required by law or regulation, and such annual bonuses may be paid pursuant to our bonus plan (see "—Bonus Plan" below). A portion of the annual bonuses may be payable as equity compensation. In addition, each managing director will be eligible to participate in our long-term incentive compensation programs and in our employee benefit plans generally. The provision of services under the retention agreements is terminable by either party upon three months' notice. No severance is payable upon a termination by us, other than continued compensation during the three-month notice period.

Restrictive Covenants

The retention agreements provide that the managing director is subject to the following restrictive covenants:

Noncompetition and Nonsolicitation of Clients. While providing services to us and during the three-month period following termination of the managing director's services to us (one-month period in the event of such a termination by us without cause), the managing director may not:

- perform services in a line of business that is similar to any line of business in which the managing director provided services to us in a capacity that is similar to the capacity in which the managing director acted for us while providing services to us ("competing services") for any business enterprise that engages in any activity, or owns a significant interest in any entity that engages in any activity, that competes with any activity in which we are engaged up to and including the date of termination of employment (a "competitive enterprise"),
- acquire an ownership or voting interest of 5% or more in any competitive enterprise, or

- Ÿ solicit any of our clients on behalf of a competitive enterprise in connection with the performance of services that would be competing services or otherwise interfere with or disrupt any client's relationship with us.

Nonsolicitation of Employees. While providing services to us and during the six-month period following termination of the managing director's services, the managing director may not, directly or indirectly, in any manner, solicit or hire any of our employees at the associate level or above to apply for, or accept employment with, any competitive enterprise or otherwise interfere with any such employee's relationship with us.

Transfer of Client Relationships, Nondisparagement and Notice Period Restrictions. The managing director is required, upon termination of his or her services to us and during the 90-day period following termination, to take all actions and do all things reasonably requested by us to maintain for us the business, goodwill and business relationships with our clients with which he worked, provided that such actions and things do not materially interfere with other employment or professional activities of the managing director. In addition, while providing services to us and thereafter, the managing director generally may not disparage us, and during the three-month notice period described above, the managing director is prohibited from entering into a written agreement to perform services for a competitive enterprise.

Breach of Restrictive Covenants Prior to this Offering. In the event that the managing director violates the restrictive covenants prior to this offering, the managing director will forfeit his unvested existing Lazard Group interests. If the violation of the restrictive covenants also is a violation of the restrictive covenants in the managing director's existing agreement with Lazard Group, the managing director will forfeit his vested Lazard Group interests as well. These remedies will be in addition to any other remedies we may have against the managing director.

Supercession of and Integration with Other Agreements

The retention agreements generally supersede all other agreements between us and the managing directors, except, to the extent that the managing director is subject to an existing services agreement, the provisions of the existing agreement generally survive if they are not inconsistent with the terms of the retention agreements. In addition, limited modifications have been made to some of the terms of the retention agreement to reflect the specific situations of some of the managing directors. The material terms of the surviving provisions of any existing agreements with the named executive officers and any modifications to their retention agreements are described below. See "—Other Agreements with Named Executive Officers."

Expiration If No Offering

The retention agreements provide that they shall expire and be of no further effect in the event this offering does not occur prior to September 30, 2005 or is otherwise abandoned or terminated prior to such date or in the event that the agreement with the historical partners is terminated prior to such date.

Other Agreements with Named Executive Officers

In connection with this offering, the named executive officers have entered into employment agreements with Lazard Group, on behalf of itself, us and our other affiliates, that contain provisions relating to their participation in this offering and the terms of the LAZ-MD Holdings exchangeable interests that are substantially similar to those of the form of retention agreement and the additional terms described below.

LAM Managing Directors

As noted above, managing directors employed by LAM generally are not parties to the above retention agreements and will not be receiving interests in LAZ-MD Holdings in connection with this offering. Instead, these managing directors and certain LAM employees will continue to hold their LAM equity units. The economic characteristics of these LAM equity units are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures and Indicators—Minority Interest."

When granted, the LAM equity units were subject to various multi-year vesting schedules. We expect that, as of December 31, 2004, approximately 65% of the LAM equity units will have vested. The LAM equity units are subject to the following additional vesting and forfeiture rules set forth in the limited liability company agreement of LAM and in the equity plan:

- All unvested LAM equity units are forfeited upon a termination of the holder's employment for cause or upon a voluntary termination of employment that is not for good reason.
- Upon a termination for cause prior to January 2, 2006, all vested LAM equity units are forfeited, and upon such a termination subsequent to January 2, 2006, LAM equity units which vested during the 24-month period prior to such termination shall be forfeited.
- All LAM equity units are forfeited upon a breach of the confidentiality and non-solicit restrictions applicable to LAM managing directors, or upon violation prior to January 2, 2006 of the non-compete restrictions applicable to LAM managing directors. Upon a violation of the non-compete restrictions subsequent to January 2, 2006, any unvested LAM equity units and any LAM equity units which vested during the 24-month period prior to such termination shall be forfeited.
- Upon certain change of control or liquidity events, the LAM phantom equity units are forfeited in exchange for payments similar to those payable to LAM equity interest holders in connection with the event, whose LAM equity interests also are forfeited for payment.

The non-solicitation restrictions prohibit solicitation and hire of our employees to work for a competing business or to resign from employment with us. These restrictions apply during the employment of the managing director with us and for one year thereafter. The non-compete restriction prohibits activities for competitive enterprises that are similar to those performed by the managing director for us. These restrictions apply during employment with us and until the six-month anniversary of termination of employment, except that they expire on the first anniversary of various change of control or liquidity events and are limited to 30 days following termination of employment if the termination is by the managing director for good reason or by us without cause.

Bonus Plan

To align employee and stockholder interests, we intend to adopt the 2005 Bonus Plan for purposes of determining annual bonuses for our senior executives. The compensation committee will have full direct responsibility and authority for determining our Chief Executive Officer's compensation under the plan and will make recommendations with regard to the compensation of our other executive officers under the plan. Subject to overall compensation limits and, with respect to plan participants, the terms of the plan, our Chief Executive Officer will have responsibility for determining the compensation of all employees except as provided above.

Participants in the plan will be designated during the first three months of each fiscal year, although participants may be added or removed at any time prior to payment of bonuses for the fiscal year. While the employees who are expected to participate in the plan during the 2005 fiscal year have

not yet been designated, it is estimated that there will be approximately initial participants in the plan, including all of the named executive officers. The actual size of the bonus pool will be determined at the end of each fiscal year, taking into account our results of operations, stockholder return, and/or other measures of our financial performance or of the financial performance of one or more of our subsidiaries or divisions. A target maximum ratio of aggregate compensation and benefits expense for the year (including annual cash bonus payments under the plan) to annual revenue or income (or to similar measures of corporate profitability) may also be taken into account, and it is currently anticipated that this will initially be based on our current target ratio of compensation and benefits expense to operating revenue of 57.5%. The bonus pool will be allocated among the participants in the plan with respect to each fiscal year. This allocation may be made at any time prior to payment of bonuses for such year, and may take into account any factors deemed appropriate, including, without limitation, assessments of individual, subsidiary or division performance and input of management.

Amounts payable under the bonus plan will be satisfied in cash or through equity awards granted under our equity incentive plan.

The Equity Incentive Plan

The following is a description of the material terms of the Equity Incentive Plan (which we refer to in this section as the "plan"). You should, however, refer to the exhibits that are a part of the registration statement for a copy of the plan. See "Where You Can Find More Information."

Purpose

The purposes of the plan are to attract, retain and motivate key employees and directors of, and consultants and advisors to, Lazard and to align the interests of key employees, directors, consultants and advisors with those of stockholders through equity-based compensation and enhanced opportunities for ownership of shares of our common stock. We currently expect that after this offering we will pay a portion of our bonus compensation in the form of equity awards of Lazard Ltd that will be subject to vesting and other terms. We do not currently intend to grant any stock options in respect of shares of our common stock during the first two years following this offering.

Administration

The plan will be administered by the compensation committee or such other committee of our board of directors as our board of directors may from time to time establish. The committee administering the plan will be referred to in this description as the "committee." Among other things, the committee will have the authority to select individuals to whom awards may be granted, to determine the type of award as well as the number of shares of common stock to be covered by each award, and to determine the terms and conditions of any such awards. All determinations by the committee or its designee under the plan will be final, binding and conclusive.

Eligibility

Persons who serve or agree to serve as our officers, employees, non-employee directors, consultants or advisors who are responsible for, or contribute to, our management, growth and profitability are eligible to be granted awards under the plan. Holders of equity-based awards issued by a company acquired by us or with which we combine will be eligible to receive substitute awards under the plan.

Shares Available

Subject to adjustment, the plan authorizes the issuance of up to million shares of common stock pursuant to the grant or exercise of stock options (including incentive stock options ("ISOs")), nonqualified stock options, stock appreciation rights ("SARs"), restricted stock, stock units and other equity-based awards. The maximum number of shares of common stock that may be issued pursuant to ISOs will be million. If any award is forfeited or if any stock option or SAR terminates without being exercised, or if any SAR is exercised for cash, shares of common stock subject to such awards will be available for distribution in connection with awards under the plan. If the option price of any stock option granted under the plan is satisfied by delivering shares of common stock to us (by actual delivery or attestation), only the number of shares of common stock issued net of the shares of common stock delivered or attested to will be deemed delivered for purposes of determining the maximum number of shares of common stock available for delivery under awards other than ISOs under the plan. To the extent any shares are not delivered to a participant because such shares are used to satisfy any applicable tax-withholding obligation, such shares will not be deemed to have been delivered for purposes of determining the maximum number of shares of common stock available for delivery under the plan. The shares subject to grant under the plan are to be made available from authorized but unissued shares or from shares held by our subsidiaries, as determined from time to time by our board of directors.

Change in Capitalization or Change in Control

The plan provides that, in the event of any change in corporate capitalization, such as a stock split, or any fundamental corporate transaction, such as any merger, amalgamation, consolidation, separation, spinoff or other distribution of property (including any extraordinary cash or stock dividend), or any reorganization or partial or complete liquidation of us, the committee or the board of directors may make such substitution or adjustment in the aggregate number and kind of shares reserved for issuance under the plan, in the individual grant limits under the plan, in the number, kind and option price of shares subject to outstanding stock options and SARs, and in the number and kind of shares subject to other outstanding awards granted under the plan as may be determined to be appropriate by the committee or the board of directors, in its sole discretion. Any adjustment described in the immediately preceding sentence need not be the same for all participants. The plan also provides that in the event of a "change in control" (as defined in the plan) of us, unless otherwise provided for in the individual award agreement: (i) SARs and stock options outstanding as of the date of the change in control, which are not then exercisable and vested will become fully exercisable and vested, (ii) the restrictions and deferral limitations applicable to restricted stock will lapse and such restricted stock will become free of all restrictions and fully vested, and (iii) all stock units and other equity-based awards will be considered to be earned and payable in full and any deferral or other restrictions will lapse and such awards will be settled in cash or shares of Lazard common stock as promptly as practicable.

Types of Awards

As indicated above, several types of awards can be made under the plan. A summary of these grants is set forth below.

Stock Options. Eligible individuals can be granted stock options under the plan. The exercise price of such options cannot be less than 100% of the fair market value of the stock underlying the options on the date of grant. Stock options can either be ISOs or nonqualified stock options. The term of options is determined by the committee, but an ISO may not have a term longer than ten years from the date of grant. Optionees may pay the exercise price in cash or, if approved by the committee, in common stock (valued at its fair market value on the date of exercise) or a combination thereof, or, to the extent permitted by applicable law, by "cashless exercise" through a broker or by withholding shares otherwise receivable on exercise. The committee will determine the vesting and exercise

schedule of options, and the extent to which they will be exercisable after the optionee's employment terminates. Generally, unvested options terminate upon termination of employment, and vested options will remain exercisable for one year after the optionee's death, three years after the optionee's termination for disability, five years after the optionee's retirement and 90 days after the optionee's termination for any other reason. Vested options also will terminate upon the optionee's termination for cause.

SARs. SARs may be granted as stand-alone awards or in conjunction with an option. An SAR entitles the holder to receive, upon exercise, the excess of the fair market value of a specified number of shares of common stock at the time of exercise over a specified price per share. Such amount will be paid to the holder in stock (valued at its fair market value on the date of exercise), cash or a combination thereof, as the committee may determine. An SAR granted in conjunction with an option is exercisable only when the related option is exercisable. An option will be cancelled to the extent that its related SAR is exercised, and an SAR will be cancelled to the extent the related option is exercised.

Restricted Stock. Restricted stock may be granted with such restrictions and restricted periods as the committee may determine. The committee may provide that a grant of restricted stock will vest upon the continued service of the participant or the satisfaction of applicable performance goals. Restricted stock is generally forfeited upon termination of employment, unless otherwise provided by the committee. Other than such restrictions on transfer and any other restrictions the committee may impose, the participant will have all the rights of a stockholder with respect to the restricted stock award.

Stock Units. The committee may grant stock unit awards, which represent a right to receive cash based on the value of a share of common stock or a share of common stock. The committee may provide that a grant of stock units will vest upon the continued service of the participant or the satisfaction of applicable performance goals. Stock units that are not vested are generally forfeited upon termination of employment, unless otherwise provided by the committee. Holders of stock units do not have the rights of a stockholder with respect to the award unless and until the award is settled in shares of common stock.

Other Equity-Based Awards. The committee may grant other types of equity-based awards based upon Lazard common stock.

Dividend Equivalent Rights. The committee may in its discretion include in the award agreement a dividend equivalent right entitling the participant to receive amounts equal to the dividends that would be paid, during the time such award is outstanding, on the shares of our common stock covered by such award as if such shares were then outstanding.

Transferability

Awards generally will not be transferable, except by will and the laws of descent and distribution and, in the case of nonqualified stock options, pursuant to a qualified domestic relations order or, if permitted in the option agreement, pursuant to a gift to an optionee's immediate family or a specified individual (or a trust, partnership or limited liability company for such family or individual) or a charitable organization.

Duration of the Plan

The plan will have a term of ten years from the date of its adoption by our board of directors.

Amendment and Discontinuance

The plan may be amended, altered or discontinued by the board of directors, but, except as required by applicable law, stock exchange rules, tax rules or accounting rules, no amendment, alteration or discontinuance may impair the rights of an optionee under an option or a recipient of an SAR, restricted stock award, stock unit award or other equity-based award previously granted without the optionee's or recipient's consent. The plan may not be amended without stockholder approval to the extent such approval is required by applicable law, stock exchange rules, or agreement. Notwithstanding the foregoing, Lazard may amend or alter the plan (or set up a program under the plan) in such a manner as may be necessary so as to have the plan conform to local rules and regulations in any relevant jurisdiction.

Federal Income Tax Consequences

The following discussion is intended only as a brief summary of the material U.S. federal income tax rules that are generally relevant to stock options. The laws governing the tax aspects of awards are highly technical and such laws are subject to change.

Nonqualified Options. Upon the grant of a nonqualified option, the optionee will not recognize any taxable income and we will not be entitled to a deduction. Upon the exercise of such an option or related SAR, the excess of the fair market value of the shares acquired on the exercise of the option or SAR over the exercise price or the cash paid under an SAR (the "spread") will constitute compensation taxable to the optionee as ordinary income. We, or our applicable affiliate, in computing our U.S. federal income tax, will generally be entitled to a deduction in an amount equal to the compensation taxable to the optionee, subject to the limitations of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, or the Code.

ISOs. An optionee will not recognize taxable income on the grant or exercise of an ISO. However, the spread at exercise will constitute an item includible in alternative minimum taxable income and, therefore, may subject the optionee to the alternative minimum tax. Such alternative minimum tax may be payable even though the optionee receives no cash upon the exercise of the ISO with which to pay such tax. Upon the disposition of shares of stock acquired pursuant to the exercise of an ISO, after the later of (i) two years from the date of grant of the ISO or (ii) one year after the transfer of the shares to the optionee (the "ISO holding period"), the optionee will recognize long-term capital gain or loss, as the case may be, measured by the difference between the stock's selling price and the exercise price. We and our affiliates are not entitled to any tax deduction by reason of the grant or exercise of an ISO, or by reason of a disposition of stock received upon exercise of an ISO if the ISO holding period is satisfied. Different rules apply if the optionee disposes of the shares of stock acquired pursuant to the exercise of an ISO before the expiration of the ISO holding period.

Participatory Interests in Lazard Group

We also intend to grant participatory interests in Lazard Group to certain of our current and future managing directors in connection with the separation and recapitalization transactions. The participatory interests will be discretionary profits interests that are intended to enable Lazard Group to compensate our managing directors in a manner consistent with its historical compensation practices. Initially, % of Lazard Group's adjusted operating income (as defined below) will be distributable among our current managing directors holding Lazard Group participatory interests in amounts as determined in our sole discretion. We may elect to withhold all or part of the distributions otherwise payable in respect of a participatory interest (subject to minimum distributions in respect of taxes). Any associated capital interests will be surrendered in the event the managing director ceases to be employed by Lazard Group. The % figure will be set forth in the Lazard Group operating agreement and will be subject to adjustment if the total amount allocable to the holders of the

participatory interests exceeds % of adjusted operating revenue (as defined below), in which case the aggregate percentage interest will be reduced to equal the amount determined by dividing % of adjusted operating revenue by adjusted operating income. For purposes of the above, “adjusted operating revenue” is defined as revenue less interest expenses relating to financing activities other than with respect to LFB, and “adjusted operating income” is defined as the difference between adjusted operating revenue and adjusted operating expenses, which, in turn, are defined as expenses exclusive of compensation expense paid to managing directors (other than LAM managing directors), minority interest, interest expenses relating to financing activities and income taxes. Amounts distributed pursuant to the participatory interests will be accounted for as part of our compensation and benefits expense and, therefore, included in the computation of our target ratio of compensation expense-to-operating revenue.

This program is terminable, in whole or in part, at any time at our election. The participatory interests will carry no other rights, including voting or liquidation rights or preferences, beyond those incident to such distributions, must be forfeited upon a holder ceasing to be a managing director and will not be transferable.

PRINCIPAL STOCKHOLDERS

The following table sets forth as of the date of this prospectus certain information regarding the beneficial ownership of our common stock.

To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The following table reflects the principal stockholders of Lazard immediately following this offering. Except as indicated below, the address for each listed stockholder is c/o Lazard Group LLC, 30 Rockefeller Plaza, New York, New York 10020.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned (a)	Percentage of Shares of Common Stock Beneficially Owned	Percentage of Voting Power
5% Stockholders:			
LAZ-MD Holdings 30 Rockefeller Plaza New York, New York 10020	0	—	(b)
Directors and named executive officers (c):			
Bruce Wasserstein			
Michael J. Castellano			
Steven J. Golub			
Scott D. Hoffman			
Charles G. Ward, III			
All directors and executive officers as a group (persons) (d)			

(a) The Lazard Group common membership interests issued to LAZ-MD Holdings are exchangeable for shares of common stock on a one-for-one basis, as described under "The Separation and Recapitalization Transactions and the Lazard Organizational Structure—The Separation and Recapitalization Transactions—The Recapitalization of LAZ-MD Holdings and Lazard Group." As each of these Lazard Group common membership interests is associated with a LAZ-MD Holdings exchangeable interest, LAZ-MD Holdings disclaims beneficial ownership of the shares of common stock into which the Lazard Group common membership interests are exchangeable.

(b) LAZ-MD Holdings holds the single outstanding share of Class B common stock, which immediately following this offering and the additional financing transactions will represent % of the voting power of all shares of our voting stock (or approximately % of the voting power if the underwriters' over-allotment is fully exercised).

(c) Excludes shares of our common stock that are issuable upon exchange of the LAZ-MD Holdings exchangeable interests held by such person.

(d) Excludes shares of our common stock that are issuable upon exchange of the LAZ-MD Holdings exchangeable interests held by such persons.

Relationship with LAZ-MD Holdings and LFCM Holdings

Immediately following the completion of the separation and recapitalization transactions, LAZ-MD Holdings will control our company. LAZ-MD Holdings will own approximately % of the voting power of all shares of our voting stock (or approximately % of the voting power if the underwriters' over-allotment option is fully exercised) and will thereby be able to control the election of our directors. LAZ-MD Holdings ' voting power in our company is intended to mirror its economic interest in Lazard Group, and its voting power will decrease over time in connection with the exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock. The working members, including our managing directors, who hold working member interests at the time of the separation, will own LAZ-MD Holdings and will, through the LAZ-MD Holdings stockholders' agreement have the right to cause LAZ-MD Holdings to vote its Class B common stock on an as-if-exchanged basis. In addition, LFCM Holdings, which is the entity that will own and operate the separated businesses, will no longer be a subsidiary of either Lazard Group or LAZ-MD Holdings. It will be owned by the working members, including our managing directors who will be members of LAZ-MD Holdings. See "Risk Factors—Risks Related to the Separation—Lazard will be controlled by LAZ-MD Holdings and, through the LAZ-MD stockholders' agreement, by the working members, whose interests may differ from those of other stockholders," and "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

We intend to enter into several agreements with LAZ-MD Holdings and LFCM Holdings to effect the separation and recapitalization transactions and to define and regulate the relationships of the parties after the closing of those transactions. Except as described in this section, we do not expect to have any material arrangements with LAZ-MD Holdings and LFCM Holdings after the completion of the separation and recapitalization transactions other than ordinary course business relationships on arm's length terms.

Agreements with LAZ-MD Holdings and LFCM Holdings

We have provided below summary descriptions of the master separation agreement and the other key related agreements we will enter into with LAZ-MD Holdings and LFCM Holdings prior to the closing of this offering. These agreements effect the separation and recapitalization transactions and also provide a framework for our ongoing relationship with LAZ-MD Holdings and LFCM Holdings. These agreements include:

- Ÿ the master separation agreement,
- Ÿ the employee benefits agreement,
- Ÿ the insurance matters agreement,
- Ÿ the license agreement,
- Ÿ the administrative services agreement,
- Ÿ the business alliance agreement, and
- Ÿ the tax receivable agreement.

The descriptions set forth below, which summarize the material terms of these agreements, are not complete. You should read the full text of these agreements, which will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

Master Separation Agreement

We will enter into a master separation agreement with Lazard Group, LAZ-MD Holdings and LFCM Holdings. The master separation agreement will contain key provisions relating to the separation and recapitalization transactions, including this offering, and the relationship among the parties after completion of this offering. The master separation agreement will identify the assets, liabilities and businesses of Lazard Group that will be included in the separated businesses being transferred to LFCM Holdings and describe when and how the separation will occur. It also will contain the conditions that must be satisfied, or waived by Lazard Group, prior to completion of the separation and recapitalization, including this offering. In addition, the master separation agreement will regulate aspects of the relationship among the parties after this offering, including the exchange mechanics of the LAZ-MD Holdings exchangeable interests. We will execute the master separation agreement and ancillary agreements before the closing of this offering.

The Separation and Recapitalization Transactions

The Separation. The master separation agreement will provide that, prior to the closing of this offering and subject to satisfaction of the conditions described below, Lazard Group will complete the separation by:

- forming LAZ-MD Holdings as the holding company of Lazard Group pursuant to the historical partner transaction agreement,
- transferring the separated businesses to LFCM Holdings, and
- distributing all of the interests in LFCM Holdings to LAZ-MD Holdings.

Immediately after completion of the separation,

- all of the members of Lazard Group immediately prior to the separation will be members of LAZ-MD Holdings and hold interests in LAZ-MD Holdings, including, in the case of the working members, the LAZ-MD Holdings exchangeable interests,
- Lazard Group will be a wholly-owned subsidiary of LAZ-MD Holdings, and
- LFCM Holdings will be a wholly-owned subsidiary of LAZ-MD Holdings.

Pursuant to the master separation agreement, the parties will cooperate to effect any transfers of the assets, liabilities or businesses included in the separated businesses but not completed on the closing date of the separation due to any approval or consent issues as promptly following that date as is practicable. Until these transfers can be completed, the party retaining any such assets, liabilities or businesses will act as a custodian and trustee on behalf of LFCM Holdings with respect to those assets, liabilities or businesses. In an effort to place each party, insofar as reasonably possible, in the same position as that party would have been had the contributions or assumptions occurred at the time contemplated by the master separation agreement, the master separation agreement will provide that the benefits derived or expenses or liabilities incurred from those assets, liabilities or businesses will be passed on to LFCM Holdings as if the transfers had occurred as contemplated.

The master separation agreement will provide that Lazard Group will license or sublease to LFCM Holdings certain office space, including office space that is used by the separated businesses. This will include subleasing or licensing approximately square feet of excess space under the lease in London located at 50 Stratton Street to LFCM Holdings, which LFCM Holdings expects to further sublease to third parties.

The Recapitalization. The master separation agreement will provide that, subject to satisfaction of the conditions described below, the parties will complete the recapitalization by:

- closing this offering and the additional financing transactions,

- causing Lazard to purchase Lazard Group common membership interests with the net proceeds of this offering,
- redeeming historical partner interests and redeemable preferred stock held by the historical partners pursuant to the historical partner transaction agreement, and
- having LAZ-MD Holdings distribute all of the interests in LFCM Holdings to its members.

Pursuant to the master separation agreement, the redemption of the historical partners' interests will occur in two steps. LAZ-MD Holdings will redeem the two classes of LAZ-MD Holdings interests held by the historical partners for interests in Lazard Group, and Lazard Group will immediately thereafter redeem those Lazard Group interests for the cash redemption payment as provided in the historical partner transaction agreement.

Immediately after completion of the recapitalization, including the closing of this offering and the additional financing transactions,

- LAZ-MD Holdings will hold % of the Lazard Group common membership interests (or % if the underwriters' over-allotment option is exercised in full),
- Lazard will hold % of the Lazard Group common membership interests (or % if the underwriters' over-allotment option is exercised in full),
- LAZ-MD Holdings will hold our Class B common stock, which will entitle it to % of the voting power of, and no economic rights in, Lazard (or % of the voting power if the underwriters' over-allotment option is exercised in full), and
- the working members will be the sole members of each of LAZ-MD Holdings and LFCM Holdings .

The master separation agreement provides that the separation and recapitalization transactions will be completed on the closing date of this offering.

Conditions to the Separation and Recapitalization Transactions

The master separation agreement will provide that the separation and recapitalization transactions, including the closing of this offering, are subject to several conditions that must be satisfied, or waived by Lazard Group, including:

- each of the conditions to the separation set forth in the historical partner transaction agreement shall have been satisfied or waived in accordance with the historical partner transaction agreement, and the historical partner transaction agreement shall not have been terminated and shall be in full force and effect,
- the board of directors of Lazard Group shall have given final approval of the separation and the recapitalization transactions, which approval the board of directors may give in its sole and absolute discretion,
- the SEC shall have declared effective the registration statements relating to this offering and the additional financing transactions, and no stop order shall be in effect with respect to those registration statements,
- the actions and filings necessary or appropriate with state securities and blue sky laws and any comparable foreign laws shall have been taken and where applicable become effective or been accepted,
- the NYSE shall have accepted for listing the shares of our common stock to be issued in this offering,

- Ÿ no order by any court or other legal restraint preventing completion of any of the separation or recapitalization transactions shall be in effect,
- Ÿ all third-party consents and governmental approvals required in connection with the separation and recapitalization transactions shall have been received, and
- Ÿ neither the master separation agreement nor the historical partner transaction agreement shall have been terminated and shall be in full force and effect.

Relationship among Lazard, Lazard Group, LAZ-MD Holdings and LFCM Holdings

The master separation agreement will contain various provisions governing the relationship among Lazard, Lazard Group, LAZ-MD Holdings and LFCM Holdings after the completion of the separation and recapitalization transactions, including with respect to the following matters.

Limitation on Scope of LAZ-MD Holdings' Operations. The master separation agreement will provide that LAZ-MD Holdings will not engage in any business other than to act as the holding company for the working members' interests in Lazard Group and our Class B common stock and actions incidental thereto, except as otherwise agreed by Lazard.

Distributions by Lazard Group. Pursuant to the master separation agreement, Lazard Group will be obligated to make specified distributions to the holders of Lazard Group common membership interests, including to us, as described below.

Under this provision, subject to certain conditions, Lazard Group intends to make pro rata distributions to us (or our subsidiaries) and LAZ-MD Holdings in respect of income taxes we (or our subsidiaries) and the members of LAZ-MD Holdings incur as a result of holding Lazard Group common membership interests based on an effective tax rate that Lazard Group will calculate. This effective tax rate will be the higher of the effective income and franchise tax rate applicable to Lazard Ltd subsidiaries that hold the Lazard Group common membership interests and the weighted average income tax rate (based on income allocated) applicable to LAZ-MD Holdings' members, determined in accordance with LAZ-MD Holdings' operating agreement. As we anticipate that the weighted average tax rate applicable to LAZ-MD Holdings' members will exceed the rate applicable to Lazard's subsidiaries, we expect that distributions to Lazard's subsidiaries will exceed taxes actually payable by Lazard. Prior to the third anniversary of the consummation of this offering, and for each period during which such excess cash is outstanding thereafter, we expect to issue dividends to our stockholders of this excess amount.

Noncompete by LFCM Holdings. In the master separation agreement, LFCM Holdings will agree to noncompetition arrangements with Lazard and Lazard Group that will generally prohibit LFCM Holdings and its subsidiaries from engaging in any business that is competitive with any of our businesses.

LAZ-MD Holdings Exchangeable Interests

Terms of Exchange. The master separation agreement will set forth the terms and arrangements with respect to the LAZ-MD Holdings exchangeable interests, including our obligation to issue shares of our common stock in exchange for the Lazard Group common membership interests. See "Management—Arrangements with Our Managing Directors—The Retention Agreements —LAZ-MD Holdings Exchangeable Interests."

Accelerated Exchange. The master separation agreement will provide that the stockholders' committee will have the power to accelerate the exchange of LAZ-MD Holdings exchangeable interests for our common shares, subject to the prior approval of our board of directors. Any such accelerated

exchange must be offered to all holders of LAZ-MD Holdings exchangeable interests who are managing directors of our company or LFCM Holdings (or to their trusts, estate planning entities or charitable organizations to which any such managing director has transferred his or her LAZ-MD Holdings exchangeable interests as described below) at the time of the exchange. The stockholders' committee will not be permitted to grant such an acceleration unless our board of directors has previously authorized the filing of a registration statement with the SEC to register the offering of the shares of our common stock that we will issue in connection with the exchange. In addition, our stockholders' committee will be entitled to permit the acceleration of exchangeability of LAZ-MD Holdings exchangeable interests in other circumstances, subject to the approval of our board of directors.

Transfers of LAZ-MD Holdings Exchangeable Interests. The stockholders' committee will be empowered to authorize transfers of LAZ-MD Holdings exchangeable interests to charitable organizations (as defined in Section 501(c)(3) of the Code), trusts or similar entities for estate planning or charitable purposes, which transfers will otherwise generally be prohibited by the terms of the LAZ-MD Holdings exchangeable interests in the absence of such an authorization of the stockholders' committee. In addition, our stockholders' committee will be entitled to permit the transfer of LAZ-MD Holdings exchangeable interests in other circumstances, subject to the approval of our board of directors.

Stockholders' Committee. The terms and provisions of the master separation agreement that relate to the exchangeable interests will be administered by the stockholders' committee. The stockholders' committee will initially consist of . Members of the stockholders' committee are entitled to indemnification from us in their capacities as members of the stockholders' committee. See "—Certain Relationships with Our Directors, Executive Officers and Employees—Director and Officer Indemnification."

Indemnification

In general, under the master separation agreement, Lazard Group will indemnify LFCM Holdings and its representatives and affiliates for any and all losses (including tax losses) that such persons incur to the extent arising out of or relating to our business (both historically and in the future) and any and all losses that LFCM Holdings and their respective representatives and affiliates incur arising out of or relating to Lazard Group's or Lazard's breach of the master separation agreement.

In general, LFCM Holdings will indemnify Lazard, Lazard Group, LAZ-MD Holdings and their respective representatives and affiliates for any and all losses (including tax losses) that such persons incur to the extent arising out of or relating to the separated businesses and the businesses conducted by LFCM Holdings (both historically and in the future) and any and all losses that Lazard, Lazard Group, LAZ-MD Holdings or any of their respective representatives or affiliates incur to the extent arising out of or relating to LFCM Holdings' breach of the master separation agreement.

In general, under the master separation agreement, LAZ-MD Holdings will indemnify Lazard, Lazard Group, LFCM Holdings and their respective representatives and affiliates for any and all losses that such persons incur to the extent arising out of or relating to LAZ-MD Holdings' breach of the master separation agreement.

All indemnification amounts would be reduced by any insurance proceeds and other offsetting amounts recovered by the indemnitee. The master separation agreement will specify procedures with respect to claims subject to indemnification and related matters.

Access to Information

Under the master separation agreement, the following terms govern access to information:

- Ÿ before and after the closing date of the separation, subject to applicable confidentiality provisions and other restrictions, the parties will each give the other any information within that company's possession that the requesting party reasonably needs (i) to comply with requirements imposed on the requesting party by a governmental or regulatory authority, (ii) for use in any proceeding or to satisfy audit, accounting, tax or similar requirements, or (iii) to comply with its obligations under the master separation agreement or the ancillary agreements,
- Ÿ after the closing date of the separation and recapitalization transactions, LAZ-MD Holdings and LFCM Holdings will provide to Lazard and Lazard Group, at no charge, all financial and other data and information that Lazard or Lazard Group determines is necessary or advisable in order to prepare its financial statements and reports or filings with any governmental or regulatory authority,
- Ÿ after the closing date of the separation and recapitalization transactions, the parties will each use reasonable best efforts to provide assistance to the other parties for litigation and to make available to the other parties, their directors, officers, other employees and agents as witnesses, in legal, administrative or other proceedings, and will cooperate and consult to the extent reasonably necessary with respect to any litigation,
- Ÿ the company providing information, consultant or witness services under the master separation agreement will be entitled to reimbursement from the other for reasonable expenses,
- Ÿ the parties will each retain all proprietary information in its possession relating to each other's businesses for a period of time, and, if the information is to be destroyed, the destroying company will give the applicable other company the opportunity to receive the information, and
- Ÿ from and after the closing date of the separation and recapitalization transactions, the parties will agree to hold in strict confidence all information concerning or belonging to any other party obtained prior to the closing date of the separation and recapitalization transactions or furnished pursuant to the master separation agreement or any ancillary agreement, subject to applicable law.

No Representations and Warranties

Pursuant to the master separation agreement, LAZ-MD Holdings and LFCM Holdings will acknowledge and agree that neither Lazard nor Lazard Group is representing or warranting to LAZ-MD Holdings or LFCM Holdings as to the separated businesses, the assets, liabilities and businesses included therein or the historical operations of those businesses, assets and liabilities. LAZ-MD Holdings and LFCM Holdings will take all such businesses and assets "as is, where is" and bear the economic and legal risk relating to conveyance of, and title to, those assets and businesses.

Termination

The master separation agreement may be terminated at any time prior to the closing of this offering by Lazard Group.

Expenses

In general, LAZ-MD Holdings and LFCM Holdings, on the one hand, and Lazard and Lazard Group, on the other hand, are responsible for their own costs incurred in connection with the transactions contemplated by the master separation agreement.

Lazard Group will agree to reimburse Lazard for all of its expenses incurred in connection with the separation and recapitalization transactions and thereafter, including expenses incurred in operating as a public company.

Employee Benefits Agreement

We will enter into an employee benefits agreement with LAZ-MD Holdings and LFCM Holdings that will govern our compensation and employee benefit obligations with respect to our active and former employees.

Insurance Matters Agreement

The separated businesses are currently insured under insurance policies held within Lazard Group, which policies provide coverage to Lazard Group and its subsidiaries and affiliates for property and casualty, errors and omissions and certain other risks commonly insured by financial services companies. Following the separation, we intend either to surrender all or a portion of these policies and replace them with new policies that separately cover our business and the separated businesses, respectively, for at least the same types of risks, or to vary or retain all or a portion of these policies and handle insurance claims on behalf of the separated businesses under an insurance matters agreement.

Lazard License Agreement

The logo, trademarks, trade names and service marks of Lazard are currently property of various wholly-owned subsidiaries of Lazard Group. Pursuant to the master separation agreement, Lazard Group and those subsidiaries will enter into a license agreement with LFCM Holdings that will govern the use of the Lazard name by LFCM Holdings in connection with the separated businesses.

In general, LFCM Holdings will be permitted to use the Lazard name to the extent that the Lazard name is being used at the time of this offering by the separated businesses. LFCM Holdings' license will not extend to any new research covered by the capital markets business or to any new funds (including any successor funds to funds existing at the time of this offering) established or otherwise obtained by the merchant banking business after this offering, unless LFCM Holdings receives Lazard Group's prior consent. Under the agreement, LFCM Holdings will pay $100,000 per year for the right to license the Lazard name. The license will survive with respect to capital markets activities until the business alliance agreement that LFCM Holdings will enter with Lazard Group expires or is otherwise terminated. With respect to merchant banking activities, LFCM Holdings' license will survive so long as the option to purchase the merchant banking business, to be granted in the business alliance agreement, is outstanding, as described in the "—Business Alliance Agreement."

Administrative Services Agreement

We intend to enter into an administrative services agreement with LAZ-MD Holdings and LFCM Holdings regarding administrative and support services to be provided after the completion of the separation and recapitalization transactions.

Pursuant to the administrative services agreement, Lazard Group will provide selected administrative and support services to LAZ-MD Holdings and LFCM Holdings, such as:

- cash management and debt service administration,
- accounting and internal audit activities,

- Ÿ tax,
- Ÿ payroll,
- Ÿ legal and compliance,
- Ÿ human resources administration,
- Ÿ financial transaction support,
- Ÿ information technology,
- Ÿ public communications,
- Ÿ data processing,
- Ÿ procurement,
- Ÿ real estate management, and
- Ÿ other general administrative functions.

Lazard Group intends to charge for the above services based on Lazard Group's cost allocation methodology. Notwithstanding Lazard Group's providing data processing services, Lazard Group will not provide any security administration services, as such services are being transferred to LFCM Holdings.

The services provided under the administrative services agreement generally will be provided until the business alliance agreement expires or is otherwise terminated, unless the parties otherwise agree to extend the provision of such services.

In the absence of willful misconduct, LFCM Holdings and LAZ-MD Holdings will waive any rights and claims they may have against us and Lazard Group related to the administrative services agreement and any services provided thereunder.

Business Alliance Agreement

Lazard Group and LFCM Holdings intend to enter into a business alliance agreement that will provide for the continuation of Lazard Group's and LFCM Holdings' business relationships in the areas and on the terms summarized below.

The business alliance agreement will provide that Lazard Group and LFCM Holdings will enter into a U.S. referral and cooperation agreement and a U.K. referral and cooperation agreement for the purpose of facilitating continued joint execution of public and certain private financings on behalf of Financial Advisory clients. Each referral and cooperation agreement will provide for Lazard Group to refer to LFCM Holdings selected opportunities for underwriting and distribution of securities. In addition, Lazard Group will provide assistance in the execution of any such referred business. In exchange for this referral obligation and assistance, Lazard Group will be entitled to a referral fee. In addition, LFCM Holdings will agree not to compete with any existing Lazard Group business and will refer opportunities in the Financial Advisory business to Lazard Group. The term of the two referral and cooperation agreements will expire on the fifth anniversary of this offering, subject to periodic automatic renewal unless either party elects to terminate in connection with any such renewal.

In addition, the business alliance agreement to be entered into between Lazard Group and LFCM Holdings will grant Lazard Group the option to acquire the North American and European fund management activities of Lazard Alternative Investments Holdings LLC, or "LAI," the subsidiary of LFCM Holdings that will own and operate all of LFCM Holdings' merchant banking activities, exercisable at any time prior to the ninth anniversary of the consummation of this offering for a total

price of $10 million. The option may be exercised by Lazard Group in two parts, consisting of an $8 million option to purchase the North American merchant banking activities and a $2 million option to purchase the European merchant banking activities. LAI's merchant banking activities initially will consist of the merchant banking management and general partner entities that were transferred to LFCM Holdings pursuant to or in anticipation of the separation. The business alliance agreement will provide Lazard Group with governance rights with respect to LAI and provide for support by LFCM Holdings of the business of LAI. In addition, Lazard Group will abide by existing obligations with respect to funds existing as of the date of this offering, and, other than with respect to the merchant banking operations retained by Lazard Group in the separation, Lazard Group will agree not to compete with the merchant banking business of LAI. Lazard Group also may agree to new capital commitments and other obligations with respect to newly formed funds in its sole discretion. In exchange, Lazard Group will be entitled to receive the carried interest with respect to newly established LAI funds less the share of the carry distributed to managers of such funds. Lazard Group's obligations to LAI with respect to the funds terminate upon the expiration or termination of the option, except for its financial commitments and other obligations to individual funds, which will extend beyond that date in accordance with their terms.

In addition, the business alliance agreement further provides that Lazard Frères & Co. LLC and LAM Securities will introduce execution and settlement transactions to newly-formed broker-dealer entities affiliated with LFCM Holdings.

The business alliance agreement will terminate upon the termination of both the merchant banking options and the referral and cooperation agreements in respect of capital markets.

Tax Receivable Agreement

As described in "The Separation and Recapitalization Transactions and the Lazard Organizational Structure—The Separation and Recapitalization Transactions—The Recapitalization of LAZ-MD Holdings and Lazard Group—The Redemption of the Historical Partners' Interests," prior to and in connection with this offering, historical partner interests and preferred interests generally will be redeemed for cash. In addition, as described in "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings—Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests," LAZ-MD Holdings exchangeable interests may, in effect, be exchanged in the future for shares of our common stock. The redemption and the exchanges will result in increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest to Lazard Group that otherwise would not have been available to us. We expect that these increases in tax basis will reduce the amount of tax that we might otherwise be required to pay in the future.

We intend to enter into a tax receivable agreement with LAZ-MD Holdings that will provide for the payment by us to LAZ-MD Holdings or its assignee of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivables agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income tax that we realize. For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing our actual income and franchise tax liability to the amount of such taxes that we would have been required to pay had there been no increase in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest in Lazard Group as a result of the redemption and exchanges and had we not entered into the tax receivable agreement. The term of the tax receivable agreement will commence upon consummation of this offering and will continue until all such tax

benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement.

While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the timing of exchanges and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest in Lazard Group, during the 15-year amortization periods for most of these increases in tax basis, the payments that we may make to LAZ-MD Holdings or its assignee could be substantial.

LAZ-MD Holdings Stockholders' Agreement

We expect that the members of LAZ-MD Holdings, consisting of the working members, including our managing directors, will enter into a stockholders' agreement with LAZ-MD Holdings and Lazard in connection with the separation that addresses, among other things, LAZ-MD Holdings' voting of its share of Class B common stock and registration rights in favor of the stockholders who are party to the agreement.

The LAZ-MD Holdings stockholders' agreement will continue in effect until all LAZ-MD Holdings exchangeable interests have been exchanged for shares of our common stock, and individual members of LAZ-MD Holdings will cease being party to the LAZ-MD Holdings stockholders' agreement upon full exchange of his or her LAZ-MD Holdings exchangeable interests and underlying Lazard interests for our common stock. The LAZ-MD Holdings stockholders' agreement may be terminated on an earlier date by LAZ-MD Holdings members entitled to vote at least 66 $^{2}/_{3}$% of the aggregate voting power represented by the LAZ-MD Holdings members who are party to the LAZ-MD Holdings stockholders' agreement. The LAZ-MD Holdings stockholders' agreement generally may be amended at any time by a majority of the aggregate voting power represented by LAZ-MD Holdings members who are party to the LAZ-MD Holdings stockholders' agreement.

Voting Rights

Prior to any vote of the stockholders of Lazard, the LAZ-MD Holdings stockholders' agreement requires a separate, preliminary vote of the members of LAZ-MD Holdings who are party to the LAZ-MD Holdings stockholders' agreement (either by a meeting or by proxy or written instruction of the members of LAZ-MD Holdings) on each matter upon which a vote of the stockholders is proposed to be taken. Every working member will be offered the opportunity to become a party to the LAZ-MD Holdings stockholders' agreement. Pursuant to the LAZ-MD Holdings stockholders' agreement, the members of LAZ-MD Holdings will individually be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. For example, if a working member's LAZ-MD Holdings exchangeable interests were exchangeable for 1,000 shares of our common stock, that working member would be able to instruct LAZ-MD Holdings how to vote 1,000 of the votes represented by the Class B common stock.

The votes under the Class B common stock that are associated with any working member who does not sign the LAZ-MD Holdings stockholders' agreement, or with any working member who signs but does not direct LAZ-MD Holdings how to vote on a particular matter, will be abstained from voting. The terms of the LAZ-MD Holdings stockholders' agreement will continue to apply to any working member party to the LAZ-MD Holdings stockholders' agreement who receives Lazard Group common membership interests upon exchange of his or her LAZ-MD Holdings exchangeable interest, until such time as that working member exchanges his or her Lazard Group common membership interests for shares of our common stock.

Registration Rights

The LAZ-MD Holdings stockholders' agreement will provide that the holders of shares of our common stock issued or to be issued upon exchange of the LAZ-MD Holdings exchangeable interests or the Lazard Group common membership interests initially held by LAZ-MD Holdings will be granted registration rights. These shares we refer to as "registrable securities," and the holders of these registrable securities we refer to as "holders." The holders will be third-party beneficiaries for that purpose under the LAZ-MD Holdings stockholders' agreement, meaning that they will have the right to compel us to honor those obligations under the LAZ-MD Holdings stockholders' agreement.

The LAZ-MD Holdings stockholders' agreement will provide that, after exchange for shares of our common stock, each holder is entitled to unlimited "piggyback" registration rights, meaning that each holder can include his or her registrable securities in registration statements filed by us, subject to certain limitations. Holders also have "demand" registration rights, meaning that subject to certain limitations, after exchange for shares of our common stock, they may require us to register the registrable securities held by them, provided that the amount of registrable securities subject to such demand constitutes at least % of the shares of our outstanding common stock on the date of such demand or has a market value in excess of $ million. We will pay the costs associated with all such registrations. Moreover, we also will use our reasonable best efforts to file and make effective a registration statement on the third through the ninth anniversaries of this offering, in order to register registrable securities that were issued on those anniversaries or otherwise subject to continuing volume or transfer restrictions under Rule 144 upon the exchange of the LAZ-MD Holdings exchangeable interests and the Lazard Group common membership interests, provided that the amount of registrable securities subject to such registration constitutes at least % of the shares of our outstanding common stock on the date of such demand or has a market value in excess of $ million.

Shares of our common stock will cease to be registrable securities upon the consummation of any sale of such shares pursuant to an effective registration statement or under Rule 144 under the Securities Act or when they become eligible for sale under Rule 144(k) under the Securities Act. However, any holder who has shares that would have been registrable securities but for their eligibility for sale under Rule 144(k) and who holds, in the aggregate, at least % of the shares of our outstanding common stock will be entitled to continued demand and piggyback registration rights as described above.

Immediately following this offering, shares of our common stock to be issued upon exchange of the LAZ-MD Holdings exchangeable interests and the Lazard Group common membership interests will have the foregoing registration rights.

The Historical Partners Transaction Agreement

The redemption of the historical partners' interests is governed by the Class B-1 and Class C Members Transaction Agreement, entered into on December 16, 2004, by LAZ-MD Holdings, Lazard Group, Lazard Ltd and our historical partners who are parties thereto. We refer to this document as the "historical partners transaction agreement". Pursuant to the historical partners transaction agreement, the historical interests will be redeemed for an aggregate price of $1.6 billion, in cash, except that a portion of the consideration payable to Eurazeo S.A. may be delivered in the form of Eurazeo S.A. common shares currently held by us.

Completion of the redemption is subject to customary conditions, including receipt of regulatory approvals, legal and other opinions and financing, as well as Lazard Group board approval. The redemption may be completed at any time of our choosing on or before December 31, 2005, but must be completed on the same day that this offering and the additional financing transactions are to close.

The historical partners transaction agreement contemplates a specific plan of financing that includes this offering and the additional financing transactions, but allows us to change the financing structure so long as the new structure does not have an adverse effect on the historical partners whose interests are being redeemed.

In the event that the redemption has not been completed on or before June 30, 2005, accrued interest on the capital accounts in respect of historical partner interests for calendar year 2004 will be paid in cash on June 30, 2005, and Lazard Group shall receive a credit against the applicable redemption price for the cash so paid. In addition, in the event that the redemption has not been completed on or before June 30, 2005, the redemption price to be paid in respect of historical partner interests will be increased by an amount equal to the interest rate, if any, ordinarily applicable to the capital in respect of historical partner interests being redeemed for the period from July 1, 2005 to the completion date for the redemption.

The historical partners transaction agreement contains a number of additional important agreements, including:

- Ÿ The signing historical partners have agreed, for a period of 12 months after the closing of the redemption, not to hire or solicit any employees or officers of Lazard Group to leave such employment, and we have agreed to similar reciprocal provisions regarding the historical partners.
- Ÿ For a period of 2 years after the closing of the redemption, the signing historical partners other than Eurazeo S.A. have agreed not to engage on such historical partner's own behalf in a competitive enterprise and not to own any interest in or engage in or perform any service for any competitive enterprise, either as a partner, owner, employee, consultant, agent, officer, director, stockholder or otherwise, subject to certain exceptions. This restriction will apply to Mr. David-Weill for so long as he continues to maintain office space at Lazard Group, which he will do at least until March 31, 2007.
- Ÿ The signing historical partners have agreed, for so long as the historical partners transaction agreement is in effect, not to solicit or encourage any competing transaction, as defined in the historical partners transaction agreement, which includes any transaction that could reasonably be expected to prevent, materially delay, reduce the likelihood of or otherwise materially adversely affect completion of any of the material steps of the recapitalization.
- Ÿ The signing historical partners have agreed to resign, effective as of the closing of the redemption, to end their respective affiliations with Lazard Group and its affiliates, including by resigning from all positions and titles they hold in Lazard Group or any of its affiliates, and to terminate any agreements they may have with Lazard Group or any of its affiliates, in all cases subject to limited exceptions.
- Ÿ The signing historical partners have agreed to release at closing Lazard Group and its affiliates and representatives from any claims arising out of (1) any member of Lazard Group (including its affairs and operations), (2) Lazard Group interests being redeemed, and any associated rights, (3) any and all aspects of the redemption and (4) if applicable, any employment, severance or bonus agreement between such historical partner and any member of Lazard Group, but excluding any such claims or causes of action arising out of any ordinary course business dealings such as provision of money management services by a member of Lazard Group to that historical partner or its affiliates and certain other specified matters. We have granted a similar release to the signing historical partners.
- Ÿ We have agreed to indemnify the signing historical partners and their affiliates and representatives for any out-of-pocket liabilities incurred in their capacities as directors, employees, executives, partners, stockholders, officers or affiliates of Lazard Group, LAZ-MD

Holdings, Lazard Ltd or any of their subsidiaries to the extent such losses arise out of the redemption of this offering, the additional financing transactions or any other financing, and in their capacity as general partner of any predecessor of Lazard Group or any of its affiliates. This indemnification is subject to a number of specified exceptions.

- In the event that the transaction has not been completed by December 31, 2005, or has been earlier abandoned by Mr. Wasserstein, Mr. David-Weill and Mr. Wasserstein (and such others as they determine) shall review alternatives for Lazard Group during the ensuing three-month period.

The historical partners transaction agreement may be terminated before closing under the following circumstances:

- automatically if the redemption has not been completed on or prior to December 31, 2005,
- by agreement of us, Lazard Group, Mr. David-Weill and Eurazeo S.A.,
- if the transaction has been permanently enjoined by unappealable order of a court or other legal authority,
- by either us and Lazard Group, on the one hand, or Mr. David-Weill and Eurazeo S.A., on the other, if Lazard Group delivers written notice of its intention to abandon the transaction, and
- by Mr. David-Weill if we had failed to include the disclosure specified in Section 5(n) of the historical partners transaction agreement in this prospectus or if we fail to include it in certain later offering documents, if any, and fail to cure such failing within two business days.

Certain Relationships with Our Directors, Executive Officers and Employees

Loans and Banking Relationships with Our Directors and Executive Officers

During 2004, our broker-dealer subsidiary engaged in transactions with our executive officers and directors in respect of brokerage services, including a brokerage account margin loan to one of our executive officers. All brokerage services in connection with these transactions were made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with independent third parties, and the loan did not involve more than the normal risk of collectability or present other features unfavorable to us.

Other than as permitted under the Sarbanes-Oxley Act of 2002 and any other applicable law, we will not enter into new loans with our executive officers or directors or modify or renew any loan with our executive officers or directors.

Relationships Involving Employee Directors and Executive Officers

Mr. Wasserstein, our Chairman and Chief Executive Officer, serves as the Chairman and is the majority owner of Wasserstein Holdings, LLC, the ultimate general partner of Wasserstein & Co., LP, a separate merchant banking firm in which Lazard does not hold any economic interest. Wasserstein & Co., LP focuses primarily on leveraged buyout investments, venture capital investments and related investment activities, and manages capital on behalf of its institutional and individual investors, including public and corporate pension funds, foreign governmental entities, endowments and foundations and high-net worth individuals. Wasserstein & Co., LP also manages capital from its partners and officers. In addition, Wasserstein Holdings, LLC has various other business interests.

The Wasserstein funds are authorized to make similar investments to those that are likely to be made by the merchant banking business that will be sponsored or managed by LFCM Holdings following the separation and may be considered to compete with such funds for investment

opportunities. If Mr. Wasserstein desires to make available any investment opportunity of Lazard Group, LFCM Holdings or any of their respective subsidiaries that arises from a relationship of Lazard Group, LFCM Holdings or any of their respective subsidiaries or affiliates (other than any relationship of Mr. Wasserstein existing on November 15, 2001), those opportunities can only be referred to the Wasserstein funds with the consent of senior management of the relevant Lazard fund.

Director and Officer Indemnification

Our bye-laws provide for indemnification of our officers and directors against all liabilities, loss, damage or expense incurred or suffered by such party as an officer or director of us, provided that such indemnification shall not extend to any matter which would render it void pursuant to the Companies Act.

The Companies Act provides that a Bermuda company may indemnify its directors and officers in respect of any loss arising or liability attaching to them as a result of any negligence, default or breach of trust of which they may be guilty in relation to the company in question. However, the Companies Act also provides that any provision, whether contained in the company's bye-laws or in a contract or arrangement between the company and the director or officer, indemnifying a director or officer against any liability which would attach to him in respect of his fraud or dishonesty will be void.

Our directors and officers are covered by directors' and officers' insurance policies maintained by us.

Subject to limitations imposed by Bermuda law, we will enter into agreements that provide indemnification to our directors, officers and all other persons requested or authorized by our board of directors to take actions on behalf of us for all losses, damages, costs and expenses incurred by the indemnified person arising out of such person's service in such capacity. This agreement is in addition to our indemnification obligations under our bye-laws as described under "Description of Capital Stock."

For more information on our indemnification arrangements, see "—Relationship with LAZ-MD Holdings and LFCM Holdings Master Separation Agreement—Relationship among Lazard, Lazard Group, LAZ-MD Holdings and LFCM Holdings."

Distributions by Lazard Group

After this offering Lazard Group intends to make distributions to LAZ-MD Holdings, and LAZ-MD Holdings intends to make distributions to its members, including certain of our managing directors, officers and of our directors. See "The Separation and Recapitalization Transactions and the Lazard Ownership Structure—Lazard Ownership Structure After the Separation and Recapitalization Transactions—Distributions by Lazard Group with respect to Lazard Group Common Membership Interests."

DESCRIPTION OF CAPITAL STOCK

The following summary is a description of the material terms of our share capital. We will file our certificate of incorporation and memorandum of association and bye-laws as exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information." The following summary also highlights material differences between Bermuda and Delaware corporate laws. The following summary also contains a description of the material terms of the capital stock of Lazard Group.

General

Our authorized capital stock consists of shares of common stock, par value $0.01 per share, and shares of Class B common stock, par value $0.01 per share.

Common Stock

Immediately following the completion of this offering, there will be shares of common stock issued and outstanding, and one share of Class B common stock issued and outstanding.

Voting

Each share of common stock will entitle its holder to one vote per share. On all matters submitted to a vote of our stockholders, the Class B common stock held by LAZ-MD Holdings will entitle LAZ-MD Holdings to the number of votes equal to the number of shares of our common stock that would be issuable if all of the then outstanding Lazard Group common membership interests issued to LAZ-MD Holdings were exchanged for shares of our common stock on the applicable record date. The voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. The members of our board of directors will be elected by the common stockholders and the Class B common stockholder voting together as a single class. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of common stock and Class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. Except as otherwise provided by law, and subject to any voting rights granted to holders of any preferred stock, mergers, amalgamations and amendments to the memorandum of association or bye-laws must be approved by a majority of the combined voting power of all of the outstanding common stock and Class B common stock, voting together as a single class. However, amendments to the memorandum of association or bye-laws that would alter or otherwise modify provisions of the memorandum of association or bye-laws relating to the size or classified nature of the board of directors, the ability to remove directors only for cause, the ability of the board of directors to adopt a rights plan and certain other matters must be approved by at least 66 $^{2}/_{3}$% of the combined voting power of all common stock and Class B common stock voting as a single class. In addition, amendments to the memorandum of association or bye-laws that would alter or change the powers, preferences or special rights of the common stock or the Class B common stock so as to affect them adversely also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class.

Economic Rights

Pursuant to our bye-laws, each share of our common stock is entitled to equal economic rights. However, the Class B common stock will have no rights to dividends or any liquidation preference. Accordingly, although immediately after this offering the Class B common stock will represent approximately % of the voting power of Lazard, the Class B common stock will have no economic rights.

Dividends

Lazard Ltd has not declared or paid any cash dividends on our common equity since our inception. Subject to compliance with applicable law, we currently intend to declare quarterly dividends on all outstanding shares of our common stock and expect our initial quarterly dividend to be approximately $ per share, payable in respect of the quarter of 2005. We expect that the initial dividend will be prorated for the portion of that quarter following the closing of this offering. The Class B common stock will not be entitled to dividend rights.

The declaration of this and any other dividends and, if declared, the amount of any such dividend, will be subject to the actual future earnings, cash flow and capital requirements of our company, the amount of distributions to us from Lazard Group and the discretion of our board of directors. Our board of directors will take into account:

- general economic and business conditions,
- the financial results of our company and Lazard Group,
- capital requirements of our company and our subsidiaries (including Lazard Group),
- contractual, legal and regulatory restrictions on the payment of dividends by us to our stockholders or by our subsidiaries (including Lazard Group) to us, and
- such other factors as our board of directors may deem relevant.

We are a holding company and have no direct operations. As a result, we will depend upon distributions from Lazard Group to pay any dividends. We expect to cause Lazard Group to pay distributions to us in order to fund any such dividends, subject to applicable law. In addition, as managing directors and other members of LAZ-MD Holdings convert their interests into shares of common stock, they will also have a proportionate interest in the excess cash held by us to the extent that we retain excess cash balances or acquire additional assets with excess cash balances. For a discussion of Lazard Group's intended distribution policy, see "The Separation and Recapitalization Transactions and the Lazard Organizational Structure."

Additionally, we are subject to Bermuda legal constraints that may affect our ability to pay dividends on our common stock and make other payments. Under the Companies Act, we may declare or pay a dividend out of distributable reserves only if we have reasonable grounds for believing that we are, or would after the payment be, able to pay our liabilities as they become due and if the realizable value of our assets would thereby not be less than the aggregate of our liabilities and issued share capital and share premium accounts.

Preferred Stock

Pursuant to Bermuda law and our bye-laws, our board of directors by resolution may establish one or more series of preferred stock having such number of shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed by the board without any further stockholder approval. Such rights, preferences, powers and limitations as may be established could also have the effect of discouraging an attempt to obtain control of Lazard. We have no present plans to issue any shares of preferred stock. See "Risk Factors—Risks Related to the Offering—We may issue preferred stock and our bye-laws and Bermuda law may discourage takeovers, which could affect the rights of holders of our common stock."

Bermuda Law

Our board of directors believes that it is of primary importance that our stockholders are treated fairly and have proper access to and recourse against the company. Bermuda was chosen as our place of incorporation for several reasons, including its acceptability to our working members, who are domiciled around the world, and potential investors. Bermuda has an established corporate law which, coupled with the provisions of our bye-laws, we believe provides stockholders with an appropriate level of protection and rights.

We are an exempted company organized under the Companies Act. The rights of our stockholders, including those persons who will become stockholders in connection with this offering, are governed by Bermuda law and our memorandum of association and bye-laws. The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and their stockholders. The following is a summary of material provisions of Bermuda law and our organizational documents not discussed above.

Dividends

Under Bermuda law, a company may pay dividends that are declared from time to time by its board of directors unless there are reasonable grounds for believing that the company is or would, after payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would as a result be less than the aggregate of its liabilities and issued share capital and share premium accounts.

Voting Rights

Under Bermuda law, voting rights of stockholders are regulated by the company's bye-laws and, in certain circumstances, the Companies Act. Our bye-laws generally provide that all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of our common stock and Class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. Our bye-laws also contain heightened voting requirements and class vote requirements, as described above in "—Common Stock—Voting."

Classified Board; Removal of Directors

The Companies Act does not contain statutory provisions specifically mandating classified board arrangements for a Bermuda company. However, a Bermuda company may validly provide for a classified board in its bye-laws. Our board of directors is divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the board of directors will be elected each year. In addition, directors may only be removed for cause, by vote of shares representing a majority of the combined voting power of all of our common stock and Class B common stock, voting together as a single class. The existence of a classified board of directors may deter a stockholder from removing incumbent directors and simultaneously gaining control of the board of directors by filling vacancies with its own nominees.

Rights in Liquidation

Under Bermuda law, in the event of a liquidation or winding-up of a company, after satisfaction in full of all claims and creditors and subject to the preferential rights accorded to any series of preference shares and subject to any specific provisions of the company's bye-laws, the proceeds of the liquidation or winding-up are distributed pro rata among the holders of common shares.

Meetings of Stockholders

Under Bermuda law, a company is required to convene at least one stockholders' meeting each calendar year. Bermuda law provides that a special general meeting may be called by the board of directors and must be called upon the request of stockholders holding not less than 10% of the paid-up share capital of the company carrying the right to vote. Bermuda law also requires that stockholders be given at least five days' advance notice of a general meeting, but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. Our bye-laws provide that the chairman or our board of directors may convene an annual general meeting or a special general meeting. Under our bye-laws, we must give each stockholder at least 30 days' notice of the annual general meeting and at least 10 days' notice of any special general meeting.

Under Bermuda law, the number of stockholders constituting a quorum at any general meeting of stockholders is determined by the bye-laws of a company. Our bye-laws provide that the presence in person or by proxy of two or more stockholders entitled to attend and vote and holding shares representing more than 50% of the combined voting power constitutes a quorum.

The holders of not less than 5% of the total voting rights of all stockholders or one hundred stockholders, whichever is the lesser, may require the directors to include in the notice for the next annual general meeting of a company any resolution which may properly be moved and is intended to be moved. In addition, such persons may also require the directors to circulate to the other stockholders a statement on any matter which is proposed to be considered at any general meeting.

Access to Books and Records and Dissemination of Information

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include a company's certificate of incorporation, its memorandum of association, including its objects and powers, and any alteration to its memorandum of association. The stockholders have the additional right to inspect the bye-laws of the company, minutes of general meetings and the company's audited financial statements. The register of members of a company is also open to inspection by stockholders without charge and by members of the general public on the payment of a fee. A company is required to maintain its share register in Bermuda but may, subject to the provisions of Bermuda law, establish a branch register outside Bermuda. We maintain a share register in Hamilton, Bermuda. A company is required to keep at its registered office a register of its directors and officers that is open for inspection for not less than two hours each day by members of the public without charge. Bermuda law does not, however, provide a general right for stockholders to inspect or obtain copies of any other corporate records.

Board Actions

Under Bermuda law, at common law, the directors of a Bermuda company owe their fiduciary duty to the company rather than the stockholders. In addition, the Companies Act imposes a specific duty on directors and officers of a Bermuda company to act honestly and in good faith with a view to the best interests of the company and requires them to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Companies Act also imposes various duties on officers of a company with respect to certain matters of management and administration of the company. Our bye-laws provide that some actions are required to be approved by our board of directors. A majority of the directors then in office constitutes a quorum. Actions must be approved by a majority of the directors present and entitled to cast votes at a properly convened meeting of our board of directors.

Our bye-laws provide that our business is to be managed and conducted by our board of directors. Bermuda law requires that our directors be individuals, but there is no requirement in our bye-laws or Bermuda law that directors hold any of our shares. There is also no requirement in our bye-laws or Bermuda law that our directors must retire at a certain age.

Our bye-laws provide that our directors may (but are not required to) in taking any action (including an action that may involve or relate to a change of control or potential change of control of Lazard) consider, among other things, the effects that the action may have on other interests or persons (including our stockholders and employees and the communities in which we do business) as long as the director acts honestly and in good faith with a view to the best interests of Lazard.

Amendment of Memorandum of Association and Bye-laws

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of stockholders of which due notice has been given. An amendment to the memorandum of association, other than an amendment that alters or reduces a company's share capital, also requires the approval of the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion. Our bye-laws may be amended by our board of directors if the amendment is approved by stockholders by a resolution passed by the requisite vote of our stockholders.

Under Bermuda law, the holders of an aggregate of no less than 20% in par value of a company's issued share capital or any class of issued share capital have the right to apply to the Bermuda Supreme Court for an annulment of any amendment of the memorandum of association adopted by stockholders at any general meeting, other than an amendment that alters or reduces a company's share capital. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Supreme Court. An application for the annulment of an amendment of the memorandum of association or continuance must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No such application may be made by persons voting in favor of the amendment.

Appraisal Rights and Stockholder Suits

Under Bermuda law, in the event of an amalgamation of a Bermuda company with another company, a stockholder of the Bermuda company who is not satisfied that fair value has been offered for his or her shares in the Bermuda company may apply to the Bermuda Supreme Court within one month of notice of the stockholders' meeting, to appraise the fair value of his or her shares. Under Bermuda law and our bye-laws, the amalgamation of Lazard with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to first be approved and then recommended by our board of directors and by resolution of our stockholders.

Class actions and derivative actions are generally not available to stockholders under Bermuda law. The Bermuda Court, however, would ordinarily be expected to permit a stockholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in violation of the company's memorandum of association or continuance or bye-laws. Furthermore, consideration would be given by the Bermuda Court to acts that are alleged to constitute a fraud against the minority stockholders or, for instance, where an act requires the approval of a greater percentage of the company's stockholders than that which actually approved it.

When the affairs of a company are being conducted in a manner oppressive or prejudicial to the interests of some part of the stockholders, one or more stockholders may apply to the Bermuda Court for an order regulating the company's conduct of affairs in the future or compelling the purchase of the shares of any stockholder, by other stockholders or by the company.

Discontinuance

Under Bermuda law, an exempted company may be discontinued and be continued in a jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction. Our bye-laws will provide that our board of directors may exercise all our power to discontinue to another jurisdiction without the need of any stockholder approval.

Mergers and Similar Arrangements

A Bermuda exempted company may acquire the business of another Bermuda exempted company or a company incorporated outside Bermuda when the business of the target company is within the acquiring company's objects as set forth in its memorandum of association.

Takeovers

Bermuda law provides that where an offer is made for shares of a company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may by notice require the nontendering stockholders to transfer their shares on the terms of the offer.

Dissenting stockholders may apply to the court within one month of the notice objecting to the transfer. The test is one of fairness to the body of the stockholders and not to individuals, and the burden is on the dissentient stockholder to prove unfairness, not merely that the scheme is open to criticism.

Registration Rights

For a description of registration rights available under the LAZ-MD Holdings stockholders' agreement, see "Certain Relationships and Related Transactions—LAZ-MD Holdings Stockholders' Agreement."

Transfer Agent and Registrar

A register of holders of our common stock will be maintained by Codan Services Limited in Bermuda, and a branch register will be maintained in the United States by , who will serve as branch registrar and transfer agent.

Description of Lazard Group Membership Interests

Lazard Group Common Membership Interests

Immediately following this offering and the separation and recapitalization transactions, there will be Lazard Group common membership interests issued and outstanding, of which will be beneficially owned by LAZ-MD Holdings and of which will be beneficially owned by us and certain of our wholly-owned subsidiaries (or assuming that the underwriters exercise

their over-allotment option in full). The profits and losses of Lazard Group will be allocated to holders of the Lazard Group common membership interests after deducting amounts allocated to the Lazard Group participatory interests described below.

The number of outstanding Lazard Group common membership interests owned by us and our wholly-owned subsidiaries will initially equal the number of shares of our common stock outstanding immediately after this offering, and will be adjusted automatically in the event of any stock dividends, stock splits or other actions affecting our capital stock.

We expect that the net cash proceeds received by Lazard Ltd from any issuance of shares of our common stock, including with regard to the exercise of options issued under the Equity Incentive Plan and an exchange of any of the exchangeable securities will be transferred to Lazard Group in exchange for Lazard Group common membership interests equal in number to such number of shares of common stock.

Pursuant to the terms of our memorandum of association and bye-laws, each Lazard Group common membership interest owned by LAZ-MD Holdings is exchangeable on a one-for-one basis with our common stock at any time by a holder of a LAZ-MD Holdings exchangeable interest subject to customary anti-dilution adjustment. See “The Separation and Recapitalization Transactions and the Lazard Organizational Structure.”

Participatory Interests

We also intend to grant participatory interests in Lazard Group to certain of our current and future managing directors in connection with the separation and recapitalization transactions which are described under “Management—Arrangements with Our Managing Directors—The Retention Agreements.”

Delaware Law

The terms of share capital of corporations incorporated in the United States, including Delaware, differ from corporations incorporated in Bermuda. The following discussion highlights material differences of the rights of a stockholder of a Delaware corporation compared with the rights of our stockholders under Bermuda law.

Under Delaware law, a corporation may indemnify its director or officer against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer (i) acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation and (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Delaware law provides that a majority of the shares entitled to vote, present in person or represented by proxy, constitutes a quorum at a meeting of stockholders. In matters other than the election of directors, with the exception of special voting requirements related to extraordinary transactions, the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote is required for stockholder action, and the affirmative vote of a plurality of shares is required for the election of directors. With certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware law, a stockholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such stockholder may receive cash in the amount of

the fair value of the shares held by such stockholder (as determined by a court) in lieu of the consideration such stockholder would otherwise receive in the transaction.

Under Delaware law, subject to any restrictions contained in the company's certificate of incorporation, a company may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. Delaware law also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Delaware law permits corporations to have a classified board of directors. Delaware law permits the board of directors or any person who is authorized under a corporation's certificate of incorporation or by-laws to call a special meeting of stockholders. Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its stockholders.

Delaware law permits any stockholder to inspect or obtain copies of a corporation's stockholder list and its other books and records for any purpose reasonably related to such person's interest as a stockholder.

Class actions and derivative actions generally are available to stockholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law, and the court generally has discretion in such actions to permit the winning party to recover attorneys' fees.

MATERIAL U.S. FEDERAL INCOME TAX AND BERMUDA TAX CONSIDERATIONS

The following summary of our taxation and the taxation of our stockholders is based upon current law and does not purport to be a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase common shares. Legislative, judicial or administrative changes may be forthcoming that could affect this summary.

The following legal discussion (including, and subject to, the matters and qualifications set forth in such summary) of the material tax considerations under (1) "Taxation of Lazard and Subsidiaries—Bermuda" and "Taxation of Stockholders—Bermuda Taxation" is based upon the opinion of Conyers Dill & Pearman, special Bermuda counsel, and (2) "Taxation of Lazard and Subsidiaries—U.S." and "Taxation of Stockholders—U.S. Federal Income Taxation" is based upon the opinion of Wachtell, Lipton, Rosen & Katz, special U.S. counsel. Each of these firms has reviewed the relevant portion of this discussion (as set forth above) and believes that such portion of the discussion constitutes, in all material respects, a fair and accurate summary of the relevant income tax considerations relating to Lazard and its subsidiaries and the ownership of Lazard Ltd's common shares by investors that are U.S. Persons (as defined below) who acquire such shares in this offering. The advice of such firms does not include any factual or accounting matters, determinations or conclusions, such as amounts and computations or facts relating to the business, income, activities, or ownership of Lazard and its subsidiaries. The discussion is based upon current law, including the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Legislative, judicial or administrative changes or interpretations may be forthcoming that could be retroactive and could affect the tax consequence to holders of common shares. The tax treatment of a holder of common shares, or of a person treated as a holder of common shares for U.S. federal income, state, local or foreign tax purposes, may vary depending on the holder's particular tax situation. Statements contained herein as to the beliefs, expectations and conditions of Lazard and its subsidiaries, as they relate to the application of such tax laws or facts, represent the view of management and do not represent the opinions of counsel. **PROSPECTIVE INVESTORS (INCLUDING ALL NON-U.S. PERSONS AS DEFINED BELOW) SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF OWNING COMMON SHARES UNDER THE LAWS OF THEIR COUNTRIES OF CITIZENSHIP, RESIDENCE, ORDINARY RESIDENCE OR DOMICILE.**

Taxation of Lazard and its Subsidiaries

Bermuda

At the present time, Lazard Ltd is not subject to any Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax. Lazard Ltd has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 28, 2016, be applicable to Lazard Ltd or to any of Lazard Ltd's operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda.

United States

Partnership Status of Lazard Ltd. In connection with Lazard Ltd's formation, Lazard Ltd made an election to be treated as a partnership for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income,

gain, loss, and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner's adjusted basis in its partnership interest.

Because Lazard Ltd is a "publicly traded partnership" within the meaning of Section 7704(b) of the Code, Lazard Ltd will be taxable as a corporation unless 90% or more of its gross income (which does not include the income of its corporate subsidiaries) for each taxable year beginning with the current year is "qualifying income." For this purpose, qualifying income includes interest (other than interest derived in the conduct of a financial business), dividends, and gains from capital assets held for the production of interest or dividends. Although certain of Lazard Group's corporate subsidiaries will conduct a financial business (which gives rise to income that would not be qualifying income), Lazard Ltd does not believe, on the basis of all the facts and circumstances, that it will be treated as conducting a financial business within the meaning of Section 7704 of the Code. However, the IRS may challenge this position.

We intend to manage our affairs so that Lazard Ltd will meet the 90% test in each taxable year, although there can be no assurance that we will be able to do so. The remainder of this discussion assumes that Lazard Ltd will be treated as a partnership and not as a corporation for U.S. federal income tax purposes.

U.S. Subsidiaries and Effectively Connected Income of Non-U.S. Subsidiaries. Lazard Group has been structured as a limited liability company, which is treated as a partnership for U.S. federal income tax purposes. As members of Lazard Group, certain U.S. subsidiaries of Lazard Ltd will be subject to U.S. federal income tax on a net income basis on their share of the income of Lazard Group and its subsidiaries. In addition, certain non-U.S. subsidiaries of Lazard Ltd will be subject to U.S. federal income tax on a net income basis on the income of Lazard Group and its subsidiaries that is "effectively connected" with their conduct of a trade or business in the U.S. In addition, those non-U.S. Lazard Ltd subsidiaries will be subject to a "branch profits" tax on their "effectively connected earnings and profits" (as determined for U.S. federal income tax purposes), with certain adjustments. The branch profits tax is imposed at a rate of 30%, unless an applicable income tax treaty provides for a lower rate. The eligibility of Lazard Ltd's non-U.S. subsidiaries for treaty benefits depends upon their being "qualified residents" of their country, which in turn depends upon, among other things, at least 50% of the principal class their shares being considered "ultimately owned" by U.S. citizens or persons that are "qualified residents" of the United States or of the treaty partner. We expect that these subsidiaries initially will be eligible for benefits under the income tax treaty between the U.S. and relevant foreign country, which provides for a maximum branch profits tax rate of 5%. There can be no assurance, however, that this requirement will be satisfied in any taxable year and that we will be able to document that fact to the satisfaction of the IRS.

Recently enacted legislation provides that non-U.S. corporations meeting certain ownership, operational and other tests may be treated as U.S. corporations for U.S. federal income tax purposes and, thus, be subject to U.S. federal income tax on their worldwide income. We do not believe this legislation or any regulation promulgated within the scope of the legislation's regulatory authority should apply to Lazard or its non-U.S. subsidiaries. See "Risk Factors—Risks Related to Our Business—In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our pro forma financial statements."

Personal Holding Companies. Any of Lazard's U.S. subsidiaries could be subject to additional U.S. tax on a portion of its income if any of them is considered to be a personal holding company, or "PHC," for U.S. federal income tax purposes. A U.S. corporation generally will be classified as a PHC for U.S. federal income tax purposes in a given taxable year if (1) at any time during the last half of

such taxable year, five or fewer individuals (without regard to their citizenship or residency and including as individuals for this purpose certain entities such as certain tax-exempt organizations and pension funds) own or are deemed to own (pursuant to certain constructive ownership rules) more than 50% of the stock of the corporation by value and (2) at least 60% of the corporation's adjusted ordinary gross income, as determined for U.S. federal income tax purposes, for such taxable year consists of "PHC income" (which includes, among other things, dividends, interest, royalties, annuities and, under certain circumstances, rents). The PHC rules do not apply to non-U.S. corporations.

We believe that five or fewer individuals or tax-exempt organizations will be treated as owning more than 50% of the value of our shares. Consequently, one or more of our U.S. subsidiaries could be or become PHCs, depending on whether any such subsidiaries satisfy the PHC gross income test. We intend to cause our subsidiaries to manage their affairs in a manner that reduces the possibility that any of them will meet the 60% income threshold. We cannot be certain, however, that Lazard's subsidiaries will not become PHCs following this offering or in the future.

If any of Lazard Ltd's U.S. subsidiaries is or were to become a PHC in a given taxable year, such company would be subject to an additional 15% PHC tax on its "undistributed PHC income," which generally includes the company's taxable income, subject to certain adjustments. For taxable years beginning after December 31, 2008, the PHC tax rate on "undistributed PHC income" will be equal to the highest marginal rate on ordinary income applicable to individuals. Consequently, if Lazard's U.S. subsidiaries were to become PHCs, there can be no assurance that the amount of PHC income will be immaterial.

Taxation of Stockholders

Bermuda Taxation

Under current Bermuda law, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by our stockholders in respect of our common stock.

U.S. Federal Income Taxation

The following summary sets forth the material U.S. federal income tax considerations related to the purchase, ownership and disposition of our common shares. Unless otherwise stated, this summary deals only with stockholders that are U.S. Persons (as defined below) who purchase their common shares in this offering, who did not own (directly or indirectly, through foreign entities or constructively) shares of Lazard Ltd prior to this offering and who hold their common shares as capital assets within the meaning of Section 1221 of the Code. The following discussion is only a discussion of the material U.S. federal income tax matters as described herein and does not purport to address all of the U.S. federal income tax consequences that may be relevant to a particular stockholder in light of such stockholder's specific circumstances. For example, if a partnership holds our common shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding common shares, you should consult your tax advisor. In addition, except as expressly stated, the following summary does not address the U.S. federal income tax consequences that may be relevant to special classes of stockholders who may be subject to special rules or treatment under the Code, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities, financial asset securitization investment trusts, dealers or traders in securities, tax-exempt organizations, expatriates, any person who owns or is deemed to own 10% or more of the total combined voting power of all classes of shares of Lazard Ltd entitled to vote, or any person who holds common shares as part of a hedging or conversion transaction or as part of a short-sale or straddle.

This discussion does not include any description of the tax laws of any state or local governments within the U.S. and this discussion does not address any aspects of estate and gift taxation.

For purposes of this discussion, the term "U.S. Person" means (1) a citizen or resident of the U.S., (2) a corporation created or organized in or under the laws of the U.S., or any political subdivision thereof (including the District of Columbia), (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (4) a trust if either (a) a court within the U.S. is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust or (b) the trust has a valid election in effect to be treated as a U.S. Person for U.S. federal income tax purposes or (5) any other person or entity that is treated for U.S. federal income tax purposes as if it were one of the foregoing. The term "non-U.S. Person" means any person other than a U.S. Person.

Partner Status. Beneficial owners of shares who are also stockholders of record of Lazard Ltd will be treated as partners of Lazard Ltd for U.S. federal income tax purposes. Beneficial owners whose common shares are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common shares also will be treated as partners of Lazard Ltd for U.S. federal income tax purposes.

A beneficial owner of common shares whose common shares have been transferred to a short seller to complete a short sale would appear to lose its status as a partner with respect to these common shares for U.S. federal income tax purposes. Please read "—Treatment of Shares Lent to Short Sellers."

Flow-Through of Taxable Income. Lazard Ltd will not pay any U.S. federal income tax. Instead, each stockholder will be required to report on its income tax return its allocable share of Lazard Ltd's income, gains, losses, and deductions without regard to whether corresponding cash distributions are received by that stockholder. Although we generally intend to operate our business so that Lazard Ltd's only net income consists of dividends received from its subsidiaries (and possibly interest), and we intend to allocate that income to the stockholders of Lazard Ltd to whom it is distributed, a stockholder may be allocated a share of Lazard Ltd's income even if it has not received a cash distribution. Each stockholder must include in income its allocable share of our income, gain, loss, and deduction for our taxable year ending with or within such stockholder's taxable year.

We expect that Lazard Ltd's gross income will be derived principally from distributions on, and redemptions of, shares of its wholly-owned subsidiaries' stock. Such distributions and redemptions will be taxable as dividend income to the extent of the payor corporation's current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, then treated as a tax-free return of capital to the extent of our basis in the payor corporation's stock, and thereafter taxed as capital gain.

To the extent received by Lazard Ltd from a U.S. subsidiary, such dividend income received before 2009 that is allocable to individual Lazard Ltd stockholders that are U.S. Persons should be eligible for reduced rates of tax, provided that certain holding period requirements are satisfied.

Subject to the discussions below relating to the potential application of the passive foreign investment company, or "PFIC," rules to Lazard Ltd's non-U.S. subsidiaries, dividend income received from Lazard Ltd's non-U.S. subsidiary before 2009 that is allocable to individual Lazard Ltd stockholders that are U.S. Persons should be characterized as "qualified dividend income" eligible for reduced rates of tax, provided that certain holding period requirements are satisfied and that the payor corporation is a "qualified resident" of the relevant treaty partner as described above.

Treatment of Distributions. Lazard Ltd's distributions to a stockholder generally will not be taxable to the stockholder for U.S. federal income tax purposes to the extent of its tax basis in its common shares immediately before the distribution. Lazard Ltd's cash distributions in excess of a stockholder's tax basis generally will be considered to be gain from the sale or exchange of the common shares, taxable in accordance with the rules described under "—Dispositions of Common Shares" below. Any reduction in a stockholder's share of Lazard Ltd's liabilities, if any, for which no partner bears the economic risk of loss, known as "nonrecourse liabilities," will be treated as a distribution of cash to that stockholder. A decrease in a stockholder's percentage interest in Lazard Ltd because of Lazard Ltd's issuance of additional common shares would decrease its share of Lazard Ltd's nonrecourse liabilities, if any, and thus would result in a corresponding deemed distribution of cash. However, we generally intend to operate Lazard Ltd's business so that Lazard Ltd has no direct "nonrecourse liabilities."

Basis of Common Shares. A stockholder will have an initial tax basis for its common shares equal to the amount it paid for the common shares plus its share of Lazard Ltd's nonrecourse liabilities, if any. That basis will be increased by its share of Lazard Ltd income and by any increases in its share of Lazard Ltd's nonrecourse liabilities, if any. That basis will be decreased, but not below zero, by distributions from Lazard Ltd, by the stockholder's share of Lazard Ltd's losses, by any decrease in its share of Lazard Ltd's nonrecourse liabilities (if any) and by its share of Lazard Ltd expenditures that are not deductible in computing our taxable income and are not required to be capitalized.

Limitations on Deductibility of Our Losses. Because we do not expect Lazard Ltd to hold any significant assets other than stock of its subsidiaries, Lazard Ltd will likely incur losses, if any, only under limited circumstances, including, potentially, upon a sale of some or all of the stock of its subsidiaries. If Lazard Ltd were to incur any losses, a stockholder's use of such losses could be limited under the "at risk" or "passive loss" rules.

The deduction by a stockholder of its share of Lazard Ltd's losses will be limited to the tax basis in its common shares and, in the case of an individual stockholder or a corporate stockholder that is subject to the "at risk" rules, to the amount for which the stockholder is considered to be "at risk" with respect to Lazard Ltd's activities, if that is less than its tax basis. In general, a stockholder will be at risk to the extent of the tax basis of its common shares, excluding any portion of that basis attributable to its share of Lazard Ltd's nonrecourse liabilities (if any), reduced by any amount of money it borrows to acquire or hold its common shares, if the lender of those borrowed funds owns an interest in Lazard Ltd, is related to the stockholder, or can look only to the common shares for repayment. A stockholder's at risk amount will generally increase or decrease as the tax basis of the stockholder's common shares increases or decreases. A stockholder must recapture losses deducted in previous years to the extent that distributions cause its at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a stockholder or recaptured as a result of these limitations will carry forward and will be allowable to the extent that its tax basis or at risk amount, whichever is the limiting factor, subsequently increases. Upon the taxable disposition of a common share, any gain recognized by a stockholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any excess loss above that gain previously suspended by the at risk or basis limitations may no longer be used.

The passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities only to the extent of the taxpayer's income from those passive activities. A passive activity is defined as any activity that involves the conduct of a trade or business in which the taxpayer does not materially participate or any rental activity. We anticipate that the manner in which Lazard Ltd conducts its operations will not constitute the conduct of a trade or business for purposes of the passive activity loss rules. Consequently, these rules are not expected to apply to holders of our common stock. We cannot

be certain, however, that Lazard Ltd's manner of operations will not change and that holders of our common stock will not become subject to the passive activity loss rules following this offering or in the future.

Prospective investors should consult their tax advisor as to the effects of the at risk and/or passive activity loss rules.

Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer's "investment interest" expense is generally limited to the amount of that taxpayer's "net investment income." The IRS has announced that Treasury Regulations will be issued that characterize net passive income (as determined under the passive loss limitation rules) from a publicly-traded partnership as investment income for this purpose. In addition, the stockholder's share of Lazard Ltd's dividend and interest income will be treated as investment income, although "qualified dividend income" subject to reduced rates of tax in the hands of an individual, as described above, will only be treated as investment income if the individual stockholder elects to treat such dividend as ordinary income not subject to reduced rates of tax. Investment interest expense includes:

- Ÿ interest on indebtedness properly allocable to property held for investment,
- Ÿ Lazard Ltd's interest expense attributed to portfolio income, if any, and
- Ÿ the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a stockholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a common share. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment.

Allocation of Income, Gain, Loss, and Deduction. In general, if Lazard Ltd has a net profit or net loss, its items of income, gain, loss, and deduction are allocated among the stockholders in accordance with their particular percentage interests in Lazard Ltd. However, we generally intend to operate our business so that Lazard Ltd's only net income consists of dividends received from its subsidiaries (and possibly interest), and we intend to allocate that income to the stockholders of Lazard Ltd to whom it is distributed.

Special rules generally apply to determine the allocation of a partnership's items of income, deduction, gain and loss related to "contributed property" (other than cash). Such special rules will have limited relevance to our stockholders because such rules will generally not adversely affect stockholders who purchase their shares directly from Lazard Ltd for cash.

An allocation of items of Lazard Ltd's income, gain, loss, or deduction, will generally be given effect for U.S. federal income tax purposes in determining a partner's distributive share of an item of income, gain, loss or deduction only if the allocation has "substantial economic effect." In any other case, a partner's distributive share of an item will be determined on the basis of the partner's interest in Lazard Ltd, which will be determined by taking into account all the facts and circumstances, including the partner's relative contributions to Lazard Ltd, the interests of the partners in economic profits and losses, the interests of the partners in cash flow and other nonliquidating distributions, and rights of the partners to distributions of capital upon liquidation.

Although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of Lazard Ltd's income and gain will be allocated in an amount and manner sufficient to eliminate the negative balance as quickly as possible.

Treatment of Shares Lent to Short Sellers. A stockholder whose common shares are loaned to a "short seller" to cover a short sale of common shares may be considered as having disposed of ownership of those common shares. If so, the stockholder would no longer be a partner with respect to those common shares during the period of the loan and, although the stockholder will receive no cash, the stockholder may recognize gain or loss from the disposition, which will generally be capital gain or loss as described below under "—Dispositions of Common Shares." As a result, during this period:

- any of Lazard Ltd's income, gain, deduction or loss with respect to those common shares would not be reportable by the stockholder,
- any cash distributions received by the stockholder with respect to those common shares would be fully taxable, and
- all of these distributions would appear to be treated as ordinary income.

The holding period of a stockholder whose common shares are loaned to a "short seller" to cover a short sale of common shares will restart when the common shares are returned to the stockholder. Stockholders desiring to assure their status as partners and avoid the risk of gain recognition should modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common shares. The IRS has announced that it is actively studying issues relating to the tax treatment of short sales of partnership interests. Please also read "—Disposition of Common Shares—Recognition of Gain or Loss." Stockholders whose common shares are loaned to a "short seller" should consult their own tax advisors with respect to their status as partners of Lazard Ltd for U.S. federal income tax purposes.

Dispositions of Common Shares

Recognition of Gain or Loss. A stockholder will recognize gain or loss on a sale of common shares equal to the difference between the amount realized and the stockholder's tax basis for the common shares sold. A stockholder's amount realized will be measured by the sum of the cash or the fair market value of other property received plus its share of Lazard Ltd's nonrecourse liabilities, if any. Because the amount realized includes a stockholder's share of Lazard Ltd's nonrecourse liabilities, if any, the gain recognized on the sale of common shares could result in a tax liability in excess of any cash received from the sale. However, we generally intend to operate our business so that Lazard Ltd has no direct "nonrecourse liabilities."

Prior distributions from Lazard Ltd that decreased a stockholder's tax basis in that common share will, in effect, become taxable income if the common share is sold at a price greater than the stockholder's tax basis in that common share, even if the price is less than its original cost.

Except as noted below (and, if applicable, under "—Passive Foreign Investment Companies") gain or loss recognized by a stockholder on the sale or exchange of a common share will generally be taxable as capital gain or loss and as long-term capital gain or loss if the common shares were held for more than 12 months, subject (in the case of stockholders who are individuals) to tax at a maximum U.S. federal income tax rate of 15%. Net capital loss may offset no more than $3,000 of ordinary income in the case of individuals and may only be used to offset capital gain in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an "equitable apportionment" method. On the other hand, a selling stockholder who can identify common shares transferred with an ascertainable holding period may

elect to use the actual holding period of the common shares transferred. A stockholder electing to use the actual holding period of common shares transferred must consistently use that identification method for all subsequent sales or exchanges of common shares.

Section 754 Election. Lazard Ltd may make the election permitted by Section 754 of the Code if we determine it would be advantageous to do so. The election is irrevocable without the consent of the IRS. The election generally permits Lazard Ltd to adjust a common share purchaser's tax basis in Lazard Ltd's assets ("inside basis") under Section 743(b) of the Code to reflect the common share purchaser's purchase price. This election does not apply to a person who purchases common shares directly from Lazard Ltd. The Section 743(b) adjustment belongs to the purchaser and not to other partners. For purposes of this discussion, a partner's inside basis in Lazard Ltd's assets will be considered to have two components, (1) its share of Lazard Ltd's tax basis in Lazard Ltd's assets ("common basis") and (2) its Section 743(b) adjustment to that basis.

Because we do not expect Lazard Ltd to hold any significant assets other than stock of its subsidiaries, Lazard Ltd's Section 754 election, if made, will likely not be relevant to Lazard Ltd's stockholders except if Lazard Ltd sells all or part of the stock of its subsidiaries. Generally, a Section 754 election is advantageous if the transferee stockholder's tax basis in its common shares is higher than the common shares' share of the aggregate tax basis of Lazard Ltd's assets immediately prior to the transfer. In that case, as a result of the election, the transferee stockholder would have a higher tax basis in its share of Lazard Ltd's assets for purposes of calculating, among other items, its share of any gain or loss on a sale of Lazard Ltd's assets. Conversely, a Section 754 election is disadvantageous if the transferee stockholder's tax basis in its common shares is lower than those common shares' share of the aggregate tax basis of Lazard Ltd's assets immediately prior to the transfer. Thus, the fair market value of the common shares may be affected either favorably or adversely by the election.

The calculations involved in the Section 754 election are complex, and we will make them on the basis of assumptions as to the value of Lazard Ltd's assets and other matters. The determinations we make may be successfully challenged by the IRS and any deductions resulting from them may be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, Lazard Ltd may seek permission from the IRS to revoke its Section 754 election (although Lazard Ltd will be required to make similar adjustments to a partner's inside basis in its assets under certain circumstances even if no Section 754 election is in effect). If Lazard Ltd successfully revokes its Section 754 election, a subsequent purchaser of common shares may be allocated more income than it would have been allocated had the election not been revoked.

Constructive Termination. Subject to the electing large partnership rules described below, Lazard Ltd will be considered to have been terminated for tax purposes if there is a sale or exchange of 50% or more of the total interests in Lazard Ltd's capital and profits within a 12-month period. Lazard Ltd's termination would result in the closing of Lazard Ltd's taxable year for all stockholders. In the case of a stockholder reporting on a taxable year other than a fiscal year ending December 31, the closing of Lazard Ltd's taxable year may result in more than 12 months of Lazard Ltd's taxable income or loss being includable in its taxable income for the year of termination. Lazard Ltd would be required to make new tax elections after a termination, including a new election under Section 754 of the Code. A termination could also result in penalties if Lazard Ltd were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Passive Foreign Investment Companies. In general, a foreign corporation will be a PFIC during a given year if (1) 75% or more of its gross income constitutes "passive income" or (2) 50% or more of its assets produce passive income.

If any of Lazard Ltd's direct non-U.S. subsidiaries were characterized as a PFIC during a given year, U.S. Persons holding common shares would be subject to adverse U.S. federal income tax consequences, including a penalty tax at the time of the sale at a gain of, or receipt of an "excess distribution" with respect to, their shares, unless such persons made a "qualified electing fund election" or "mark-to-market" election. For these purposes, stock of a PFIC that is owned by Lazard Ltd is considered as owned proportionately by Lazard Ltd's stockholders. It is uncertain that Lazard Ltd would be able to provide its stockholders with the information necessary for a U.S. Person to make a "qualified electing fund election" with respect to Lazard Ltd's non-U.S. subsidiaries.

We believe that none of Lazard's non-U.S. subsidiaries should be treated as a PFIC. However, actual determination of PFIC status is fundamentally factual in nature and cannot be made until the close of the applicable taxable year. Moreover, we cannot be certain that the IRS will not challenge this position and that a court will not sustain such challenge. Prospective investors should consult their tax advisor as to the effects of the PFIC rules.

U.S. Federal Income Tax Considerations for Non-U.S. Persons. Ownership of our common shares by non-U.S. Persons raises special U.S. federal income tax considerations. To the extent Lazard Ltd receives dividends from a U.S. subsidiary, distributions of such dividend income to Lazard Ltd stockholders who are non-U.S. Persons will be subject to U.S. withholding tax at a rate of 30%. A non-U.S. Person's ability to lower such withholding rate under an applicable income tax treaty will likely be limited due to special rules under the Code relating to hybrid entities, such as Lazard Ltd, which is a partnership for U.S. federal income tax purposes but which may not be under the laws of the non-U.S. Person's country of residence.

To the extent Lazard Ltd receives dividends from a non-U.S. subsidiary, distributions of such dividend income to Lazard Ltd stockholders who are non-U.S. Persons will not be subject to U.S. tax, unless such income were deemed to be effectively connected with a trade or business conducted by Lazard Ltd or the recipient stockholder in the United States.

We intend to manage our affairs so that Lazard Ltd will not be engaged in a trade or business in the United States, although there can be no assurance that we will be able to do so. If Lazard Ltd were engaged in a trade or business in the United States, non-U.S. Persons that own our common shares will be considered to be engaged in business in the United States and will be subject to U.S. federal income tax on a net income basis at regular rates on "effectively connected income."

Lazard Ltd will be required to pay withholding tax with respect to the portion of Lazard Ltd's income that is "effectively connected" with the conduct of a United States trade or business and which is allocable to non-U.S. Persons that hold our common shares. Under rules applicable to publicly-traded partnerships, Lazard Ltd will withhold taxes on actual cash distributions attributable to effectively connected income made quarterly to stockholders that are non-U.S. Persons at the highest marginal rate applicable to individuals at the time of the distribution. Each stockholder that is a non-U.S. Person must obtain a taxpayer identification number from the IRS and submit that number to Lazard Ltd's transfer agent on a Form W-8 BEN or applicable substitute form in order to obtain credit for the taxes withheld or to claim the benefits of an applicable tax treaty. A change in applicable law may require us to change these procedures.

If Lazard Ltd is unable to avoid being considered to be engaged in a trade or business in the United States, a foreign corporation that owns common shares may be subject to United States branch profits tax at a rate of 30%, in addition to regular federal income tax, on its allocable share of Lazard Ltd's income and gain, as adjusted for changes in the foreign corporation's "U.S. net equity," which are effectively connected with the conduct of a United States trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country of which the foreign

corporate stockholder is a “qualified resident.” In addition, this type of stockholder is subject to special information reporting requirements under Section 6038C of the Code.

A stockholder that is a non-U.S. Person will be subject to U.S federal income tax upon the sale or disposition of Lazard Ltd’s common stock to the extent that such stockholder recognizes gain upon such sale or disposition and such gain is effectively connected with a U.S. trade or business of the stockholder. The IRS has concluded in a published ruling that a stockholder’s gain will be treated as effectively connected with a U.S. trade or business of the stockholder to the extent Lazard Ltd is treated as engaged in a U.S. trade or business through a fixed place of business in the U.S. and the stockholder’s gain is attributable to Lazard Ltd’s U.S. source property.

Administrative Matters.

Information Returns. We intend to furnish to each stockholder, within 90 days after the close of each calendar year, specific tax information, which describes each stockholder’s share of Lazard Ltd’s income, gain, loss and deduction for its preceding taxable year. In preparing this information, which will generally not be reviewed by counsel, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine the stockholder’s share of income, gain, loss and deduction. Any of those conventions may not yield a result that conforms to the requirements of the Code, regulations or administrative interpretations of the IRS. The IRS may successfully contend in court that those accounting and reporting conventions are impermissible. Any challenge by the IRS could negatively affect the value of the common shares.

Elective Procedures for Large Partnerships. The Code allows large partnerships to elect streamlined procedures for income tax reporting. This election would reduce the number of items that must be separately stated on the Schedules K-1 that are issued to the stockholders, and such Schedules K-1 would have to be provided to stockholders on or before the first March 15 following the close of each taxable year. In addition, this election would prevent Lazard Ltd, which will be taxed as a partnership for U.S. federal income tax purposes, from suffering a “technical termination” (which would close our taxable year) if, within a twelve month period, there is a sale or exchange of 50 percent or more of Lazard Ltd’s total interests. When eligible, Lazard Ltd may make such an election.

Backup Withholding. For each calendar year, Lazard Ltd will report to its U.S. stockholders and to the IRS the amount of distributions that it pays, and the amount of tax (if any) that it withholds on these distributions. Under the backup withholding rules, you may be subject to backup withholding tax with respect to distributions paid unless you: (i) are a corporation or come within another exempt category and demonstrate this fact when required or (ii) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax and otherwise comply with the applicable requirements of the backup withholding tax rules. Exempt stockholders who are U.S. Persons should indicate their exempt status on a properly completed IRS Form W-9. A non-U.S. Person may qualify as an exempt recipient by submitting a properly completed IRS Form W-8BEN. Backup withholding is not an additional tax; the amount of any backup withholding from a payment to a stockholder will be allowed as a credit against such stockholder’s U.S. federal income tax liability and may entitle the stockholder to a refund.

Treatment of Amounts Withheld. If Lazard Ltd is required to withhold any U.S. tax on distributions made to any stockholder, Lazard Ltd will pay such withheld amount to the IRS. That payment, if made, will be treated as a distribution of cash to the stockholder with respect to whom the payment was made and will reduce the amount of cash to which such stockholder would otherwise be entitled. Lazard Ltd is authorized to amend its by-laws in the manner necessary to adjust later distributions so that, after giving effect to withheld amounts treated as distributions, the priority and characterization of distributions otherwise applicable under its by-laws is maintained as nearly as is practicable.

Nominee Reporting. Persons who hold an interest in Lazard Ltd as a nominee for another person are required to furnish to us:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee,

(b) whether the beneficial owner is:

(1) a person that is not a U.S. Person,

(2) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or

(3) a tax-exempt entity;

(c) the amount and description of common shares held, acquired or transferred for the beneficial owner, and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. Persons and specific information on common shares they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Code for failure to report that information to Lazard Ltd. The nominee is required to supply the beneficial owner of the common shares with the information furnished to Lazard Ltd.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the common stock. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This could adversely affect the prevailing market price of our common stock and our ability to raise equity capital in the future. Upon completion of this offering, there will be shares of common stock outstanding (or shares assuming the underwriters exercise their over-allotment option in full). Of the shares of common stock outstanding, shares of common stock sold in this offering will be freely transferable without restriction or further registration under the Securities Act. In addition, we will have shares of our common stock reserved for issuance in connection with the LAZ-MD Holdings exchangeable interests.

The following table reflects the timetable for exchangeability of the LAZ-MD Holdings exchangeable interests assuming continued employment of the current managing directors, although exchangeability may be accelerated under certain circumstances as described in "Management—Arrangements with Our Managing Directors—The Retention Agreements—LAZ-MD Holdings Exchangeable Interests" and "Certain Relationships and Related Transactions—Relationship with LAZ-MD Holdings and LFCM Holdings —Master Separation Agreement—LAZ-MD Holdings Exchangeable Interests."

Anniversary of offering	Number of additional shares of common stock that are expected to become available for exchange under LAZ-MD Holdings exchangeable interests
First	
Second	
Third	
Fourth	
Fifth	
Sixth	
Seventh	
Eighth	

The shares of common stock to be received upon exchange of the LAZ-MD Holdings exchangeable interests will constitute "restricted securities" for purposes of the Securities Act. As a result, absent registration under the Securities Act or compliance with Rule 144 thereunder or an exemption therefrom, these shares of common stock will not be freely transferable to the public.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including an affiliate, who beneficially owns "restricted securities" may not sell those securities until they have been beneficially owned for at least one year. Thereafter, the person would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, or
- the average weekly trading volume of the common stock on the NYSE during the four calendar weeks preceding the filing with the SEC of a notice on the SEC's Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain other requirements regarding the manner of sale, notice and availability of current public information about Lazard.

Under Rule 144(k), a person who is not, and has not been at any time during the 90 days preceding a sale, an affiliate of Lazard and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an affiliate) is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. See "Certain Relationships and Related Transactions—LAZ-MD Holdings Stockholders' Agreement—Registration Rights."

We intend to file a registration statement on Form S-8 with the SEC to register the shares of common stock and other securities being offered under our Equity Incentive Plan. See "Management—The Equity Incentive Plan." We also will grant registration rights in connection with the LAZ-MD Holdings stockholders' agreement. See "Certain Relationships and Related Transactions—LAZ-MD Holdings Stockholders' Agreement."

UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the shares of common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. is acting as sole book-running manager of this offering and is acting as the representative of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
Lazard Frères & Co. LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. Incorporated	
Credit Suisse First Boston LLC	
J.P. Morgan Securities Inc.	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from us to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by Lazard	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all of the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

Each of us, our directors and officers and all of our stockholders have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their shares of common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. In addition, in connection with their

participation in this offering, we have requested that each of the underwriters commit to specified limitations on their ability to hire our managing directors or employees and such underwriters have agreed to abide by such commitments for a specified period of time.

The 180-day restricted period described in the preceding paragraph will be automatically extended if during the last 17 days of the 180-day restricted period we issue an earnings release or announce material news or a material event or prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event. This agreement does not apply to the shares of common stock underlying any future awards granted under the Equity Incentive Plan. See “Shares Eligible for Future Sale” for a discussion of certain transfer restrictions.

Prior to this offering, there has been no public market for the shares of our common stock. The initial public offering price will be negotiated between us and the representative. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of the business potential and earnings prospects of us, an assessment of our and LAZ-MD Holdings’ management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to list the common stock on the NYSE under the symbol “LAZ”. In order to meet one of the requirements for listing shares of our common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares from us in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. “Naked” short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of shares of our common stock made by the underwriters in the open market prior to the completion of this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the company’s stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of shares of our common

stock. As a result, the price of shares of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

After the offering, because Lazard Frères & Co. LLC is a member of the NYSE and because of its relationship to us, it will not be permitted under the rules of the NYSE to make markets in or recommendations regarding the purchase or sale of the common stock. This may adversely affect the trading market for the common stock.

Also, because of the relationship between Lazard Frères & Co. LLC and us, this offering is being conducted in accordance with Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc. That rule requires that the initial public offering price can be no higher than that recommended by a "qualified independent underwriter," as defined by the NASD. Goldman, Sachs & Co. has served in that capacity and performed due diligence investigations and reviewed and participated in the preparation of the registration statement of which this prospectus forms a part. Goldman, Sachs & Co. has received $10,000 from us as compensation for such role.

The underwriters may not confirm sales to discretionary accounts without the prior written approval of the customer.

Lazard Frères & Co. LLC is a subsidiary of Lazard Group and has agreed to purchase approximately % of the shares being offered in this offering. If any of the shares underwritten by Lazard Frères & Co. LLC are sold by them at a price less than the initial public offering price, the net proceeds from the offering to Lazard on a consolidated basis will be reduced because such affiliate and us are accounted for on a consolidated basis.

Each underwriter has represented, warranted and agreed that: (a) it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares to persons in the U.K. except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the U.K. within the meaning of the Public Offers of Securities Regulations 1995; (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the U.K.

The shares may not be offered or sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to any individual or legal entity in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises, which, as an ancillary activity, regularly trade or invest in securities.

The shares may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the shares may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the

securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation, subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the securities to the public in Singapore.

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they have received or may receive customary fees and expenses. We and our affiliates have in the past provided, and may in the future from time to time provide, similar services to the underwriters and their affiliates on customary terms and for customary fees. Lazard Frères & Co. LLC is an indirect, wholly-owned subsidiary of Lazard Group and will be participating in the distribution of this offering. Affiliates of Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are lenders in an existing senior subordinated credit facility provided to Lazard Frères & Co. LLC. An affiliate of Citigroup Global Markets Inc. also is a lender in an existing senior credit facility provided to one of our affiliates in London. An affiliate of J.P. Morgan Securities Inc. also is a lender in an existing senior credit facility provided to one of our affiliates in Paris. None of these credit facilities will be repaid with the proceeds of this offering. Additionally, certain employees of some of the underwriters and their affiliates have invested their personal assets in various funds managed by our affiliates.

LEGAL MATTERS

The validity of the shares of common stock offered hereby has been passed upon for us by Conyers Dill & Pearman, Bermuda. The validity of the shares of common stock offered hereby will be passed upon for the underwriters by Appleby Spurling Hunter. We have been represented by Wachtell, Lipton, Rosen & Katz, and the underwriters have been represented by Cravath, Swaine & Moore LLP, New York, New York. Cravath, Swaine & Moore LLP has, from time to time, represented, and will continue to represent, us, our managing directors and our affiliates on matters not related to this offering, for which it has received, and will receive, customary fees and reimbursement of expenses.

EXPERTS

The consolidated financial statements as of December 31, 2002 and 2003, and for each of the three years in the period ended December 31, 2003, included in this prospectus and the related financial statement schedule included elsewhere in the registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the registration statement, and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, in Washington, D.C., a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus is a part of the registration statement and, as permitted by the SEC's rules, does not contain all of the information presented in the registration statement. For further information with respect to us, Lazard Group and the common stock offered hereby, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at *www.sec.gov*, from which interested persons can electronically access the registration statement, including the exhibits and any schedules thereto. The registration statement, including the exhibits and schedules thereto, is also available for reading and copying at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

As a result of this offering, we will become subject to the informational requirements of the Securities Exchange Act of 1934, as amended. We will fulfill our obligations with respect to such requirements by filing periodic reports, proxy statements and other information with the SEC. We intend to furnish our stockholders with annual reports containing consolidated financial statements certified by an independent public accounting firm. We also maintain an Internet site at *www.lazard.com*. **Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part.**

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements*

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Financial Condition, as of December 31, 2002 and 2003	F-3
Consolidated Statements of Income for the years ended December 31, 2001, 2002 and 2003	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2002 and 2003	F-6
Consolidated Statements of Changes in Members' Equity for the years ended December 31, 2001, 2002 and 2003	F-7
Notes to Consolidated Financial Statements	F-8

Unaudited Condensed Consolidated Financial Statements*

Condensed Consolidated Statement of Financial Condition, as of December 31, 2003 and September 30, 2004	F-40
Condensed Consolidated Statements of Income for the nine months ended September 30, 2003 and 2004	F-42
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and 2004	F-43
Condensed Consolidated Statement of Changes in Members' Equity for the nine months ended September 30, 2004	F-44
Notes to Unaudited Condensed Consolidated Financial Statements	F-45

---

* The historical consolidated financial statements reflect the historical results of operations and financial position of Lazard LLC (the "Company" or "Lazard Group"), including the separated businesses, for all periods presented. Accordingly, the historical financial statements do not reflect what the results of operations and financial position of Lazard Ltd or the Company would have been had these companies been stand-alone, public companies for the periods presented. Specifically, the historical results of operations do not give effect to the following matters:

- Ÿ The separation of the Company's Capital Markets and Other activities, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities.
- Ÿ Payment for services rendered by the Company's managing directors, which, as a result of the Company operating as a limited liability company, historically has been accounted for as distributions from members' capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, the Company's operating income historically has not reflected payments for services rendered by its managing directors. After this offering, Lazard Ltd will include all payments for services rendered by its managing directors in employee compensation and benefits expense.
- Ÿ U.S. corporate federal income taxes, since the Company has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, the Company's income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., the Company historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on the Company's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to New York City Unincorporated Business Tax ("UBT") attributable to the Company's operations apportioned to New York City.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Lazard LLC:

We have audited the accompanying consolidated statements of financial condition of Lazard LLC and subsidiaries (the "Company") as of December 31, 2002 and 2003, and the related consolidated statements of income, cash flows and changes in members' equity for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
New York, New York
December 16, 2004

LAZARD LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2002 AND 2003
(in thousands)

	December 31,	
	2002	2003
ASSETS		
Cash and cash equivalents	$ 332,513	$ 315,817
Cash and securities segregated for regulatory purposes	63,083	82,737
Marketable investments	—	182,040
Securities purchased under agreements to resell	82,034	166,674
Securities owned—at fair value:		
Bonds—Corporate	319,774	404,061
Non-U.S. Government and agency securities	64,076	49,463
U.S. Government and agency securities pledged as collateral	35,688	38,755
Equities	4,390	7,765
	423,928	500,044
Swaps and other contractual agreements	565	700
Securities borrowed	471,060	891,976
Receivables:		
Fees	209,393	242,340
Customers	167,789	129,336
Banks	248,571	127,721
Brokers and dealers	5,382	77,015
Other	9,408	14,684
	640,543	591,096
Long-term investments	188,756	214,429
Other investments	7,590	—
Property—net	134,901	192,476
Goodwill	15,083	16,547
Other assets	100,669	102,693
Total assets	$ 2,460,725	$ 3,257,229

See notes to consolidated financial statements.

LAZARD LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION—(Continued)
DECEMBER 31, 2002 AND 2003
(in thousands)

	December 31,	
	2002	2003
LIABILITIES AND MEMBERS' EQUITY		
Notes payable	$ 79,189	$ 57,911
Securities sold under agreements to repurchase	75,646	109,351
Securities sold, not yet purchased—at fair value:		
Bonds—Corporate	—	81,959
U.S. Government and agency securities	69,076	20,575
Equities	—	8,083
	69,076	110,617
Swaps and other contractual agreements	4,191	3,222
Securities loaned	201,539	616,706
Payables:		
Banks	325,847	340,464
Customers	283,666	273,183
Brokers and dealers	29,686	21,979
	639,199	635,626
Accrued employee compensation	160,550	181,043
Capital lease obligations	62,578	62,167
Other liabilities	348,840	475,783
Subordinated loans	2,367	200,000
Mandatorily redeemable preferred stock	100,000	100,000
Total liabilities	1,743,175	2,552,426
Commitments and contingencies		
Minority interest	68,639	169,078
Members' equity (including $4,722 and $49,777 of accumulated other comprehensive income (loss), net of tax)	648,911	535,725
Total liabilities and members' equity	$ 2,460,725	$ 3,257,229

See notes to consolidated financial statements.

LAZARD LLC

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003
(in thousands)

	Year Ended December 31,		
	2001	2002	2003
REVENUE			
Investment banking and other advisory fees	$ 561,965	$ 521,994	$ 676,001
Money management fees	403,993	444,114	346,955
Commissions	60,743	60,896	53,003
Trading gains and losses—net	88,026	62,231	42,499
Underwriting	28,196	23,888	27,821
Investment gains (losses), non-trading—net	(13,280)	25,796	18,212
Interest income	557,718	63,973	47,025
Other	17,902	26,770	22,029
Total revenue	1,705,263	1,229,662	1,233,545
Interest expense	533,208	63,383	50,161
Net revenue	1,172,055	1,166,279	1,183,384
OPERATING EXPENSES			
Employee compensation and benefits	524,417	469,037	481,212
Premises and occupancy costs	63,462	82,121	98,412
Professional fees	70,350	67,862	56,121
Travel and entertainment	38,177	41,225	45,774
Communications and information services	33,012	30,103	34,199
Equipment costs	25,288	20,527	21,422
Other	58,387	79,359	56,890
Total operating expenses	813,093	790,234	794,030
OPERATING INCOME	358,962	376,045	389,354
Provision for income taxes	51,349	38,583	44,421
INCOME ALLOCABLE TO MEMBERS BEFORE MINORITY INTEREST	307,613	337,462	344,933
Minority interest	1,836	40,015	94,550
NET INCOME ALLOCABLE TO MEMBERS	$ 305,777	$ 297,447	$ 250,383

See notes to consolidated financial statements.

LAZARD LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003
(in thousands)

	Year Ended December 31,		
	2001	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income allocable to Members	$ 305,777	$ 297,447	$ 250,383
Adjustments to reconcile net income allocable to Members to net cash provided by operating activities:			
Noncash charges included in net income allocable to Members:			
Depreciation and amortization	21,992	12,156	13,994
Minority interest	1,836	40,015	94,550
(Increase) decrease in operating assets:			
Cash and securities segregated for regulatory purposes	214,047	558,700	(19,654)
Securities purchased under agreements to resell	5,653,420	247,132	(70,911)
Securities owned, at fair value and swaps and other contractual agreements	5,320,730	676,528	(14,026)
Securities borrowed	44,708	(239,570)	(420,916)
Receivables	931,245	(106,008)	101,149
Marketable and long-term investments	96,091	136,058	(186,424)
Other assets	16,300	14,275	8,301
Increase (decrease) in operating liabilities:			
Securities sold under agreements to repurchase	(7,041,498)	(510,439)	27,419
Securities sold, not yet purchased, at fair value and swaps and other contractual agreements	(1,494,874)	(288,017)	40,572
Securities loaned	—	201,539	415,167
Payables	(3,419,590)	(571,060)	(84,504)
Accrued employee compensation and other liabilities	(128,078)	(31,692)	51,421
Net cash provided by operating activities	522,106	437,064	206,521
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from formation of strategic alliance in Italy	—	—	100,000
Additions to property	(12,608)	(22,938)	(56,230)
Disposals and retirements of property	430	4,995	10,208
Net cash (used in) provided by investing activities	(12,178)	(17,943)	53,978
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of subordinated debt relating to strategic alliance in Italy	—	—	200,000
Distributions to Members and capital withdrawals, net of issuance of interests to LAM Members in 2003 of $27,483 relating to formation of LAM	(474,158)	(395,017)	(381,141)
Issuance of mandatorily redeemable preferred stock	100,000	—	—
Proceeds from notes payable	60,080	19,729	1,636
Repayment of notes payable	(28,812)	(11,844)	(22,914)
Repayment of capital lease obligations	—	(7,490)	(11,647)
Repayment of subordinated loans	(45,000)	(2,968)	(2,367)
Proceeds from subordinated loans	2,968	2,367	—
Net capital contributions and distributions from (to) minority interest stockholders	6,482	(14,605)	(70,862)
Net cash used in financing activities	(378,440)	(409,828)	(287,295)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	899	9,538	10,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132,387	18,831	(16,696)
CASH AND CASH EQUIVALENTS—Beginning of year	181,295	313,682	332,513
CASH AND CASH EQUIVALENTS—End of year	$ 313,682	$ 332,513	$ 315,817
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 639,683	$ 59,448	$ 39,722
Income taxes	$ 119,320	$ 89,885	$ 19,458

See notes to consolidated financial statements.

LAZARD LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003
(in thousands)

	Capital and Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Members' Equity
BALANCE—January 1, 2001	$ 910,140	$ (21,358)	$ 888,782
Comprehensive income (loss):			
Net income allocable to Members	305,777	—	305,777
Other comprehensive income—net of tax:			
Currency translation adjustments	—	(12,388)	(12,388)
Minimum pension liability adjustments	—	(3,316)	(3,316)
Comprehensive income (loss)	305,777	(15,704)	290,073
Distributions and withdrawals to Members	(474,158)	—	(474,158)
BALANCE—December 31, 2001	741,759	(37,062)	704,697
Comprehensive income (loss):			
Net income allocable to Members	297,447	—	297,447
Other comprehensive income—net of tax:			
Currency translation adjustments	—	46,923	46,923
Minimum pension liability adjustments	—	(5,139)	(5,139)
Comprehensive income (loss)	297,447	41,784	339,231
Distributions and withdrawals to Members	(395,017)	—	(395,017)
BALANCE—December 31, 2002	644,189	4,722	648,911
Comprehensive income (loss):			
Net income allocable to Members	250,383	—	250,383
Other comprehensive income—net of tax:			
Currency translation adjustments	—	51,042	51,042
Minimum pension liability adjustments	—	(5,987)	(5,987)
Comprehensive income (loss)	250,383	45,055	295,438
Distributions and withdrawals to Members	(408,624)	—	(408,624)
BALANCE—December 31, 2003	$ 485,948	$ 49,777	$ 535,725

See notes to consolidated financial statements.

1. ORGANIZATION

Lazard LLC (collectively referred to with its subsidiaries as the "Company" or "Lazard Group") is a Delaware limited liability company. The Company is governed by its Amended and Restated Operating Agreement dated as of January 1, 2002 (the "Operating Agreement").

The Company's principal activities are divided into three business segments:

- Financial Advisory, which includes providing advice on mergers, acquisitions, restructurings and other financial matters,
- Asset Management, which includes the management of equity and fixed income securities and merchant banking funds, and
- Capital Markets and Other, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities.

In addition, the Company records selected other activities in Corporate, including cash and marketable investments, certain long-term investments, and the Company's Paris-based Lazard Frères Banque SA ("LFB"). LFB is a registered bank regulated by the Banque de France. LFB's primary operations include commercial banking, the management of the treasury positions of Lazard's Paris House through its money market desk and, to a lesser extent, credit activities relating to securing loans granted to clients of Lazard Frères Gestion ("LFG") and custodial oversight over assets of various clients. In addition, LFB also operates many support functions of the Paris House. The Company also allocates outstanding indebtedness to Corporate.

The consolidated financial statements include the Company'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"); Lazard Frères SAS and Maison Lazard SAS, along with its subsidiaries, including LFB (collectively referred to as "LFP"), French limited liability companies; and Lazard & Co., Limited ("LCL"), through Lazard & Co., Holdings Limited, an English private limited company ("LCH"); together with their jointly-owned affiliates and subsidiaries.

See Note 18 for information regarding a contemplated initial public offering and separated businesses.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company's policy is to consolidate all majority-owned subsidiaries in which it has a controlling financial interest. All material intercompany transactions and balances have been eliminated.

The consolidated financial statements are presented in U.S. dollars. Many of the Company'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 year-end exchange rates, while revenue and expenses are translated at average exchange rates during the year. 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 income.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions regarding certain trading inventory valuations, compensation liabilities and other matters that affect reported amounts of assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ materially from those estimates.

Cash and Cash Equivalents—The Company defines cash equivalents as short-term, highly liquid securities and cash deposits with original maturities of 90 days or less, other than those used for trading purposes.

Cash and Securities Segregated for Regulatory Purposes—At December 31, 2002 and 2003, cash and securities with a market value of $45,649 and $35,971, respectively (of which $22,986 and $17,992, respectively, were obtained through securities purchased under agreements to resell), were deposited in a special reserve account for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. The remaining balance at December 31, 2002 and 2003 of $17,434 and $46,766, respectively, relates to restricted cash deposits made by the Company to satisfy the requirements of various non-U.S. regulatory authorities.

Marketable and Long-Term Investments—"Marketable investments" and "long-term investments" consist principally of investments in exchange traded funds, merchant banking and alternative investment funds, and other privately managed investments. These investments are carried at fair value on the consolidated statements of financial condition, with unrealized gains and losses reflected net on the accompanying consolidated statements of income. Where applicable, the fair value of a publicly-traded investment is determined by quoted market prices. Most of the Company's investments included in "long-term investments," however, are not publicly traded and, as a result, are valued based upon management's best estimate. The fair value of such investments is based upon an analysis of the investee's financial results, condition, cash flows and prospects. The carrying value of such investments is adjusted when changes in the underlying fair values are readily ascertainable, generally as evidenced by third party transactions or transactions that directly affect the value of such investments. The Company's investments in partnership interests, including general partnership and limited partnership interests in real estate funds, are recorded at fair value based on changes in the fair value of the partnerships' underlying net assets. Because of the inherent uncertainty in the valuation of investments that are not readily marketable, estimated values may differ significantly from the values that would have been reported had a ready market for such investments existed.

The Company's gross non-trading investment gains and (losses) of $17,753 and $(31,033), $52,465 and $(26,669), $23,948 and $(5,736) for the years ended December 31, 2001, 2002 and 2003, respectively, are included in investment gains (losses), non-trading-net on the consolidated statements of income.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase—Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions. The agreements provide that the transferor will receive substantially the same securities in return at the maturity of the

agreement and the transferor will obtain from the transferee sufficient cash or collateral to purchase such securities during the term of the agreement. These securities are carried at the amounts at which they will be subsequently resold or repurchased plus accrued interest. The Company's policy is to take possession of securities purchased under agreements to resell. As these transactions are short-term in nature, their carrying amounts are a reasonable estimate of fair value.

Securities sold under agreements to repurchase and securities purchased under agreements to resell with the same counterparty are reported net by the counterparty in accordance with Financial Interpretation No. ("FIN") 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*.

Securities Owned and Securities Sold, Not Yet Purchased—Securities owned and securities sold, not yet purchased, are stated at quoted market values with realized and unrealized trading and investment gains and losses reflected in "trading gains and losses—net" on the accompanying consolidated statements of income. Securities transactions and the related revenue and expenses are recorded on a trade date basis.

Swaps and Other Contractual Agreements—A derivative is typically defined as an instrument whose value is "derived" from an underlying instrument or index, such as a future, forward, swap, or option contract, or other financial instrument with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (i.e., interest rate swaps or currency forwards) or to purchase or sell other financial instruments at specified terms on a specified date (i.e., options to buy or sell securities or currencies).

Derivatives are reported separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. Balances related to the fair value of trading and non-trading derivative transactions are included in "swaps and other contractual agreements" on the consolidated statements of financial condition. There are no non-trading derivative transactions to which hedge accounting under Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, is applied, and, as such, the related gains and losses are reported in the consolidated statements of income.

The Company periodically enters into transactions principally for the purchase or sale of government and agency securities with customers that do not settle during the normal settlement cycle, generally 3 business days (extended settlement or delayed delivery transactions). Accordingly, such delayed delivery transactions are treated in a manner consistent with forward contracts and are recorded on the consolidated statement of financial condition on a settlement date basis with the related gains and losses in value between the trade and settlement date reported as a component of "trading gains and losses—net" on the consolidated statements of income.

Securities Borrowed and Securities Loaned—Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions facilitate the settlement process and require the Company to deposit cash or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or other collateral. The amount of collateral required to be deposited for securities borrowed, or received for securities loaned, is an amount generally in excess of the market value of the applicable securities

(dollars in thousands, unless otherwise noted)

borrowed or loaned. The Company monitors the market value of securities borrowed and loaned, with additional collateral obtained, or excess collateral recalled, when deemed appropriate. As the majority of such financing activities are short-term in nature, the carrying value of securities borrowed and securities loaned approximates fair value. Interest related to securities loaned and securities borrowed is included in interest income and interest expense, respectively, on the consolidated statements of income.

Collateral—As described above, the Company accepts and pledges collateral in secured financing and securities borrowing and lending transactions. Agreements covering these transactions may permit the secured party to sell or repledge the collateral. Collateral accepted under reverse repurchase agreements, securities lending agreements and margin loans are used to cover short positions, to enter into secured financing transactions and to satisfy reserve requirements under SEC Rule 15c3-3. At December 31, 2002 and 2003, the market value of collateral accepted under reverse repurchase agreements, in securities borrowed transactions and for customer margin loans was $554,984 and $985,669, respectively, of which $245,374 and $688,877 at December 31, 2002 and 2003, respectively, was sold or repledged.

Customer Transactions—Customer securities transactions are recorded on a settlement date basis with the related commissions recorded on a trade date basis and included in “commissions” on the consolidated statements of income. Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected on the consolidated statements of financial condition. Receivables from and payables to customers are short-term in nature, and accordingly, their carrying amount is a reasonable estimate of fair value.

Receivables—Receivables are stated net of an allowance for doubtful accounts of approximately $21,293 and $19,960 at December 31, 2002 and 2003, respectively. The estimate is derived by management of the Company by utilizing past client transaction history and an assessment of the client’s creditworthiness. The Company recorded bad debt expense of approximately $1,344, $13,245 and $3,391 for the years ended December 31, 2001, 2002 and 2003, respectively. The Company recorded recoveries, charge-offs and other adjustments to the allowance for doubtful accounts of approximately $(2,271), $616 and $(4,724) for the years ended December 31, 2001, 2002 and 2003, respectively.

Property—net—At December 31, 2002 and 2003 property-net consists of the following:

	December 31,	
	2002	2003
Buildings	$ 132,551	$ 159,302
Leasehold improvements	93,386	130,161
Furniture and equipment	25,318	40,206
Total	251,255	329,669
Less—Accumulated depreciation and amortization	(116,354)	(137,193)
Property-net	$ 134,901	$ 192,476

Buildings, leasehold improvements, and furniture and equipment are stated at cost, or in the case of buildings under capital leases, the present value of the future minimum lease payments, less accumulated depreciation and amortization. Buildings represent amounts recorded pursuant to capital

leases (Note 11), with the related obligations recorded as capital lease obligations. Such buildings are amortized on a straight-line basis over the estimated useful lives of the assets, which approximate 33 years. Leasehold improvements are capitalized and are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Depreciation of furniture and equipment is determined using estimated useful lives, generally between two to five years. Amortization expense on buildings and leasehold improvements of $16,113, $7,991, and $9,147 for the years ended December 31, 2001, 2002 and 2003, respectively, is included in premises and occupancy costs on the consolidated statements of income. Depreciation expense on furniture and equipment of $3,128, $4,165, and $4,847 for the years ended December 31, 2001, 2002 and 2003, respectively, is included in equipment costs on the consolidated statements of income. Repair and maintenance costs are expensed as incurred.

Goodwill—In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets with indefinite lives are no longer amortized, but instead are tested for impairment annually or more frequently if circumstances indicate impairment may have occurred. In connection with the implementation of SFAS No. 142, the Company was required to assess goodwill for impairment. It was determined that there was no impairment of goodwill at January 1, 2002. The Company has selected December 31 as the date to perform the annual impairment test. At December 31, 2002 and 2003, the Company compared the fair value of the reporting unit with its carrying amount including goodwill and determined that the fair value exceeded its carrying value. Therefore, the Company determined that no impairment existed. Prior to the adoption of SFAS No. 142 on January 1, 2002, the Company amortized goodwill over its estimated useful life. Annual amortization expense related to goodwill was $2,751 in 2001. Had the non-amortization provision of SFAS No. 142 been applied to 2001, the pro forma net income allocable to Members for the year ended December 31, 2001 would have been $308,528. Goodwill reflected on the consolidated statements of financial condition relates to the Financial Advisory business segment.

Minority Interest—Minority interest recorded on the consolidated financial statements as of December 31, 2002 and for the years ended December 31, 2001 and 2002, relates primarily to minority interests in various LAM-related general partnership interests. The Company consolidates various LAM related general partnership interests in which it controls but does not wholly own. As a result, the Company includes on its consolidated statements of income all of the general partnerships' net revenue with an appropriate minority interest expense.

As of December 31, 2003 and for the year then ended, minority interest principally relates to minority interests in (i) various LAM-related general partnership interests, (ii) the Company's business in Italy (Note 5) and (iii) LAM (Note 6).

Revenue Recognition

Investment Banking and Other Advisory Fees—Fees for mergers and acquisitions advisory services and financial restructuring advisory services are recorded when billed, which is generally the date the related transactions are consummated. Transaction related expenses, which are directly related to such transactions and billable to clients, are deferred to match revenue recognition. Investment banking and other advisory fees are presented net of transaction related expenses.

Money Management Fees—Money management fees are derived from fees for investment management and advisory services provided to institutional and private clients. Revenue is recorded on an accrual basis primarily based on the contractual investment advisory fee applied

to the level of client assets under management. Fees vary with the type of assets managed, with higher fees earned on actively managed equity assets, alternative investment (such as hedge funds) and merchant banking products, and lower fees earned on fixed income and money market products. The Company also earns performance-based incentive fees on some investment products, such as hedge funds and merchant banking funds. Incentive fees on hedge funds are generally recorded at the end of the year and are typically calculated based on a specified percentage of a fund's net appreciation during the year. Incentive fees on hedge funds are generally subject to loss carry-forward provisions in which losses incurred by the funds in any year are applied against future period net appreciation before any incentive fees can be earned. The Company makes merchant banking investments with its own capital, usually alongside capital of qualified institutional and individual investors. These activities typically are organized in funds that make investments in private or public companies, generally through privately negotiated transactions. With respect to merchant banking funds, the Company may also earn incentive fees in accordance with the terms of the funds' respective agreements. These fees are in the form of a carried interest which is calculated and earned when profits from the liquidation of the underlying investments of the fund exceed a specified threshold. Accordingly, revenue from merchant banking incentive fees are recorded when the underlying investments have been liquidated and the profit is realized. The impact of future underperformance by the merchant banking funds is that the Company's incentive fee revenue will decrease, investment advisory fees will be reduced since revenue is based on the value of assets under management, and the value of the Company's merchant banking investment will decline. Receivables relating to money management fees are reported in fees receivable on the consolidated statements of financial condition.

Commissions—Commissions charged for executing customer transactions are accrued on a trade date basis and are included in current period earnings.

Trading Gains and Losses—net—Changes in the fair value (i.e. unrealized gains and losses) of securities owned and securities sold, not yet purchased are recognized in trading gains and losses—net in the current period. Realized gains and losses and any related interest amounts are included in trading gains and losses—net and interest income and interest expense, respectively, depending on the nature of the instrument. Trading gains and losses are recorded on a trade date basis.

Underwriting—Underwriting revenue is accrued on a trade date basis and represents fees earned, net of estimated transaction related expenses, on primary offerings of debt and equity securities.

Soft Dollar Arrangements—The Company's Asset Management business obtains research and other services through "soft dollar" arrangements. Consistent with the "soft dollar" safe harbor established by Section 28(e) of the Securities Exchange Act of 1934, as amended, the Asset Management business does not have any contractual obligation or arrangement requiring it to pay for research and other services obtained through soft dollar arrangements with brokers. Instead, the broker is obligated to pay for the services. Consequently, the Company does not incur any liability and does not accrue any expenses in connection with any research or other services obtained by the Asset Management business pursuant to such soft dollar arrangements. If the use of soft dollars is limited or prohibited in the future by regulation, we may have to bear the costs of research and other services.

Income Taxes—The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of assets and liabilities. The Company operates in the United States as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. Accordingly, the Company's income is not subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S. the Company principally operates through subsidiary corporations and is subject to local income taxes. Income taxes shown on the Company's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to New York City Unincorporated Business Tax ("UBT") attributable to the Company's operations apportioned to New York City.

Net Income Allocable to Members—Payment for services rendered by the Company's managing directors, which, as a result of the Company operating as a limited liability company, historically has been accounted for as distributions from members' capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, the Company's operating income historically has not reflected payments for services rendered by its managing directors.

Reclassifications—Certain prior year amounts have been reclassified to conform to the manner of presentation in the current year.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Effective January 1, 2003, the Company adopted FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34.* FIN 45 requires certain disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of FIN 45 did not have a material impact on the Company's consolidated financial position or results of operations.

In December 2003, the Financial Accounting Standards Board ("FASB") issued FIN 46R, *Consolidation of Certain Variable Interest Entities —an interpretation of ARB No. 51,* that further clarifies FIN 46 which was issued on January 17, 2003. FIN 46R clarifies when an entity should consolidate a Variable Interest Entity ("VIE"), more commonly referred to as a special purpose entity or "SPE." A VIE is an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties, and may include many types of SPEs. FIN 46R requires that an entity shall consolidate a VIE if that entity has a variable interest that will absorb a majority of the VIE's expected losses if they occur, receive a majority of the VIE's expected residual returns if they occur, or both. FIN 46R does not apply to certain qualifying SPEs ("QSPEs"), the accounting for which is governed by Statement of Financial Accounting Standards ("SFAS") No. 140, *Accounting for Transfers and Servicing of Financing Assets and Extinguishments of Liabilities.* FIN 46R is effective for newly created VIEs beginning January 1, 2004 and for existing VIEs as of the first reporting period beginning after March 15, 2004.

Effective January 1, 2004, the Company adopted FIN 46R for VIEs created after December 31, 2003 and for VIEs in which the Company obtained an interest after December 31, 2003. The Company adopted FIN 46R in the second quarter of 2004 for VIEs in which it holds a variable interest that it acquired on or before December 31, 2003.

The Company is involved with various entities in the normal course of business that are VIEs and hold variable interests in such VIEs. Transactions associated with these entities primarily include investment management, real estate and private equity investments. Those VIEs for which the Company is the primary beneficiary were consolidated in the second quarter of 2004 in accordance with FIN 46R. Those VIEs include company sponsored venture capital investment vehicles established in connection with our compensation plans (Note 7).

The Company's merchant banking activities consist of making private equity, venture capital and real estate investments on behalf of customers. At December 31, 2002 and 2003, in connection with its merchant banking activities, the net assets of entities for which the Company has a significant variable interest was approximately $108,257 and $148,398, respectively. The Company's variable interests associated with these entities, primarily carried interests and management fees, were approximately $24,114 and $24,449 at such dates which represent the maximum exposure to loss, only if total assets declined 100% at December 31, 2002 and 2003. At June 30, 2004, the consolidated statement of financial condition included $22,557 of incremental assets relating to the consolidation of VIEs for such merchant banking activities in which the Company was deemed to be the primary beneficiary.

In connection with its Capital Markets and Other segment activities, the Company holds a significant variable interest in an entity with assets of $9,000 and liabilities of $17,000 at December 31, 2002 and with assets of $3,600 and liabilities of $15,800 at December 31, 2003. The Company's variable interests associated with this entity, primarily Paid-In-Kind ("PIK") notes, were approximately $17,000 and $15,800 at December 31, 2002 and 2003, respectively. As the noteholders have sole recourse only to the underlying assets, the Company has no exposure to loss at December 31, 2002 and 2003. Also, as the Company is not the primary beneficiary, the entity has not been consolidated.

In connection with its Asset Management business, the Company is the asset manager and holds significant variable interests in various hedge funds, where the aggregate net assets at December 31, 2002 and 2003 was approximately $5,887 and $8,222, respectively. The Company's maximum exposure to loss at December 31, 2002 and 2003 was $732 and $7,019, respectively. Such funds, to the extent they still existed, were consolidated because the Company was deemed to be the primary beneficiary upon the adoption of FIN 46R.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 clarifies the circumstances under which a contract with an initial investment meets the characteristics of a derivative under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 149 also amended other existing pronouncements to result in more consistent reporting of derivative contracts. This pronouncement is effective for all contracts entered into or modified after June 30, 2003. The Company adopted SFAS No. 149 as required, with no material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued the SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 requires that the issuer classify a financial instrument that is within its scope as a liability. The initial recognition of SFAS No. 150 applies

to financial instruments entered into or modified after May 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company's classification of mandatorily redeemable preferred stock (Note 10) is in accordance with SFAS No. 150.

In December 2003, the Company adopted the provisions of SFAS No. 132R, *Employers' Disclosure about Pensions and Other Post-Retirement Benefits*. The Statement requires additional disclosures to those in the original SFAS 132 about assets, obligations, cash flows and net periodic benefit costs of defined benefit pension plans and other defined benefit post-retirement plans.

In March 2004, the EITF reached a final consensus on Issue 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. EITF 03-1 requires that when the fair value of an investment security is less than its carrying value, an impairment exists for which the determination must be made as to whether the impairment is other-than-temporary. The EITF 03-1 impairment model applies to all investment securities accounted for under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* and to investment securities accounted for under the cost method to the extent an impairment indicator exists. Under the guidance, the determination of whether an impairment is other than temporary and therefore would result in a recognized loss depends on market conditions and management's intent and ability to hold the securities with unrealized losses. Subsequent to its issuance, the FASB deferred certain provisions of EITF 03-1, however the disclosure requirements remain effective. The adoption of EITF 03-1 will not have an impact on the Company's consolidated financial position or results of operations since the Company does not have any securities accounted for under SFAS No. 115.

4. TRADING ACTIVITIES AND RELATED RISKS

The Company's trading activities include providing securities brokerage and underwriting services. Trading activities are primarily related to proprietary positions taken by the Company based on expectations of future market movements and conditions as well as to facilitate client order flow.

Market Risk—Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity prices, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

The Company seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price, and spread movements of trading inventories and related financing and hedging activities. The Company uses a combination of cash instruments and derivatives to hedge its market exposure. The following discussion describes the types of market risk faced by the Company.

Interest Rate Risk—Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments, primarily the Company's securities owned and securities sold but not yet purchased. The Company typically uses U.S. Treasury securities to manage interest rate risk relating to interest bearing deposits of non-U.S. banking operations as well as certain non-U.S. securities owned. The Company often hedges its interest rate risk by using interest rate swaps and forward rate agreements. Interest rate swaps generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Forward rate agreements are contracts under which two counterparties agree on the interest to be paid on a notional deposit of a specified maturity at a specific future settlement date with no exchange of principal.

***Currency Risk*—**Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. The Company uses currency forwards and options to manage currency risk. Exchange rate contracts include cross-currency swaps and foreign exchange forwards. Currency swaps are agreements to exchange future payments in one currency for payments in another currency. These agreements are used to transform the assets or liabilities denominated in different currencies. Foreign exchange forwards are contracts for delayed delivery of currency at a specified future date.

***Equity Price Risk*—**Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities. The Company is subject to equity price risk primarily in securities owned and securities sold, not yet purchased, as well as for equity swap contracts entered into for trading purposes.

***Credit Risk*—**The Company is exposed to the risk of loss if an issuer or counterparty fails to perform its obligations under contractual terms and the collateral held, if any, is deemed insufficient or worthless. Both cash instruments and derivatives expose the Company to this type of credit risk. The Company has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Company executes, settles, and finances various customer securities transactions. Execution of securities transactions includes the purchase and sale of securities by the Company which may expose the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to other customers or counterparties. The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were acquired and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, the Company may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

***Concentrations of Credit Risk*—**The Company's exposure to credit risk associated with its trading and other activities is measured on the individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

At December 31, 2002 and 2003, the Company's most significant concentration of credit risk was with the U.S. Government and its agencies. This concentration consists of both direct and indirect exposures. Direct exposure primarily results from securities owned that are issued by the U.S. Government and its agencies. The Company's indirect exposure results from maintaining U.S. Government and agency securities as collateral for resale agreements and securities borrowed transactions. The Company's direct exposure on these transactions is with the counterparty; thus, the Company has credit exposure to the U.S. Government and its agencies only in the event of the counterparty's default.

(dollars in thousands, unless otherwise noted)

***Trading and Non-Trading Derivatives*—**The Company enters into forward foreign exchange contracts, interest rate swaps and other trading contracts for trading purposes and non-trading derivative contracts, including forward foreign exchange rate contracts, interest rate swaps, cross- currency interest rate swaps and other derivative contracts to hedge exposures to interest rate and currency fluctuations. These trading and non-trading contracts are recorded at their fair values on the statements of financial condition. The related gains and losses on trading contracts are included in "trading gains and losses—net" on the consolidated statements of income. The Company's hedging strategy is an integral part of its trading strategy, and therefore the related gains and losses on the Company's hedging activities are also recorded in "trading gains and losses—net" on the consolidated statements of income.

The table below presents the fair values of the Company's trading and non-trading derivatives as of December 31, 2002 and 2003:

	December 31,	
	2002	2003
Assets		
Trading Derivatives:		
Interest rate swap contracts	$ 531	$ 695
Exchange rate contracts	34	5
Total	$ 565	$ 700
Liabilities		
Non-Trading Derivatives:		
Interest rate swap contracts	$4,191	$3,222

***Off-Balance Sheet Risks*—**The Company may be exposed to a risk of loss not reflected on the consolidated financial statements for securities sold, not yet purchased, should the value of such securities rise.

For transactions in which the Company extends credit to others, the Company seeks to control the risks associated with these activities by requiring the counterparty to maintain margin collateral in compliance with various regulatory and internal guidelines. Counterparties include customers who are generally institutional investors and brokers and dealers that are members of major exchanges. The Company monitors required margin levels daily and, pursuant to such guidelines, requests counterparties to deposit additional collateral or reduce securities positions when necessary.

It is the Company's policy to take possession of securities purchased under agreements to resell. The Company monitors the market value of the assets acquired to ensure their adequacy as compared to the amount at which the securities will be subsequently resold, as specified in the respective agreements. The agreements provide that, where appropriate, the Company may require the delivery of additional collateral.

In connection with securities sold under agreements to repurchase, the Company monitors the market value of assets delivered to ensure that the collateral value is not excessive as compared to the amount at which the securities will be subsequently repurchased.

5. STRATEGIC ALLIANCE IN ITALY

In September 2002, the Company and Banca Intesa S.p.A. ("Intesa") announced their agreement to form a strategic alliance (the "Strategic Alliance"). Pursuant to the terms of the Strategic Alliance, effective January 2003, Intesa became a 40% partner in the Company's business in Italy ("Lazard Italy"), and the Company and Intesa agreed to work to grow the investment banking business in Italy. Lazard Italy is consolidated in the accompanying consolidated financial statements, with Intesa's 40% share recorded as minority interest.

The initial term of the Strategic Alliance ends December 31, 2007, and, unless terminated by either of the parties in connection with the end of any term, will automatically extend for additional five-year terms. Both the Company and Intesa have the right to terminate the Strategic Alliance arrangement at the end of each five-year term or at any other time should certain defined events occur, such as changes in control involving either party, transfers of either party's interest in Lazard Italy or the removal of the chairman of that business under certain circumstances.

In connection with the Strategic Alliance, Intesa became an economic partner of the Company through an aggregate financial investment of $300,000. The investments made by Intesa consist of (i) a March 2003 purchase from a subsidiary of the Company of a $150,000 Subordinated Convertible Promissory Note (the "Subordinated Convertible Note"), convertible into a contractual right that entitles the holder to receive payments that would be equivalent to those that a holder of a three percent equity goodwill interest (see Note 12) in the Company would be entitled to in certain fundamental events and (ii) $150,000 invested in Lazard Italy in June 2003, comprised of an investment of Euro then equal to $100,000 for 40% of the capital stock in Lazard Italy and the purchase of a $50,000 Subordinated Promissory Note issued by Lazard Italy (the "Subordinated Promissory Note"). The Subordinated Promissory Note has a scheduled maturity date in the year 2078 (subject to extension), with interest payable annually at the rate of 3.0% per annum. The Subordinated Convertible Note, which is guaranteed by the Company, has a scheduled maturity date in the year 2018 and has interest payable annually at a variable interest rate of not less than 3%, and not more than 3.25%, per annum (with such annual interest rate for the years ending March 2004 and March 2005 being 3.0%). Under certain circumstances, including a termination of the Strategic Alliance, the Subordinated Convertible Note and the Subordinated Promissory Note could be redeemed earlier than its stated maturity, and in connection with a termination of the Strategic Alliance, the Company has the obligation to repurchase Intesa's capital stock of Lazard Italy and the Subordinated Promissory Note, and may be obligated to redeem the Subordinated Convertible Note at face value. The proceeds from the sale of capital stock in Lazard Italy exceeded the underlying book value of the net assets purchased by Intesa by approximately $55,000. This amount has been deferred and included in "other liabilities" on the consolidated statement of financial condition as Lazard Italy could be required to repurchase such amount of capital stock held by Intesa in the event of a termination of the Strategic Alliance.

The Company has provided financial advisory services to Intesa.

6. FORMATION OF LAM

On January 1, 2003, in connection with the formation of our LAM subsidiary, certain Members of the Company (the managing directors of LAM) who provide services to LAM exchanged their Members' equity in the Company in the amount of $27,483 for a membership interest in LAM of a like amount. As a result, these managing directors ceased being Members of the Company and became exclusively Members of LAM. Following the formation of LAM, the Company continues to control, and

thereby consolidates, the operations of LAM with the membership interest held by the LAM managing directors as described below included in minority interest on the consolidated statement of financial condition.

Pursuant to the formation of LAM, the LAM managing directors also were granted equity units in LAM. In addition, certain other key LAM employees were granted equity units in LAM. The LAM equity units entitle holders to payments only in connection with selected fundamental transactions affecting the Company or LAM, including a dissolution or sale of all or substantially all of the assets of the Company or LAM, a merger of or sale of all of the interests in LAM whereby the Company ceases to own a majority of, or have the right to appoint a majority of the board of, LAM or a non-ordinary course sale of assets by LAM that exceeds $50,000 in value. As a general matter, in connection with a fundamental transaction that triggers the LAM equity units, the holders of the LAM equity units would be entitled in the aggregate to 21.75% of the net proceeds or imputed valuation of LAM in such a transaction after deductions for payment of creditors of LAM and the return of LAM capital, with the remaining 78.25% being retained by the Company. The LAM equity units are not entitled to share in the operating results of LAM. A separate class of interests in LAM is entitled to the ordinary profit and losses of LAM, all of which is owned by the Company. Accordingly, in the absence of a fundamental transaction that triggers the LAM equity units, all of LAM's net income is allocable to the Company. The equity units granted to LAM managing directors are a part of the LAM managing directors' membership interest in LAM, and, therefore, all transactions related to the equity units are treated as equity transactions among members. The equity units granted to LAM employees are considered to be compensation for financial accounting purposes. As a fundamental transaction has not yet been considered probable of occurrence, no compensation cost has been recognized to date. The Company has no current intention to cause or otherwise trigger a fundamental transaction that would give rise to payment obligations to the holders of interests in LAM.

Commencing in 2003, payments for services rendered by LAM managing directors and other key LAM employees were accounted for as minority interest expense on the consolidated statement of income. The substantial portion of such payments related to compensation of LAM managing directors, which, in prior years, had been accounted for as "distributions to Members" and, therefore, was not reported in prior years' consolidated statements of income. Such amounts were approximately $58,000 and $89,000 for the years ended December 31, 2001 and 2002, respectively. The remainder of such payments, which related to compensation of employee members of LAM, was recorded as employee compensation and benefits expense in prior years' consolidated statements of income.

On and after January 1, 2006, the board of directors of LAM (a majority of which are appointed by the Company) may, in its discretion, grant LAM equity interests that include profit rights to managing directors of, and other persons providing services to, LAM, as a portion of their ongoing compensation. If granted, these equity interests will be subject to specified vesting conditions with 50% of the equity interests vesting on the second anniversary of the date of issuance and the remaining 50% of the equity interests vesting on the third anniversary of the date of issuance.

7. EMPLOYEE BENEFIT PLANS

The Company, through its subsidiaries, provides certain retirement and other post-employment benefits to certain of its employees through defined contribution and defined benefit pension plans and other post-retirement benefit plans. The retirement and post-employment benefit plans costs incurred

for the years ended December 31, 2001, 2002 and 2003 are included in "employee compensation and benefits" on the accompanying consolidated statements of income. The Company has the right to amend or terminate its benefit plans at any time subject to the terms of such plans. Expenses incurred related to the defined benefit pension plans amounted to $1,977, $12,011 and $20,319 for the years ended December 31, 2001, 2002 and 2003, respectively. Expenses incurred related to the defined benefit pension plan supplement amounted to $516, $355 and $418 for the years ended December 31, 2001, 2002 and 2003, respectively. Expenses incurred related to the post-retirement health care plans amounted to $3,511, $3,848 and $5,007 for the years ended December 31, 2001, 2002 and 2003, respectively.

The Company also has an incentive compensation plan (the "Plan") pursuant to which amounts are invested in a Company sponsored investment vehicle for certain key employees. The Company records expenses for the Plan on the dates on which capital calls from such vehicle are funded. Costs related to the Plan for the years ended December 31, 2001, 2002 and 2003 amounted to approximately $5,000, $2,000 and $2,000, respectively, and are included in "employee compensation and benefits" on the accompanying consolidated statements of income. At December 31, 2003, the Company had remaining commitments of approximately $12,000 under the Plan.

LFNY Pension and Post-Retirement Benefits—LFNY has two non-contributory defined benefit pension plans—the Employees' Pension Plan ("EPP"), which provides benefits to substantially all employees based on certain averages of compensation, as defined, and the Employees' Pension Plan Supplement ("EPPS"), which provides benefits to certain employees whose compensation exceeds a defined threshold. It is LFNY's policy to fund EPP to meet the minimum funding standard as prescribed by the Employee Retirement Income Security Act of 1974 ("ERISA"). At December 31, 2002 and 2003, the pension plan assets were invested in a portfolio consisting primarily of equity and fixed-income mutual fund investments managed by LAM. EPPS is a non-qualified supplemental plan and was unfunded at December 31, 2003. LFNY utilizes the "projected unit credit" actuarial method for financial reporting purposes.

LFNY also has a non-funded contributory post-retirement medical plan (the "Medical Plan") covering substantially all of its employees. The Medical Plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after stated deductibles have been met. Participants become eligible for benefits if they retire from the Company after reaching age 62 and completing 10 years of service.

On December 14, 2004, LFNY announced amendments to its employee benefit plans (Note 18).

LCH Pension and Post-Retirement Benefits—LCH also has two defined benefit pension plans and, in addition, makes contributions to personal pension plans for certain individuals. Each of the defined benefit plans has had a valuation by independent actuaries at December 31, 2002 and 2003, using the "projected unit funding" method.

LCH has a non-funded post-retirement medical plan, which is provided, at LCH's discretion, to certain retired employees. The costs of private medical insurance are provided for these individuals, their spouses and eligible dependents.

In April 2004, LCH announced a plan to terminate its Post-Retirement Medical Plan (Note 18).

(dollars in thousands, unless otherwise noted)

The following table summarizes LFNY's and LCH's benefit obligations, the fair value of the assets and the funded status at December 31, 2002:

	Pension Plans	Pension Plan Supplement	Post-Retirement Medical Plans
Change in benefit obligation			
Benefit obligation at January 1, 2002	$316,706	$ 2,924	$ 33,231
Service cost	13,243	265	1,742
Interest cost	19,518	148	2,065
Plan participants' contributions			
Amendments	347	(347)	
Actuarial (gain) loss	27,529	(40)	299
Benefits paid	(25,729)	(587)	(975)
Foreign currency translation adjustment	32,870		2,263
Benefit obligation at December 31, 2002	384,484	2,363	38,625
Change in plan assets			
Fair value of plan assets at January 1, 2002	292,020		
Actual return (loss) on plan assets	(24,204)		
Employer contribution	24,341	587	975
Plan participants' contributions			
Benefits paid	(25,729)	(587)	(975)
Foreign currency translation adjustment	28,170		
Fair value of plan assets at December 31, 2002	294,598	—	—
Funded status	(89,886)	(2,363)	(38,625)
Unrecognized net transition (asset)/obligation	(128)		
Unrecognized net prior service cost	(3,588)	887	
Unrecognized net actuarial (gain)/loss	98,428	(436)	4,041
Prepaid (accrued) benefit cost recognized on the consolidated statement of financial condition	$ 4,826	$ (1,912)	$(34,584)
Amounts recognized on the consolidated statement of financial condition consist of:			
Prepaid benefit cost (included in "other assets")	$ 11,879		
Intangible asset (included in "other assets")	803		
Accrued benefit liability (included in "other liabilities")	(16,311)	$ (1,912)	$(34,584)
Accumulated other comprehensive loss	8,455		
Net amount recognized	$ 4,826	$ (1,912)	$(34,584)
Weighted-average assumptions at December 31, 2002:			
Discount rate	5.8%	6.5%	5.9%
Expected long-term return on plan assets	7.1%	N/A	N/A
Rate of compensation increase	3.5 - 7.0%	7.0%	N/A

As of December 31, 2002, the fair value of plan assets and the accumulated benefit obligation within the LFNY plan was $26,580 and $26,558, respectively, and the fair value of plan assets and the accumulated benefit obligation within the LCH plan was $268,018 and $275,710, respectively.

(dollars in thousands, unless otherwise noted)

The following table summarizes LFNY's and LCH's benefit obligations, the fair value of the assets and the funded status at December 31, 2003:

	Pension Plans	Pension Plan Supplement	Post-Retirement Medical Plans
Change in benefit obligation			
Benefit obligation at January 1, 2003	$ 384,484	$ 2,363	$ 38,625
Service cost	14,692	246	2,233
Interest cost	22,295	121	2,324
Plan participants' contributions			
Amendments	1,723	(88)	
Actuarial gain	(3,955)	(23)	(620)
Benefits paid	(17,750)	(333)	(1,322)
Curtailment gain	(1,482)		
Foreign currency translation adjustment	39,662		2,613
Benefit obligation at December 31, 2003	439,669	2,286	43,853
Change in plan assets			
Fair value of plan assets at January 1, 2003	294,598		
Actual return on plan assets	36,748		
Employer contribution	25,294	333	1,322
Plan participants' contributions			
Benefits paid	(17,750)	(333)	(1,322)
Foreign currency translation adjustment	32,494		
Fair value of plan assets at December 31, 2003	371,384	—	—
Funded status	(68,285)	(2,286)	(43,853)
Unrecognized net transition (asset)/obligation	(115)		
Unrecognized net prior service cost	(2,185)	712	
Unrecognized net actuarial (gain)/loss	80,141	(423)	2,932
Prepaid (accrued) benefit cost recognized on the consolidated statement of financial condition	$ 9,556	$ (1,997)	$ (40,921)
Amounts recognized on the consolidated statement of financial condition consist of:			
Prepaid benefit cost (included in "other assets")	$ 11,857		
Accrued benefit liability (included in "other liabilities")	(16,743)	$ (1,997)	$ (40,921)
Accumulated other comprehensive loss	14,442		
Net amount recognized	$ 9,556	$ (1,997)	$ (40,921)
Weighted-average assumptions used to determine benefit obligations at December 31, 2003:			
Discount rate	5.6%	6.3%	5.8%
Rate of annual compensation increase	3.8% - 6.3%	5.5%	N/A
Weighted-average assumptions used to determine net periodic benefit cost for year ended December 31, 2003:			
Discount rate	5.6%	6.5%	6.0%
Expected long-term return on plan assets	7.4%	N/A	N/A
Rate of annual compensation increase	3.8% - 6.3%	5.5%	N/A

(dollars in thousands, unless otherwise noted)

As of December 31, 2003, the fair value of plan assets and the accumulated benefit obligation within the LFNY plan was $31,178 and $30,373, respectively, and the fair value of plan assets and the accumulated benefit obligation within the LCH plan was $340,206 and $346,767, respectively.

In selecting the expected long-term rate of return on plan assets, the Company considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. The expected long-term rate of return on plan assets is based on expected returns on different asset classes held by the plan in light of prevailing economic conditions as well as historic returns. This included considering the trusts' asset allocation and the expected returns likely to be earned over the life of the plan. This basis is consistent with the prior year.

For measurement purposes, a 9.6% and 8.8% annual rate of increase in the per capita cost of covered health care benefits was assumed for the computation of the December 31, 2002 and 2003 benefit obligations, respectively. The rate was assumed to decrease gradually to 6.6% through 2006 and remain at that level thereafter.

The assumed cost of healthcare has an effect on the amounts reported for the firm's post-retirement plans. A 1% change in the assumed healthcare cost trend rate would have the following effects:

	1% Increase		1% Decrease	
	2002	2003	2002	2003
Cost	$1,189	$ 1,322	$ (865)	$ (968)
Obligation	9,464	10,586	(7,208)	(8,072)

(dollars in thousands, unless otherwise noted)

The following table summarizes the components of benefit costs, return on plan assets, benefits paid and contributions for the years ended December 31, 2001, 2002 and 2003 for LFNY and LCH:

	Pension Plans	Pension Plan Supplement	Post-Retirement Medical Plans
Year Ended December 31, 2001			
Components of net periodic benefit costs:			
Service cost	$ 14,923	$ 292	$ 1,404
Interest cost	17,801	158	1,834
Expected return on plan assets	(24,660)		
Amortization of transition (asset)/obligation	(72)		
Amortization of net:			
Prior service cost	(294)	130	
Recognized actuarial (gain) loss	(435)	(64)	273
Net periodic benefit cost	7,263	516	3,511
Settlements (Curtailments)	(5,286)		
Total benefit cost	$ 1,977	$ 516	$ 3,511
Actual return on plan assets	$(23,365)		
Employer contribution	5,494	$ 206	$ 649
Plan participants' contributions			50
Benefits paid	16,838	206	699
Year Ended December 31, 2002			
Components of net periodic benefit costs:			
Service cost	$ 13,243	$ 265	$ 1,742
Interest cost	19,518	148	2,065
Expected return on plan assets	(22,950)		
Amortization of transition (asset)/obligation	(63)		
Amortization of net:			
Prior service cost	(301)	96	
Recognized actuarial (gain) loss	387	(46)	41
Net periodic benefit cost	9,834	463	3,848
Settlements	2,177	(108)	
Total benefit cost	$ 12,011	$ 355	$ 3,848
Actual return on plan assets	$(24,204)		
Employer contribution	24,341	$ 587	$ 975
Plan participants' contributions			
Benefits paid	25,729	587	975
Year Ended December 31, 2003			
Components of net periodic benefit costs:			
Service cost	$ 14,692	$ 246	$ 2,233
Interest cost	22,295	121	2,324
Expected return on plan assets	(20,930)		
Amortization of transition (asset)/obligation	(13)		
Amortization of net:			
Prior service cost	(240)	87	
Recognized actuarial (gain) loss	4,515	(36)	450
Net periodic benefit cost	20,319	418	5,007
Settlements			
Total benefit cost	$ 20,319	$ 418	$ 5,007
Actual return on plan assets	$ 36,749		
Employer contribution	25,294	$ 333	$ 1,285
Plan participants' contributions			37
Benefits paid	17,750	333	1,322

(dollars in thousands, unless otherwise noted)

***Plan Assets*—**The Company's pension plan weighted-average asset allocations at December 31, 2002 and December 31, 2003 by asset category are as follows:

	Plan Assets at December 31	
	2002	2003
Asset Category		
Equity Securities	55%	53%
Debt Securities	35	38
Other	10	9
Total	100%	100%

The "Other" asset category includes cash, annuities and accrued dividends.

***Investment Policies and Strategies—The Company's Employees' Pension Trust*—**The primary investment goal is to ensure that the plan remains well funded, taking account of the likely future risks to investment returns and contributions. As a result, a portfolio of assets is maintained with appropriate liquidity and diversification that can be expected to generate long-term future returns that minimize the long-term costs of the pension plan without exposing the trust to an unacceptable risk of under funding. The Company's likely future ability to pay such contributions as are required to maintain the funded status of the plan over a reasonable time period is considered when determining the level of risk that is appropriate.

Cash Flows

***Employer Contributions*—**The Company is expected to make a pension contribution during year 2004 in the amount of $16,000.

***Employee Contributions*—**Employee pension contributions are neither required nor allowed.

***LFNY Defined Contribution Plan*—**LFNY sponsors a defined contribution plan, which covers substantially all of its employees. LFNY does not match employee contributions to the plan. LFNY also sponsors a profit sharing plan, which covers eligible Managing Directors of LFNY who are also Members of the Company. LFNY makes contributions to the profit sharing plan from funds that would have otherwise been distributable profits. As such, contributions to the profit sharing plan are included in "distributions and withdrawals to Members" on the consolidated statement of changes in Members' equity.

8. BORROWINGS AND INDEBTEDNESS

***Notes Payable*—**The Company's principal notes payable at December 31, 2002 and 2003 are described below:

In May 2001, the Company issued $50,000 of Senior Notes due 2011 (the "Notes"). The Notes, which are unsecured obligations, bear interest at an annual rate of 7.53%. Under certain circumstances the interest rate could be increased to 8.03% if a rating downgrade were to occur, with the interest rate returning to 7.53% if a rating upgrade were to occur subsequent to a rating downgrade. A rating downgrade would be deemed to have occurred if the rating most recently

(dollars in thousands, unless otherwise noted)

assigned to the Notes by a designated rating agency is below "Investment Grade." If, at any time after a rating downgrade has occurred the Notes are assigned a rating of at least "Investment Grade" by a designated rating agency, a rating upgrade would have been deemed to have occurred. The Notes are redeemable from time to time in whole or in part at the option of the Company, with payment of a make-whole amount, and the Company is required to offer to redeem the Notes upon a change of control. The proceeds from the Notes were used for general corporate purposes.

The remaining balance at December 31, 2002 and 2003 is comprised of overdrafts of $23,579 and $3,512, respectively, and borrowings under credit arrangements of approximately $5,610 and $4,399, respectively, at various interest rates ranging from approximately 7.0% to 8.6% per year, with maturities ranging from 2003 to 2007. Of such arrangements, $5,600 and $3,067 at December 31, 2002 and 2003, respectively, relates to a non-recourse term loan, which is collateralized solely by certain fixed assets and leasehold improvements of an equal amount.

The carrying value of borrowings described above approximates fair value.

***Subordinated Loans*—**Subordinated loans outstanding at December 31, 2002 amounted to $2,367, at a 6% annual interest rate, and were repaid in 2003. Subordinated loans at December 31, 2003 amounted to $200,000 and consist of amounts due to Intesa in connection with the Strategic Alliance transaction in Italy (Note 5).

LFNY can borrow up to $150,000 of subordinated debt under a Revolving Credit Agreement, which, based on an approval obtained from LFNY's regulators, qualifies as additional net capital. The interest rate on such borrowings is based upon the prevailing market rate on the dates issued. There were no borrowings outstanding under this agreement as of December 31, 2002 and 2003.

Debt maturities relating to notes payable and subordinated loans outstanding at December 31, 2003 for the five years in the period ending December 31, 2008 and thereafter are set forth below:

Year Ending December 31	Amount
2004	$ 4,829
2005	—
2006	—
2007	3,067
2008	—
Thereafter	250,015
	$ 257,911

In regard to notes payable and subordinated loans, as of December 31, 2003, the Company is in compliance with all obligations under its various borrowing arrangements.

Also see Note 10 below regarding the Company's mandatorily redeemable preferred stock.

9. OTHER ASSETS AND OTHER LIABILITIES

Other assets, at December 31, 2002 and 2003, include primarily prepaid pension assets, current and deferred tax assets, deferred expenses, advances and prepayments and deposits.

Other liabilities, at December 31, 2002 and 2003, include primarily pension and post-retirement medical plan liabilities, deferred income, current and deferred tax liabilities, deferred compensation, liability for certain operating lease commitments (Note 11), accrued expenses and other payables.

No individual amount within other assets or other liabilities was greater than 5% of total assets or total liabilities.

10. MANDATORILY REDEEMABLE PREFERRED STOCK

In 2001, the Company issued mandatorily redeemable preferred stock ("Class C Preferred Interests") for an aggregate amount of $100,000. The Class C Preferred Interests are subject to mandatory redemption by the Company in March 2011 and, prior to such date, are redeemable in whole or in part, at the Company's option. The Class C Preferred Interests are entitled to receive distributions out of the profits of the Company at a rate of 8% per annum, which distributions must be paid prior to any distributions of profits to holders of any other existing class of interests in the Company. Unpaid distributions on the Class C Preferred Interests accrue but are not compounded. Upon liquidation of the Company, the Class C Preferred Interests rank senior to Members' equity. Interest on mandatorily redeemable preferred stock for the years ended December 31, 2001, 2002 and 2003 of $6,312, $8,000 and $8,000, respectively, is included in "interest expense" on the accompanying consolidated statements of income.

11. COMMITMENTS AND CONTINGENCIES

Leases—The Company leases office space under non-cancelable lease agreements, which expire on various dates through 2022.

Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord. Included in "premises and occupancy costs" on the consolidated statements of income for the years ended December 31, 2001, 2002 and 2003 is $34,472, $39,520 and $48,503, respectively, of rental expense relating to operating leases. The Company subleases office space under agreements, which expire on various dates through March 2013. Sublease income from such agreements was $336, $2,208 and $3,041 for the years ended December 31, 2001, 2002 and 2003, respectively.

In June 2002, the Company determined that it would no longer utilize certain operating leases in the U.K., which were abandoned in April 2003. In accordance with EITF 88-10, *Costs Associated with Lease Modification or Termination*, the Company has recorded a liability for operating lease commitments, which expire in 2008, that will continue to be incurred for the remaining term of the lease without substantive future use or benefit to the Company. The liability is based on the discounted future commitment net of expected sublease income. The liability approximated $25,000 and $39,000 at December 31, 2002 and 2003, respectively, and is included in "other liabilities" on the consolidated statements of financial condition. Approximately $25,000 was recorded as premises and occupancy costs on the consolidated statements of income for the year ended December 31, 2002. During the year ended December 31, 2003, due to the deterioration in the market for rentals relating to the abandoned lease and the resulting reduction in the expected sublease income, the Company recorded $16,000 as premises and occupancy costs on the consolidated statements of income for the year ended December 31, 2003.

(dollars in thousands, unless otherwise noted)

Capital lease obligations recorded under sale/leaseback transactions are payable through 2017 at a weighted average interest rate of approximately 6.2%. Such obligations are collateralized by certain assets with a net book value of approximately $94,302 and $109,400 at December 31, 2002 and 2003, respectively. The carrying value of capital lease obligations approximates fair value.

At December 31, 2003, minimum rental commitments under non-cancelable leases, net of sublease income, are approximately as follows:

	Minimum Rental Commitments	
Year Ending December 31	Capital	Operating
2004	$ 18,345	$ 44,451
2005	25,789	42,431
2006	2,671	40,720
2007	2,671	38,881
2008	2,671	38,198
Thereafter	29,009	315,627
Total minimum lease payments	81,156	$ 520,308
Less amount representing interest	18,989	
Present value of capital lease commitments	$ 62,167	

Other Commitments—At December 31, 2003, the Company has commitments for capital contributions of approximately $15,012 to Company-sponsored investment funds through 2006 (including $12,000 in connection with our compensation plans – see Note 7) and for guaranteed compensation arrangements with advisors aggregating $3,036 through 2004. In addition, the Company has agreements relating to future minimum distributions to certain Members or compensation to certain employees of $186,223 and $19,249, respectively, through 2008 incurred for the purpose of recruiting and retaining these senior professionals. The future minimum distributions relating to Members and employees is $152,008, $29,181, $23,611, $336 and $336 for the years ending December 31, 2004, 2005, 2006, 2007 and 2008, respectively. Such agreements are cancelable under certain circumstances. Payments to Members relating to these commitments have been accounted for as distributions from Members' capital. Amounts relating to employees have been reflected as "employee compensation and benefits," in the period such expenses are incurred.

The Company has various other contractual commitments arising in the ordinary course of business. In the opinion of management, the consummation of such commitments will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Legal—The Company's businesses, as well as the financial services industry generally, are subject to extensive regulation throughout the world. The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Management believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on its financial condition but might be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

12. MEMBERS' EQUITY

Pursuant to the Company's Operating Agreement, the Company allocates and distributes to its Members a substantial portion of its distributable profits in three monthly installments, as soon as practicable after the end of each fiscal year. Such installment distributions usually begin in February. In addition, other periodic distributions to Members include, as applicable, capital withdrawals, fixed return on Members' equity and income tax advances made on behalf of Members. Fixed return on Members' equity includes (i) a fixed rate on Class C Preferred Interests of 8% per annum, (ii) a defined annual rate of return at the broker's call rate for undistributed payments for services rendered, and (iii) a fixed rate of return of 6% per annum on all other capital excluding certain preferences of Members, as agreed to by all Members. The return on Class C Preferred Interests has been reflected in the consolidated statements of income as interest expense (see Note 10). The returns on capital (which, exclusive of the interest on mandatorily redeemable preferred stock, aggregated $23,781, $19,677 and $22,061 for the years ended December 31, 2001, 2002 and 2003, respectively) have been reflected as distributions of Members' equity on the accompanying consolidated statements of changes in Members' equity.

In addition, Members of the Company (other than in respect of their Class C Preferred Interests) are also generally entitled to participate in goodwill of the Company. The right to participate in goodwill represents the right to share (after payments or reserve for existing preferences of creditors, holders of the Class C Preferred Interests and the capital or capital equivalents of the Members) in the net proceeds of fundamental corporate events, such as a sale of all or substantially all of the assets of the Company or a disposition of a line of business. At December 31, 2003, the aggregate preferences of Members exceeds the amount shown on the accompanying consolidated statement of financial condition as Members' equity by approximately $410,000. This amount consists of (i) amounts allocated to the historical partners in respect of the revaluation of the Company's business as a result of the formation of the predecessor entity to Lazard Group in 1984, (ii) amounts allocated to Members in fiscal years 2002 and 2003 to reflect the value of additional intangibles not previously recognized in the capital accounts of Lazard Group prior to such years and (iii) the cumulative effect of other charges to Members' equity (such as minimum pension liability adjustments) that were not charged to individual Members' capital accounts. These aggregate preferences, when added together with Members' equity as shown on the accompanying consolidated statement of financial condition, equal the total amount of capital associated with the historical partner interest and working member interests.

13. 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 alternative method permitted by this rule, the minimum required net capital, as defined, is 2% of aggregate debit items arising from customer transactions or $1,500, whichever is greater. LFNY's net capital at December 2001, 2002 and 2003 was $47,932, $74,875 and $146,761, respectively, which exceeded the minimum requirement by $46,432, $73,375 and $145,261, respectively.

Four U.K. subsidiaries of the Company, LCL, Lazard Brothers & Co., Limited, Lazard Fund Managers Limited and Lazard Asset Management Limited (the "UK Subsidiaries") are regulated by the Financial Services Authority ("FSA"). At December 31, 2001, 2002 and 2003, the U.K. subsidiaries had consolidated regulatory net capital of $150,760, $308,515 and $297,615, respectively, which exceeded the minimum requirement by approximately $117,300, $170,083 and $195,740, respectively.

(dollars in thousands, unless otherwise noted)

The Financial Advisory activities of Lazard Frères SAS ("LF") and its wholly-owned subsidiaries, including LFB, are authorized by the Comité des Etablissements de Crédit et des Entreprises d'Investissement and are regulated by the Comité de la Réglementation Bancaire et Financière. Supervision is exercised by the Commission Bancaire, which is responsible, in liaison with the Banque de France, for ensuring compliance with the regulations. In this context LF has the status of a bank holding company ("Compagnie Financière") and LFB is a registered bank ("Etablissement de Crédit"). In addition, the investment services activities of the Paris group, exercised through LFB and other subsidiaries, primarily LFG (asset management) and Fonds Partenaires Gestion (private equity, merchant banking), are subject to regulation and supervision by the Autorité des Marchés Financiers. At December 31, 2001, 2002 and 2003, the consolidated regulatory net capital of LF was $78,700, $94,300 and $137,800, respectively, which exceeded the minimum requirement set for regulatory capital levels by approximately $13,900, $17,600 and $45,000, respectively.

Certain other U.S. and non-U.S. subsidiaries are subject to various other capital adequacy requirements promulgated by various regulatory and exchange authorities in the countries in which they operate. At December 31, 2001, 2002, and 2003, aggregate net capital of those subsidiaries were $54,629, $29,816 and $38,707, respectively, which exceeded the minimum required capital by $18,180, $20,562 and $24,179, respectively.

14. INCOME TAXES

Income taxes reflected on the consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to New York City Unincorporated Business Tax ("UBT") attributable to the Company's operations apportioned to New York City.

The provisions for income taxes for the years ended December 31, 2001, 2002 and 2003 consists of:

	2001	2002	2003
Current expense:			
Foreign	$58,319	$43,018	$33,505
U.S. (UBT)	2,496	2,421	5,070
Total current	60,815	45,439	38,575
Deferred expense (benefit):			
Foreign	(9,466)	(6,856)	5,846
Total deferred	(9,466)	(6,856)	5,846
Total	$51,349	$38,583	$44,421

UBT attributable to certain Member distributions has been reimbursed by the Members under an agreement with the Company.

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective tax rates is set forth below:

	2001	2002	2003
U.S federal statutory income tax rate	35.0%	35.0%	35.0%
Rate benefit for U.S. partnership operations	(35.0)	(35.0)	(35.0)
Impact of Foreign operations	13.6	9.6	10.1
State and local (UBT)—net	0.7	0.7	1.3
Effective Income Tax Rate	14.3%	10.3%	11.4%

(dollars in thousands, unless otherwise noted)

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. Such temporary differences are reflected in deferred tax assets and liabilities and are included in "other assets" and "other liabilities," respectively, on the consolidated statements of financial condition.

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. 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. At December 31, 2002 and 2003 deferred tax assets of $23,833 and $60,278, respectively, have been offset by a valuation allowance primarily due to the uncertainty of realizing the benefit of certain foreign net operating loss carryforwards. Considering the cumulative recent historical losses incurred in the U.K., there is uncertainty related to the potential for future taxable profits to be recognized in the U.K., and there are various limitations under U.K. tax law applied to carryforward losses. Therefore, management has determined that it is more likely than not that such assets will not be realized. As of December 31, 2003, the Company's foreign subsidiaries have net operating loss carryforwards of approximately $160,000, which may be carried forward indefinitely, subject to various limitations on use which affect the ability to apply such loss carryforwards to future taxable profits.

Significant components of the Company's deferred tax assets and deferred tax liabilities at December 31, 2002 and 2003 are as follows:

	2002	2003
Deferred Tax Assets:		
Compensation and benefits	$ 1,411	$ 2,483
Pensions	8,577	7,411
Depreciation and amortization	3,324	878
Other	1,684	1,669
Net operating loss carryforwards	14,389	47,837
Gross deferred tax assets	29,385	60,278
Valuation allowance	(23,833)	(60,278)
Total deferred tax assets (net of valuation allowance)	$ 5,552	$ —
Deferred Tax Liabilities:		
Compensation and benefits	$ 1,265	$ 1,085
Unrealized gains on long-term investments	6,468	4,924
Depreciation and amortization	10,573	15,760
Total deferred tax liabilities	$ 18,306	$ 21,769

15. SEGMENT OPERATING RESULTS

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. In reporting to management, the Company's business results are categorized into the following three segments: Financial Advisory, Asset Management and Capital Markets and Other. Financial Advisory includes providing advice on mergers, acquisitions, restructurings and other financial matters. Asset Management includes the management of equity and fixed income securities and merchant banking funds. Capital Markets and Other consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities. In addition, the Company records selected other activities in Corporate, including cash and marketable investments, certain long-term investments, and LFB. LFB is a registered bank regulated by the Banque de France. LFB's primary operations include commercial banking, the management of the treasury positions of Lazard's Paris House through its money market desk and, to a lesser extent, credit activities relating to securing loans granted to clients of LFG and custodial oversight over assets of various clients. In addition, LFB also operates many support functions of the Paris House. The Company also allocates outstanding indebtedness to Corporate.

The accounting policies of the segments are consistent with those described in the summary of significant accounting policies in Note 2.

The Company's segment information for the years ended December 31, 2001, 2002 and 2003 is prepared using the following methodology:

- Revenues 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.
- 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 trading gains and losses, 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) employee compensation and benefits expenses that are incurred directly in support of the businesses and (ii) other operating expenses which include directly incurred expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment, 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.

The Company evaluates segment results based on net revenue and operating income.

There were no clients for the years ended December 31, 2001, 2002 and 2003 that individually constituted more than 10% of total revenue.

(dollars in thousands, unless otherwise noted)

Management believes that the following information provides a reasonable representation of each segment's contribution to net revenue, operating expenses, operating income and total assets:

		As Of Or For The Year Ended December 31,		
		2001	2002	2003
Financial Advisory	Net Revenue	$ 551,356	$ 532,896	$ 690,967
	Operating Expenses (a)	312,603	330,802	380,250
	Operating Income	$ 238,753	$ 202,094	$ 310,717
	Total Assets	$ 207,725	$ 200,236	$ 320,387
Asset Management	Net Revenue	$ 410,237	$ 454,683	$ 350,348
	Operating Expenses (a)	261,896	298,617	246,188
	Operating Income	$ 148,341	$ 156,066	$ 104,160
	Total Assets	$ 201,036	$ 261,970	$ 207,004
Capital Markets and Other	Net Revenue	$ 224,854	$ 183,468	$ 135,569
	Operating Expenses (a)	221,598	162,930	179,251
	Operating Income (Loss)	$ 3,256	$ 20,538	$ (43,682)
	Total Assets	$ 2,453,782	$ 1,157,076	$ 1,550,287
Corporate	Net Revenue	$ (14,392)	$ (4,768)	$ 6,500
	Operating Expenses (a)	16,996	(2,115)	(11,659)
	Operating Income (Loss)	$ (31,388)	$ (2,653)	$ 18,159
	Total Assets	$ 706,819	$ 841,443	$ 1,179,551
Total	Net Revenue	$ 1,172,055	$ 1,166,279	$ 1,183,384
	Operating Expenses (a)	813,093	790,234	794,030
	Operating Income	$ 358,962	$ 376,045	$ 389,354
	Total Assets	$ 3,569,362	$ 2,460,725	$ 3,257,229

(a) Operating expenses include depreciation and amortization (including goodwill for 2001 only in the amount of $2,751 which relates to the Financial Advisory segment) as set forth in table below.

	Year Ended December 31,		
	2001	2002	2003
Financial Advisory	$ 4,881	$ 4,138	$ 5,686
Asset Management	2,611	4,475	1,638
Capital Markets and Other	13,031	434	2,082
Corporate	1,469	3,109	4,588
Total	$21,992	$12,156	$13,994

(dollars in thousands, unless otherwise noted)

Geographic Information

Due to the highly integrated nature of international financial markets, the Company manages its business based on the profitability of the enterprise as a whole. The Company's revenue and identifiable assets are generally allocated based on the country or domicile of the legal entity providing the service.

The following table sets forth the net revenue and identifiable assets of the Company and its consolidated subsidiaries by geographic region allocated on the basis described above.

	As Of Or For The Year Ended December 31,		
	2001	2002	2003
Net Revenue:			
North America	$ 578,823	$ 652,090	$ 675,223
United Kingdom	278,035	189,426	136,599
France	168,443	169,053	164,669
Other Western Europe	111,275	118,567	178,424
Rest of World	35,479	37,143	28,469
Total	$ 1,172,055	$ 1,166,279	$ 1,183,384
Identifiable Assets:			
North America	$ 2,204,891	$ 1,085,657	$ 1,763,544
United Kingdom	499,698	358,212	330,461
France	747,776	874,818	942,930
Other Western Europe	88,163	119,416	194,250
Rest of World	28,834	22,622	26,044
Total	$ 3,569,362	$ 2,460,725	$ 3,257,229

(dollars in thousands, unless otherwise noted)

16. CLOSURE OF LONDON MONEY MARKETS BUSINESS

In the second quarter of 2001, the Company exited its London money markets business and commenced the liquidation of existing money markets positions. Such liquidation was substantially complete as of December 31, 2001. Since the London money markets operation was not a separate segment as defined within Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, the Company did not report the London money markets business as a discontinued operation within the consolidated statements of income.

The following details the total assets and total liabilities of the London money markets business at December 31, 2000.

Securities purchased under agreements to resell	$ 5,925,654
Securities owned, at fair value and swaps and other contractual agreements	5,373,229
Receivables	807,134
Other investments and other assets	119,224
Total assets	$ 12,225,241
Securities sold under agreements to repurchase	$ 7,344,739
Securities sold, not yet purchased, at fair value and swaps and other contractual agreements	1,620,499
Payables	3,101,118
Payables to affiliates and other liabilities	41,480
Total liabilities	$ 12,107,836

The following details the net revenue and net income of the London money markets business for the year ended December 31, 2001 included in the consolidated statement of income:

Net revenue	$ 37,393
Net income	7,928

Included in the net income amount in the table above are related closure costs of approximately $11,500, of which approximately $10,000 relates to severance of the former employees. The severance of the former employees was substantially complete by December 31, 2001.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Company's assets and liabilities are recorded at fair value or at amounts that approximate fair value. Such assets and liabilities include: cash and cash equivalents, cash and securities segregated for regulatory purposes, marketable investments and long-term investments, securities purchased under agreements to resell and securities sold under agreements to repurchase, securities owned and securities sold, not yet purchased, swaps and other contractual agreements, receivables and payables, and other short-term borrowings and payables (also see discussion in Note 2).

The fair value of certain of the Company's other assets and liabilities are disclosed below.

Subordinated Loans—The Company's subordinated loans are recorded at historical amounts. The fair value of the Company's subordinated loans was estimated using a discounted cash flow analysis based on the Company's current borrowing rates for similar types of borrowing arrangements. At December 31, 2003, the carrying value of the Company's subordinated loans approximated fair value.

Mandatorily Redeemable Preferred Stock—The Company's mandatorily redeemable preferred stock is recorded at $100,000 which approximates fair value. The fair value was estimated using a discounted cash flow analysis based on the Company's current borrowing rates for similar types of borrowing arrangements and the Company's ability to redeem the preferred stock at its option. At December 31, 2002 and 2003, the estimated fair value of the Company's mandatorily redeemable preferred stock approximated the carrying value.

18. SUBSEQUENT EVENTS

Panmure Gordon—In January 2004, a subsidiary of the Company acquired certain assets, net of certain liabilities, of West LB Panmure Limited, an unrelated entity in the U.K. Subsequent to the acquisition, the acquired business became part of the Company's Capital Markets and Other segment, operating as Panmure Gordon, a division of LCL. Panmure Gordon provides clients with corporate finance advisory services, corporate broking capabilities and equity sales and trading. The total purchase price allocated to the net assets of the business acquired was $1,580 related to legal costs incurred to complete the transaction. The fair value of the net assets acquired over the purchase price of those net assets amounted to $5,658. In accordance with SFAS No. 141, *Business Combinations*, the Company recognized an extraordinary gain of $5,507 after reducing long-lived assets principally representing property to $0.

Termination of LCH's Post-Retirement Medical Plan—In April 2004, LCH announced a plan to terminate its Post-Retirement Medical Plan. As a result of such action, benefits available to eligible active employees and retirees will cease on February 28, 2007. In accordance with SFAS No. 106, *Employers' Accounting for Post-Retirement Benefits Other Than Pensions*, the Company is recognizing the effect of such termination, which resulted in a reduction in the Company's accumulated post-retirement benefit obligation of approximately $24,000, the effect of which is expected to reduce employee compensation and benefits expense by approximately $4,500, $9,000, $9,000 and $1,500 for the years ending December 31, 2004, 2005, 2006 and 2007, respectively.

Amendments to LFNY Employee Benefit Plans—On December 14, 2004, LFNY announced the following amendments to its defined benefit pension plan, defined benefit pension plan supplement, defined contribution plan and post-retirement medical plan, all of which will be implemented subsequent to December 31, 2004:

- ***LFNY Defined Benefit Pension Plan and Pension Plan Supplement—***Effective as of January 31, 2005, the LFNY Employees' Pension Plan and the Employees' Pension Plan Supplement will be amended to cease future benefit accruals and future participation. As a result of such amendment, active participants will continue to receive credit for service completed after January 31, 2005 for purposes of vesting, however, future service will not count for purposes of future benefit accruals under the plans. Vested benefits for active participants as of January 31, 2005 will be retained.
- ***LFNY Defined Contribution Plan—***Effective January 1, 2005, the LFNY Defined Contribution Plan (the "401(k) Plan") will be amended to implement an employer match to participant pre-tax contributions. LFNY will match 100% of pre-tax contributions, excluding catch-up contributions,

to the 401(k) Plan up to 4% of eligible compensation. Participants will be 100% vested in all employer-matching contributions after three years of service. Any service accrued prior to January 1, 2005 will count toward this three-year vesting requirement.

- ***LFNY Post-Retirement Medical Plan—***Effective December 31, 2005, post-retirement health care benefits will no longer be offered to those Members and employees hired on or after the effective date and for those Members and employees hired before the effective date who attain the age of 40 after December 31, 2005. In addition, effective January 1, 2006, the cost sharing policy will change for those who qualify for the benefit.

The Company does not expect such amendments to the LFNY employee benefit plans to have a material effect on the December 31, 2004 consolidated financial statements.

Initial Public Offering—It is currently contemplated that the Company will cause Lazard Ltd, a Bermuda company, to proceed with an initial public offering involving a portion of the Company's business. The historical consolidated financial statements reflect the historical results of operations and financial position of the Company, including the separated businesses, for all years presented. Accordingly, the historical financial statements do not reflect what the results of operations and financial position of Lazard Ltd or the Company would have been had these companies been stand-alone, public companies for the years presented. Specifically, the historical results of operations do not give effect to the following matters:

- The separation of the Company's Capital Markets and Other activities, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities.
- Payment for services rendered by the Company's managing directors, which, as a result of the Company operating as a limited liability company, historically has been accounted for as distributions from members' capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, the Company's operating income historically has not reflected payments for services rendered by its managing directors. After this offering, Lazard Ltd will include all payments for services rendered by its managing directors in compensation and benefits expense.
- U.S. corporate federal income taxes, since the Company has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, the Company's income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., the Company historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on the Company's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to UBT attributable to the Company's operations apportioned to New York City.

In addition, the business alliance agreement to be entered into between the Company and LFCM Holdings LLC, a newly-formed Delaware limited liability company that will hold the business to be separated from Lazard Group in connection with the initial public offering, or "LFCM Holdings," will grant the Company the option to acquire the North American and European fund management activities of Lazard Alternative Investments Holdings LLC ("LAI") the subsidiary of LFCM Holdings that will own and operate all of LFCM Holdings' merchant banking activities, exercisable at any time prior to

the ninth anniversary of the consummation of this offering for a total price of $10,000. The option may be exercised by Lazard Group in two parts, consisting of an $8,000 option to purchase the North American merchant banking activities and a $2,000 option to purchase the European merchant banking activities. LAI's merchant banking activities will initially consist of the merchant banking management and general partner entities, together with the Company's direct investments in related funds, that were transferred to LFCM Holdings pursuant to the separation. The business alliance agreement will provide the Company with certain governance rights with respect to LAI and provide for support by LFCM Holdings of the business of LAI. With respect to historic investments and funds transferred to LFCM Holdings as part of the separation, profits realized prior to the option exercise will be for the account of LFCM Holdings whereas profits realized after the exercise of the option will be for the account of Lazard Group. Lazard Group intends to invest capital in future funds to be managed by LFCM Holdings' subsidiaries and will be entitled to receive incentive fee payments from such funds, as well as profits related to such investments, if any, irrespective of whether it exercises its purchase option. There are no unrecorded merchant banking incentive fees as of September 30, 2004.

LAZARD LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2003 AND SEPTEMBER 30, 2004
(in thousands)

	December 31, 2003	September 30, 2004 (unaudited)
ASSETS		
Cash and cash equivalents	$ 315,817	$ 283,776
Cash and securities segregated for regulatory purposes	82,737	72,281
Marketable investments	182,040	103,702
Securities purchased under agreements to resell	166,674	167,488
Securities owned—at fair value:		
Bonds—Corporate	404,061	395,864
Non-U.S. Government and agency securities	49,463	48,810
U.S. Government and agency securities pledged as collateral	38,755	82,266
Equities	7,765	59,200
	500,044	586,140
Swaps and other contractual agreements	700	—
Securities borrowed	891,976	974,688
Receivables:		
Fees	242,340	194,131
Customers	129,336	199,462
Banks	127,721	172,753
Brokers and dealers	77,015	175,834
Other	14,684	6,215
	591,096	748,395
Long-term investments	214,429	183,070
Other investments	—	8,332
Property—net of accumulated amortization and depreciation of $137,193 and $143,062	192,476	186,642
Goodwill	16,547	15,847
Other assets	102,693	117,215
Total assets	$ 3,257,229	$ 3,447,576

See notes to unaudited condensed consolidated financial statements.

LAZARD LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION—(Continued)
DECEMBER 31, 2003 AND SEPTEMBER 30, 2004
(in thousands)

	December 31, 2003	September 30, 2004 (unaudited)
LIABILITIES AND MEMBERS' EQUITY		
Notes payable	$ 57,911	$ 62,431
Securities sold under agreements to repurchase	109,351	161,093
Securities sold, not yet purchased—at fair value:		
Bonds—Corporate	81,959	89,981
U.S. Government and agency securities	20,575	127,984
Equities	8,083	32,216
	110,617	250,181
Swaps and other contractual agreements	3,222	1,442
Securities loaned	616,706	795,480
Payables:		
Banks	340,464	315,229
Customers	273,183	302,907
Brokers and dealers	21,979	79,246
	635,626	697,382
Accrued employee compensation	181,043	163,467
Capital lease obligations	62,167	50,567
Other liabilities	475,783	472,687
Subordinated loans	200,000	200,000
Mandatorily redeemable preferred stock	100,000	100,000
Total liabilities	2,552,426	2,954,730
Commitments and contingencies		
Minority interest	169,078	146,223
Members' equity (Including $49,777 and $47,364 of accumulated other comprehensive income, net of tax)	535,725	346,623
Total liabilities and members' equity	$ 3,257,229	$ 3,447,576

See notes to unaudited condensed consolidated financial statements.

LAZARD LLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2004
(in thousands)

	Nine Months Ended September 30,	
	2003	2004
REVENUE:		
Investment banking and other advisory fees	$ 472,728	$ 401,122
Money management fees	222,221	298,468
Commissions	41,451	50,702
Trading gains and losses—net	34,462	33,824
Underwriting	18,594	36,140
Investment gains and losses, non-trading—net	1,257	4,031
Interest income	37,306	32,391
Other	15,888	16,368
Total revenue	843,907	873,046
Interest expense	37,838	38,118
Net revenue	806,069	834,928
OPERATING EXPENSES:		
Employee compensation and benefits	351,392	401,901
Premises and occupancy costs	68,430	74,773
Professional fees	34,355	43,964
Travel and entertainment	30,985	36,209
Communications and information services	26,172	28,911
Equipment costs	14,031	17,878
Other	27,332	35,726
Total operating expenses	552,697	639,362
OPERATING INCOME	253,372	195,566
Provision for income taxes	28,370	14,385
INCOME ALLOCABLE TO MEMBERS BEFORE MINORITY INTEREST AND EXTRAORDINARY GAIN	225,002	181,181
Minority interest	53,078	52,372
INCOME ALLOCABLE TO MEMBERS BEFORE EXTRAORDINARY GAIN	171,924	128,809
Extraordinary gain	—	5,507
NET INCOME ALLOCABLE TO MEMBERS	$ 171,924	$ 134,316

See notes to unaudited condensed consolidated financial statements.

LAZARD LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2004
(in thousands)

	Nine Months Ended September 30,	
	2003	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income allocable to Members	$ 171,924	$ 134,316
Adjustments to reconcile net income allocable to Members to net cash provided by operating activities:		
Noncash charges included in net income allocable to Members:		
Depreciation and amortization	7,075	12,569
Minority interest	53,078	52,372
(Increase) decrease in operating assets:		
Cash and securities segregated for regulatory purposes	12,910	10,456
Securities purchased under agreements to resell	20,954	(4,071)
Securities owned, at fair value and swaps and other contractual agreements	(87,325)	(90,153)
Securities borrowed	(261,495)	(82,712)
Receivables	77,213	(159,069)
Marketable and long-term investments	(113,480)	119,719
Other assets	3,539	(15,379)
Increase (decrease) in operating liabilities:		
Securities sold under agreements to repurchase	(1,970)	52,036
Securities sold, not yet purchased, at fair value and swaps and other contractual agreements	96,321	137,784
Securities loaned	364,668	178,774
Payables	(55,071)	69,380
Accrued employee compensation and other liabilities	(45,278)	(20,095)
Net cash provided by operating activities	243,063	395,927
CASH FLOWS FROM INVESTING ACTIVITIES:		
Consolidation of VIEs, net of cash	—	1,715
Proceeds from formation of strategic alliance in Italy	100,000	—
Additions to property	(35,570)	(15,161)
Disposals and retirements of property	1,248	7,768
Net cash provided by (used in) investing activities	65,678	(5,678)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of subordinated debt relating to strategic alliance in Italy	200,000	—
Distributions to Members and capital withdrawals, net of issuance of interests to LAM Members of $27,483 relating to formation of LAM in 2003	(351,455)	(321,005)
Proceeds from notes payable	1,491	8,369
Repayment of notes payable	(23,148)	(3,849)
Repayment of capital lease obligations	(8,576)	(10,538)
Repayment of subordinated loans	(2,367)	—
Distribution to minority interest stockholders	(62,247)	(96,700)
Net cash used in financing activities	(246,302)	(423,723)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,088)	1,433
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,351	(32,041)
CASH AND CASH EQUIVALENTS—January 1	332,513	315,817
CASH AND CASH EQUIVALENTS—September 30	$ 393,864	$ 283,776
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 28,926	$ 34,952
Income taxes	$ 16,851	$ 49,795

See notes to unaudited condensed consolidated financial statements.

LAZARD LLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2004
(in thousands)

	Capital and Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Members' Equity
BALANCE—January 1, 2004	$ 485,948	$ 49,777	$ 535,725
Comprehensive income (loss):			
Net income allocable to Members	134,316		134,316
Other comprehensive income—net of tax:			
Currency translation adjustments		(2,413)	(2,413)
Comprehensive income (loss)	134,316	(2,413)	131,903
Distributions and withdrawals to Members	(321,005)		(321,005)
BALANCE—September 30, 2004	$ 299,259	$ 47,364	$ 346,623

See notes to unaudited condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Lazard LLC (collectively referred to with its subsidiaries as the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto. The accompanying unaudited 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 best knowledge of current events and actions that the Company may undertake in the future, actual results may be different than the estimates. The consolidated results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for any future period or the full fiscal year.

The condensed consolidated financial statements include the Company'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"); Lazard Frères SAS and Maison Lazard SAS, along with its subsidiaries, including Lazard Frères Banque SA ("LFB") (collectively referred to as "LFP"), French limited liability companies; and Lazard & Co., Limited ("LCL"), through Lazard & Co., Holdings Limited, an English private limited company ("LCH"); together with their jointly-owned affiliates and subsidiaries.

See Note 9 for information regarding a contemplated initial public offering and separated businesses.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2003, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation No. ("FIN") 46R, Consolidation of Certain Variable Interest Entities—an interpretation of ARB No. 51, which further clarifies FIN 46, which was issued on January 17, 2003. FIN 46R clarifies when an entity should consolidate a Variable Interest Entity ("VIE"), more commonly referred to as a special purpose entity, or "SPE." A VIE is an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties, and may include many types of SPEs. FIN 46R requires that an entity shall consolidate a VIE if that entity has a variable interest that will absorb a majority of the VIE's expected losses if they occur, receive a majority of the VIE's expected residual returns if they occur, or both. FIN 46R does not apply to certain qualifying SPEs ("QSPEs"), the accounting for which is governed by Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financing Assets and Extinguishments of Liabilities. FIN 46R is effective for newly created VIEs beginning January 1, 2004 and for existing VIEs as of the first reporting period beginning after March 15, 2004.

Effective January 1, 2004, the Company adopted FIN 46R for VIEs created after December 31, 2003 and for VIEs in which the Company obtained an interest after December 31, 2003. The Company

adopted FIN 46R in the second quarter of 2004 for VIEs in which it holds a variable interest that it acquired on or before December 31, 2003.

The Company is involved with various entities in the normal course of business that are VIEs and hold variable interests in such VIEs. Transactions associated with these entities primarily include investment management, real estate and private equity investments. Those VIEs for which the Company is the primary beneficiary were consolidated in the second quarter of 2004 in accordance with FIN 46R. Those VIEs include company sponsored venture capital investment vehicles established in connection with our compensation plans.

The Company's merchant banking activities consist of making private equity, venture capital and real estate investments on behalf of customers. At September 30, 2004, in connection with its merchant banking activities, the net assets of entities for which the Company has a significant variable interest was approximately $105,215. The Company's variable interests associated with these entities, primarily carried interests and management fees, were approximately $24,554, which represents the maximum exposure to loss, only if total assets declined 100% at September 30, 2004. At September 30, 2004, the consolidated statement of financial condition included $20,870 of incremental assets relating to the consolidation of VIEs for such merchant banking activities in which the Company was deemed to be the primary beneficiary.

In connection with its Capital Markets and Other segment activities, the Company holds a significant variable interest in an entity with assets of $2,000 and liabilities of $14,600 at September 30, 2004. The Company's variable interests associated with this entity, primarily PIK notes, were approximately $14,600 at September 30, 2004. As the noteholders have sole recourse only to the underlying assets, the Company has no exposure to loss at September 30, 2004. Also, as the Company is not the primary beneficiary, the entity was not consolidated at September 30, 2004.

3. PANMURE GORDON

In January 2004, a subsidiary of the Company acquired certain assets, net of liabilities, of West LB Panmure Limited, an unrelated entity in the U.K. Subsequent to the acquisition, the acquired business became part of the Company's Capital Markets and Other segment, operating as Panmure Gordon, a division of LCL. Panmure Gordon provides clients with corporate finance advisory services, corporate broking capabilities and equity sales and trading. The total purchase price allocated to the net assets of the business acquired was $1,580, related to legal costs incurred to complete the transaction. The fair value of the net assets acquired over the purchase price of those net assets amounted to $5,658. In accordance with SFAS No. 141, *Business Combinations*, the Company recognized an extraordinary gain of $5,507 after reducing long-lived assets principally representing property to $0.

4. EMPLOYEE BENEFIT PLANS AND TERMINATION OF LCH'S POST-RETIREMENT MEDICAL PLAN

The Company, through its subsidiaries, provides certain retirement and other post-employment benefits to certain of its employees through defined contribution and defined benefit pension plans and other post-retirement benefit plans. The Company has the right to amend or terminate its benefit plans at any time, subject to the terms of such plans. Expenses incurred related to the defined benefit

(dollars in thousands, unless otherwise noted)

pension plans, the defined benefit pension plan supplement and the post-retirement health care plans for the nine months ended September 30, 2003 and 2004 are shown in the table below.

The Company expects to contribute approximately $16,000 to its defined benefits pension plans in 2004, of which approximately $6,500 was contributed at September 30, 2004.

	Pension Plans	Pension Plan Supplement	Post-Retirement Medical Plans
Nine months ended September 30, 2003			
Components of net periodic benefit costs:			
Service Cost	$ 6,672	$ 184	$ 1,675
Interest Cost	9,009	91	1,743
Expected return on plan assets	(8,499)		
Amortization of transition (asset)/obligation	(89)		
Amortization of prior service cost	68	65	
Recognized actuarial (gain)/loss	1,918	(27)	338
Net periodic benefit cost	9,079	313	3,756
Settlements (curtailments)			
Total benefit cost	$ 9,079	$ 313	$ 3,756
Nine months ended September 30, 2004			
Components of net periodic benefit costs:			
Service Cost	$ 10,349	$ 256	$ 1,444
Interest Cost	16,050	103	1,164
Expected return on plan assets	(17,844)		
Amortization of transition (asset)/obligation	656	52	
Amortization of prior service cost	(467)		
Recognized actuarial (gain)/loss	1,323		23
Net periodic benefit cost	10,067	411	2,631
Settlements (curtailments)			(2,231)
Total benefit cost (credit)	$ 10,067	$ 411	$ 400

Termination of LCH's Post-Retirement Medical Plan—In April 2004, LCH announced a plan to terminate its post-retirement medical plan. As a result of such action, benefits available to eligible active employees and retirees will cease on February 28, 2007. In accordance with SFAS No. 106, *Employers' Accounting for Post-Retirement Benefits Other Than Pensions*, the Company is recognizing the effect of such termination, which resulted in a reduction in the Company's accumulated post-retirement benefit obligation of approximately $24,000, the effect of which is expected to reduce employee compensation and benefits expense by approximately $4,500, $9,000, $9,000 and $1,500 for the years ending December 31, 2004, 2005, 2006 and 2007, respectively.

***Amendments to LFNY Employee Benefit Plans*—**On December 14, 2004, LFNY announced the following amendments to its defined benefit pension plan, defined benefit pension plan supplement, defined contribution plan and post-retirement medical plan, all of which will be implemented subsequent to December 31, 2004:

- ***LFNY Defined Benefit Pension Plan and Pension Plan Supplement*—**Effective as of January 31, 2005, the LFNY Employees' Pension Plan and the Employees' Pension Plan Supplement will be amended to cease future benefit accruals and future participation. As a result of such amendment, active participants will continue to receive credit for service completed after January 31, 2005 for purposes of vesting; however, future service will not count for purposes of future benefit accruals under the plans. Vested benefits for active participants as of January 31, 2005 will be retained.
- ***LFNY Defined Contribution Plan*—**Effective January 1, 2005, the LFNY Defined Contribution Plan (the "401(k) Plan") will be amended to implement an employer match to participant pre-tax contributions. LFNY will match 100% of pre-tax contributions, excluding catch-up contributions, to the 401(k) Plan up to 4% of eligible compensation. Participants will be 100% vested in all employer-matching contributions after three years of service. Any service accrued prior to January 1, 2005 will count toward this three-year vesting requirement.
- ***LFNY Post-Retirement Medical Plan*—**Effective December 31, 2005, post-retirement health care benefits will no longer be offered to those Members and employees hired on or after the effective date and for those Members and employees hired before the effective date who attain the age of 40 after December 31, 2005. In addition, effective January 1, 2006, the cost sharing policy will change for those who qualify for the benefit.

The Company does not expect such amendments to the LFNY employee benefit plans to have a material effect on the December 31, 2004 consolidated financial statements.

5. COMMITMENTS AND CONTINGENCIES

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

The Company's businesses, as well as the financial services industry generally, are subject to extensive regulation throughout the world. The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Management believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition but might be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

The Company has received a letter from the NASD as part of what it understands to be an industry investigation relating to gifts and gratuities. In addition, the Company has received a subpoena from the SEC similarly seeking information concerning gifts and entertainment involving a mutual fund company. The Company believes that other broker-dealers have received similar subpoenas. The investigations primarily are focused on the capital markets business that will be part of the separated businesses. These investigations are in their early stages and the Company cannot predict their potential outcomes.

6. MEMBERS' EQUITY

Pursuant to the Company's Operating Agreement, the Company allocates and distributes to its Members a substantial portion of its distributable profits, in three monthly installments, as soon as practicable after the end of each fiscal year. Such installment distributions usually begin in February. In addition, other periodic distributions to Members include, as applicable, capital withdrawals, fixed return on Members' equity and income tax advances made on behalf of Members.

7. 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 alternative method permitted by this rule, the minimum required net capital, as defined, is 2% of aggregate debit items arising from customer transactions or $1,500, whichever is greater. LFNY's regulatory net capital at September 30, 2004 was $120,124 which exceeded the minimum requirement by $118,624.

Four U.K. subsidiaries of the Company, LCL, Lazard Brothers & Co., Limited, Lazard Fund Managers Limited and Lazard Asset Management Limited ("the UK Subsidiaries") are regulated by the Financial Services Authority ("FSA"). At September 30, 2004, the U.K. subsidiaries had consolidated regulatory net capital of $157,400, which exceeded the minimum requirement by approximately $49,000.

The Financial Advisory activities of Lazard Frères SAS ("LF") and its wholly-owned subsidiaries, including LFB, are authorized by the Comité des Etablissements de Crédit et des Entreprises d'Investissement and are regulated by the Comité de la Réglementation Bancaire et Financière. Supervision is exercised by the Commission Bancaire, which is responsible, in liaison with the Banque de France, for ensuring compliance with the regulations. In this context LF has the status of a bank holding company ("Compagnie Financière") and LFB is a registered bank ("Etablissement de Crédit"). In addition, the investment services activities of the Paris group, exercised through LFB and other subsidiaries, primarily Lazard Frères Gestion ("LFG") (asset management) and Fonds Partenaires Gestion (private equity, merchant banking), are subject to regulation and supervision by the Autorité des Marchés Financiers. At September 30, 2004, the consolidated regulatory net capital of LF was $135,700, which exceeded the minimum requirement set for regulatory capital levels by approximately $44,800.

8. 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. In reporting to management, the Company's business results are categorized into the following three segments: Financial Advisory, Asset Management and Capital Markets and Other. Financial Advisory includes providing advice on mergers, acquisitions, restructurings and other financial matters. Asset Management includes the management of equity and fixed income securities and merchant banking funds. Capital Markets and Other consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities. In addition, the Company records selected other activities in Corporate, including cash and marketable investments, certain long-term investments, and LFB. LFB is a registered bank regulated by the Banque de France. LFB's primary operations include commercial banking, the management of the treasury positions of Lazard's Paris House through its money market desk and, to a lesser extent,

(dollars in thousands, unless otherwise noted)

credit activities relating to securing loans granted to clients of LFG and custodial oversight over assets of various clients. In addition, LFB also operates many support functions of the Paris House. The Company also allocates outstanding indebtedness to Corporate.

The Company's segment information for the years ended December 31, 2001, 2002 and 2003 is prepared using the following methodology:

- Revenues 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.
- 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 trading gains and losses, 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) employee compensation and benefits expenses that are incurred directly in support of the businesses and (ii) other operating expenses which include directly incurred expenses for premises and occupancy, professional fees, travel and entertainment, communications and information services, equipment, 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.

The Company evaluates segment results based on net revenue and operating income.

Management believes that the following information provides a reasonable representation of each segment's contribution to net revenue and operating income:

		For Nine Months Ended September 30,	
		2003	2004
Financial Advisory	Net Revenue	$ 480,162	$ 406,126
	Operating Income	$ 204,061	$ 89,698
Asset Management	Net Revenue	$ 225,361	$ 289,956
	Operating Income	$ 59,312	$ 90,350
Capital Markets and Other	Net Revenue	$ 106,619	$ 134,112
	Operating Income (Loss)	$ (8,259)	$ 3,387
Corporate	Net Revenue	$ (6,073)	$ 4,734
	Operating Income (Loss)	$ (1,742)	$ 12,131
Total	Net Revenue	$ 806,069	$ 834,928
	Operating Income	$ 253,372	$ 195,566

9. SUBSEQUENT EVENTS

Initial Public Offering—It is currently contemplated that the Company will cause Lazard Ltd, a Bermuda company, to proceed with an initial public offering involving a portion of the Company's business. The historical consolidated financial statements reflect the historical results of operations and financial position of the Company, including the separated businesses, for all periods presented.

Accordingly, the historical financial statements do not reflect what the results of operations and financial position of Lazard Ltd or the Company would have been had these companies been stand-alone, public companies for the periods presented. Specifically, the historical results of operations do not give effect to the following matters:

- Ÿ The separation of the Company's Capital Markets and Other activities, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities.
- Ÿ Payment for services rendered by the Company's managing directors, which, as a result of the Company operating as a limited liability company, historically has been accounted for as distributions from members' capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, the Company's operating income historically has not reflected payments for services rendered by its managing directors. After this offering, Lazard Ltd will include all payments for services rendered by its managing directors in compensation and benefits expense.
- Ÿ U.S. corporate federal income taxes, since the Company has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, the Company's income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., the Company historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on the Company's historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to New York City Unincorporated Business Tax ("UBT") attributable to the Company's operations apportioned to New York City.

In addition, the business alliance agreement to be entered into between the Company and LFCM Holdings LLC, a newly-formed Delaware limited liability company that will hold the business to be separated from Lazard Group in connection with the initial public offering, or "LFCM Holdings," will grant the Company the option to acquire the North American and European fund management activities of Lazard Alternative Investments Holdings LLC ("LAI") the subsidiary of LFCM Holdings that will own and operate all of LFCM Holdings' merchant banking activities, exercisable at any time prior to the ninth anniversary of the consummation of this offering for a total price of $10,000. The option may be exercised by Lazard Group in two parts, consisting of an $8,000 option to purchase the North American merchant banking activities and a $2,000 option to purchase the European merchant banking activities. LAI's merchant banking activities will initially consist of the merchant banking management and general partner entities, together with the Company's direct investments in related funds, that were transferred to LFCM Holdings pursuant to the separation. The business alliance agreement will provide the Company with certain governance rights with respect to LAI and provide for support by LFCM Holdings of the business of LAI. With respect to historic investments and funds

transferred to LFCM Holdings as part of the separation, profits realized prior to the option exercise will be for the account of LFCM Holdings whereas profits realized after the exercise of the option will be for the account of Lazard Group. Lazard Group intends to invest capital in future funds to be managed by LFCM Holdings' subsidiaries and will be entitled to receive incentive fee payments from such funds, as well as profits related to such investments, if any, irrespective of whether it exercises its purchase option. There are no unrecorded merchant banking incentive fees as of September 30, 2004.

***Panmure Gordon*—**On February 1, 2005, Lazard Group announced that it had entered into a non-binding memorandum of understanding with Durlacher Corporation PLC, an unaffiliated U.K. broking firm focused on the small and mid cap sector, for the acquisition by Durlacher of Panmure Gordon, a division of Lazard Group based in London that comprises the Company's entire U.K. capital markets business. The Company expects that upon consummation of the transaction, the combined company would be owned one-third by former Durlacher shareholders, one-third by LFCM Holdings and one-third by the employees of the combined company. The transaction is subject to entry into definitive agreements and customary closing conditions, including approval of the Durlacher stockholders.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

TABLE OF CONTENTS

	Page
Prospectus Summary	1
Risk Factors	21
Special Note Regarding Forward-Looking Statements	44
The Separation and Recapitalization Transactions and the Lazard Organizational Structure	46
Use of Proceeds	55
Dividend Policy	56
Dilution	57
Capitalization	58
Selected Consolidated Financial Data	59
Unaudited Pro Forma Financial Information	64
Management's Discussion and Analysis of Financial Condition and Results of Operations	74
Business	114
Management	130
Principal Stockholders	144
Certain Relationships and Related Transactions	145
Description of Capital Stock	159
Material U.S. Federal Income Tax and Bermuda Tax Considerations	167
Shares Eligible for Future Sale	178
Underwriting	180
Legal Matters	184
Experts	184
Where You Can Find More Information	184
Index to Financial Statements	F-1

Through and including , 2005 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares

Lazard Ltd

Class A Common Stock

LAZARD

Goldman, Sachs & Co.
Citigroup
Lazard
Merrill Lynch & Co.
Morgan Stanley
Credit Suisse First Boston
JPMorgan

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution***

The following table sets forth the estimated costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale of the common stock being registered, all of which will be paid by the Registrant:

	Amount
SEC registration fee	$ 100,045
New York Stock Exchange listing fee	*
National Association of Securities Dealers, Inc. filing fee	$ 30,500
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous	*
Total	$ *

* To be filed by amendment.

Item 14. ***Indemnification of Directors and Officers***

The bye-laws of the Registrant provide for indemnification of the Registrant's officers and directors against all liabilities, loss, damage or expense incurred or suffered by such party as an officer or director of the Registrant; provided that such indemnification shall not extend to any matter which would render it void pursuant to the Companies Act 1981 of Bermuda (the "Companies Act").

The Companies Act provides that a Bermuda company may indemnify its directors and officers in respect of any loss arising or liability attaching to them as a result of any negligence, default or breach of trust of which they may be guilty in relation to the company in question. However, the Companies Act also provides that any provision, whether contained in the company's bye-laws or in a contract or arrangement between the company and the director or officer, indemnifying a director or officer against any liability which would attach to him in respect of his fraud or dishonesty will be void.

The directors and officers of the Registrant are covered by directors' and officers' insurance policies maintained by the Registrant.

The proposed form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification of directors and certain officers of the Registrant by the underwriters against certain liabilities.

Item 15. ***Recent Sales of Unregistered Securities***

On November 1, 2004, the Registrant issued 12,000 shares of common stock, par value $1.00 per share, 11,880 of which were issued to Lazard Frères & Co. LLC and 120 of which were issued to Lazard Holdings. In the opinion of the Registrant, this transaction was exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), by virtue of Section 4(2) thereof in that such transaction did not involve any public offering.

Concurrently with this offering, the Registrant, Lazard Group or one or more of their subsidiaries intends to sell securities to raise estimated net proceeds of between $ and $. The completion of these offerings will be conditioned upon the completion of this offering.

Item 16. ***Exhibits and Financial Statement Schedules***

Exhibit Number	Exhibit Title
1.1	Form of Underwriting Agreement.*
2.1	Form of Master Separation Agreement.*
2.2	Class B-1 and Class C Members Transaction Agreement.**
3.1	Certificate of Incorporation and Memorandum of Association.*
3.2	Form of Amended and Restated Bye-laws.*
4.1	Form of Specimen Certificate for Class A common stock.*
5.1	Form of opinion of Conyers Dill & Pearman, Bermuda.
8.1	Form of opinion of Wachtell, Lipton, Rosen & Katz.
8.2	Form of opinion of Conyers Dill & Pearman, Bermuda (included in Exhibit 5.1).
10.1	Form of the LAZ-MD Holdings Stockholders' Agreement.*
10.2	Form of Lazard Group Fourth Amended and Restated Limited Liability Company Operating Agreement.*
10.3	Form of Tax Receivables Agreement.*
10.4	Form of Employee Benefits Agreement.*
10.5	Form of Insurance Matters Agreement.*
10.6	Form of Lazard License Agreement.*
10.7	Form of Administrative Services Agreement.*
10.8	Form of Business Alliance Agreement.*
10.9	Form of Agreements Relating to Retention and Noncompetition and Other Covenants.*
10.10	First Amended and Restated Limited Liability Company Agreement of Lazard Asset Management LLC, dated as of January 10, 2003.
10.11	Master Transaction and Relationship Agreement, dated as of March 26, 2003, by and among Banca Intesa S.p.A., Lazard LLC and Lazard & Co. S.r.l.
10.12	Note Purchase Agreement, dated as of March 26, 2003, by and among Lazard Funding LLC, Lazard LLC and Banca Intesa S.p.A.
10.13	$150 Million Subordinated Convertible Promissory Note due 2018, issued by Lazard Funding LLC to Banca Intesa S.p.A.
10.14	$50 Million Subordinated Non-Transferable Promissory Note due 2078, issued by Lazard & Co. S.r.l. to Banca Intesa S.p.A.
10.15	Guaranty of Lazard LLC to Banca Intesa S.p.A., dated as of March 26, 2003.
10.16	Amended and Restated Operating Agreement of Lazard Strategic Coordination Company LLC, dated as of January 1, 2002.
10.17	Note Purchase Agreement, dated as of May 11, 2001, by and between Lazard Funding Limited LLC, Lazard LLC, and the purchasers thereto.
10.18	Amendment No. 1, dated as of August 27, 2003, to the Note Purchase Agreement, dated as of May 11, 2001, by and between Lazard Funding Limited LLC, Lazard LLC, and the purchasers thereto.
10.19	Lease, dated as of January 27, 1994, by and between Rockefeller Center Properties and Lazard Frères & Co.
10.20	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).

Exhibit Number	Exhibit Title
10.21	Occupational Lease, dated as of August 9, 2002, Burford (Stratton) Nominee 1 Limited, Burford (Stratton) Nominee 2 Limited, Burford (Stratton) Limited, Lazard & Co., Limited and Lazard LLC.
10.22	2005 Equity Incentive Plan.*
10.23	2005 Bonus Plan.*
12.1	Condensed Financial Information of Registrant for the Years Ended December 31, 2001, 2002 and 2003.**
21.1	List of Subsidiaries of the Registrant.*
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Conyers Dill & Pearman, Bermuda.
23.3	Consent of Bruce Wasserstein to be named as a director nominee.**
23.4	Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit 8.1).
23.5	Consent of Appleby Spurling Hunter.
24.1	Powers of Attorney (included on signature page to this registration statement).**

* To be filed by amendment.
** Previously filed.

Item 17. *Undertakings*

(i) The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(ii) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(iii) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on February 10, 2005.

LAZARD LTD

By: /s/ Steven J. Golub

Name: Steven J. Golub
Title: President

Power of Attorney

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
/s/ Steven J. Golub **Steven J. Golub**	Director and President (principal executive officer)	February 10, 2005
* **Michael J. Castellano**	Director and Vice President (principal financial and accounting officer)	February 10, 2005
/s/ Scott D. Hoffman **Scott D. Hoffman**	Director and Vice President	February 10, 2005

***By:** /s/ Scott D. Hoffman

Name: Scott D. Hoffman
Title: Attorney-in-fact

EXHIBIT INDEX

Exhibit Number	Exhibit Title
1.1	Form of Underwriting Agreement.*
2.1	Form of Master Separation Agreement.*
2.2	Class B-1 and Class C Members Transaction Agreement.**
3.1	Certificate of Incorporation and Memorandum of Association.*
3.2	Form of Amended and Restated Bye-laws.*
4.1	Form of Specimen Certificate for Class A common stock.*
5.1	Form of opinion of Conyers Dill & Pearman, Bermuda.
8.1	Form of opinion of Wachtell, Lipton, Rosen & Katz.
8.2	Form of opinion of Conyers Dill and Pearman, Bermuda (included in Exhibit 5.1).
10.1	Form of the LAZ-MD Holdings Stockholders' Agreement.*
10.2	Form of Lazard Group Fourth Amended and Restated Limited Liability Company Operating Agreement.*
10.3	Form of Tax Receivables Agreement.*
10.4	Form of Employee Benefits Agreement.*
10.5	Form of Insurance Matters Agreement.*
10.6	Form of Lazard License Agreement.*
10.7	Form of Administrative Services Agreement.*
10.8	Form of Business Alliance Agreement.*
10.9	Form of Agreements Relating to Retention and Noncompetition and Other Covenants.*
10.10	First Amended and Restated Limited Liability Company Agreement of Lazard Asset Management LLC, dated as of January 10, 2003.
10.11	Master Transaction and Relationship Agreement, dated as of March 26, 2003, by and among Banca Intesa S.p.A., Lazard LLC and Lazard & Co. S.r.l.
10.12	Note Purchase Agreement, dated as of March 26, 2003, by and among Lazard Funding LLC, Lazard LLC and Banca Intesa S.p.A.
10.13	$150 Million Subordinated Convertible Promissory Note due 2018, issued by Lazard Funding LLC to Banca Intesa S.p.A.
10.14	$50 Million Subordinated Non-Transferable Promissory Note due 2078, issued by Lazard & Co. S.r.l. to Banca Intesa S.p.A.
10.15	Guaranty of Lazard LLC to Banca Intesa S.p.A., dated as of March 26, 2003.
10.16	Amended and Restated Operating Agreement of Lazard Strategic Coordination Company LLC, dated as of January 1, 2002.
10.17	Note Purchase Agreement, dated as of May 11, 2001, by and between Lazard Funding Limited LLC, Lazard LLC, and the purchasers thereto.
10.18	Amendment No. 1, dated as of August 27, 2003, to the Note Purchase Agreement, dated as of May 11, 2001, by and between Lazard Funding Limited LLC, Lazard LLC, and the purchasers thereto.
10.19	Lease, dated as of January 27, 1994, by and between Rockefeller Center Properties and Lazard Frères & Co.
10.20	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).
10.21	Occupational Lease, dated as of August 9, 2002, Burford (Stratton) Nominee 1 Limited, Burford (Stratton) Nominee 2 Limited, Burford (Stratton) Limited, Lazard & Co., Limited and Lazard LLC.
10.22	2005 Equity Incentive Plan.*
10.23	2005 Bonus Plan.*

Exhibit Number	Exhibit Title
12.1	Condensed Financial Information of Registrant For the Years Ended December 31, 2001, 2002 and 2003.**
21.1	List of Subsidiaries of the Registrant.*
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Conyers Dill & Pearman, Bermuda.
23.3	Consent of Bruce Wasserstein to be named as a director nominee.**
23.4	Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit 8.1).
23.5	Consent of Appleby Spurling Hunter.
24.1	Powers of Attorney (included on signature page to this registration statement).**

* To be filed by amendment.
** Previously filed.

Exhibit 5.1

[FORM OF OPINION]

, 2005

Lazard Ltd
Clarendon House
2 Church Street
Hamilton HM 11
BERMUDA

DIRECT LINE: 441-299 4923
E-MAIL: cggarrod@cdp.bm
OUR REF: CGG/mgb/329413/Corp.D.135596

Dear Sirs,

Lazard Ltd (the "Company")

We have acted as special legal counsel in Bermuda to the Company in connection with a registration statement on form S-1 (Registration No. 333-121407) filed with the U.S. Securities and Exchange Commission (the "Commission") on 17 December, 2004 as amended (the "Registration Statement", which term does not include any other document or agreement whether or not specifically referred to therein or attached as an exhibit or schedule thereto) relating to the registration under the U.S. Securities Act of 1933, as amended, (the "Securities Act") of an aggregate of Class A common shares, par value US$0.01 each, including an additional Class A common shares, par value US$0.01 if the underwriters' over-allotment is fully exercised (the "Common Shares").

For the purposes of giving this opinion, we have examined a copy of the Registration Statement. We have also reviewed the memorandum of association and the bye-laws of the Company, each certified by the Secretary of the Company on , 2005, copies of unanimous written resolutions or minutes of a meeting of the members of the Company , 2005 and unanimous written resolutions or minutes of a meeting of the board of directors of the Company dated , 2005 (together, the "Minutes") and such other documents and made such enquiries as to questions of law as we have deemed necessary in order to render the opinion set forth below.

We have assumed (a) the genuineness and authenticity of all signatures and the conformity to the originals of all copies (whether or not certified) examined by us and the authenticity and completeness of the originals from which such copies were taken, (b) that where a document has been examined by us in draft form, it will be or has been executed and/or filed in the form of that draft, and where a number of drafts of a document have been examined by us all changes thereto have been marked or otherwise drawn to our attention, (c) the accuracy and completeness of all factual representations made in the Registration Statement and other documents reviewed by us, (d) that the resolutions contained in the Minutes remain in full force and effect and have not been rescinded or amended, (e) that there is no provision of the law of any jurisdiction, other than Bermuda, which would have any implication in relation to the opinions expressed herein, (f) that upon issue of any shares the Company will receive consideration for the full issue price thereof which shall be equal to at least the par value thereof.

We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than Bermuda. This opinion is to be governed by and construed in accordance with the laws of Bermuda and is limited to and is given on the basis of the current law and practice in Bermuda. This opinion is issued solely for the purposes of the filing of the Registration Statement and the offering of the Common Shares by the Company and is not to be relied upon in respect of any other matter.

On the basis of and subject to the foregoing, we are of the opinion that:

1. The Company is duly incorporated and existing under the laws of Bermuda in good standing (meaning solely that it has not failed to make any filing with any Bermuda government authority or to pay any Bermuda government fees or tax which would make it liable to be struck off the Register of Companies and thereby cease to exist under the laws of Bermuda).

2. When issued and paid for as contemplated by the Registration Statement, the Common Shares will be validly issued, fully paid and non-assessable (which term means when used herein that no further sums are required to be paid by the holders thereof in connection with the issue of such shares).

3. The statements contained in the prospectus forming a part of the Registration Statement under the captions “Prospectus Summary—Material U.S. Federal Income Tax and Bermuda Tax Considerations,” “Material U.S. Federal Income Tax and Bermuda Tax Considerations—Taxation of Lazard and its Subsidiaries—Bermuda” and “Material U.S. Federal Income Tax and Bermuda Tax Considerations—Taxation of Stockholders— Bermuda”, to the extent that they constitute statements of Bermuda law, are accurate in all material respects.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to our firm under the captions “Material U.S. Federal Income Tax and Bermuda Tax Considerations” and “Legal Matters”, in the prospectus forming a part of the Registration Statement. In giving this consent, we do not hereby admit that we are experts within the meaning of Section 11 of the Securities Act or that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Yours faithfully,

Exhibit 8.1

[Form of Wachtell, Lipton, Rosen & Katz Opinion]

, 2005

Lazard Ltd
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Ladies and Gentlemen:

Reference is made to the Registration Statement on Form S-1 (as amended through the date hereof, the "Registration Statement") of Lazard Ltd, a Bermuda company ("Lazard"), relating to the proposed initial public offering of shares of Class A common stock of Lazard.

We have participated in the preparation of the discussion set forth in the sections entitled "MATERIAL U.S. FEDERAL INCOME TAX AND BERMUDA TAX CONSIDERATIONS—Taxation of Lazard and its Subsidiaries—*United States*" and "MATERIAL U.S. FEDERAL INCOME TAX AND BERMUDA TAX CONSIDERATIONS—Taxation of Stockholders—*U.S. Federal Income Taxation*" in the Registration Statement. In our opinion, such discussion, insofar as it summarizes United States federal income tax law, is accurate in all material respects.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement, and to the references therein to us. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended.

Very truly yours,

Exhibit 10.10

FIRST AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

LAZARD ASSET MANAGEMENT LLC

TABLE OF CONTENTS

		Page
ARTICLE 1 CERTAIN DEFINITIONS		2
Section 1.1	Certain Definitions	2
Section 1.2	Definitions Generally	12
ARTICLE 2 OFFICES AND STATUTORY AGENT		13
Section 2.1	Name; Effectiveness of Agreement	13
Section 2.2	Registered Office and Statutory Agent	13
Section 2.3	Principal Executive Office	13
Section 2.4	Purpose and Powers	13
Section 2.5	House of Lazard	13
ARTICLE 3 MEMBERS; INTERESTS; CLASSES; VOTING RIGHTS		13
Section 3.1	Members	13
Section 3.2	Classes of Units and Capital; Members	13
Section 3.3	Units	14
Section 3.4	Vesting and Forfeiture of Units	15
Section 3.5	Determinations	17
Section 3.6	Voting Rights	17
Section 3.7	Authority of Members	17
Section 3.8	Admission of Management Members and Other New Members	18
Section 3.9	Phantom Rights	19
ARTICLE 4 BOARD OF DIRECTORS		19
Section 4.1	General	19
Section 4.2	Composition	20
Section 4.3	Vacancies; Removal	20
Section 4.4	Compensation of Directors	20
Section 4.5	Place of Meetings	20
Section 4.6	Meetings of Directors	20
Section 4.7	Quorum; Alternates; Participation in Meetings by Conference Telephone Permitted; Vote Required for Action	20
Section 4.8	Waiver of Notice; Consent to Meeting	21
Section 4.9	Action by Board of Directors Without a Meeting	21
ARTICLE 5 MANAGING DIRECTORS SPECIAL COMMITTEE AND INVESTMENT COUNCIL		21
Section 5.1	Managing Directors Special Committee	21
Section 5.2	Investment Council	23
Section 5.3	Certain Adjustments to Distributions or Units, Etc.	23
ARTICLE 6 OFFICERS		24
Section 6.1	Officers	24
Section 6.2	Term of Office	24

Section 6.3 Co-Chief Executive Officers 24
Section 6.4 Managing Directors 25
Section 6.5 Other Officers 25
Section 6.6 Compensation 26

ARTICLE 7 CAPITAL AND ACCOUNTING MATTERS 26
Section 7.1 Capital Accounts; Contributions 26
Section 7.2 Withdrawals; Return on Capital 28
Section 7.3 Allocations and Tax Matters 29
Section 7.4 Board Determinations 31
Section 7.5 Liability to Third Parties; Capital Account Deficits 32
Section 7.6 Books and Accounts 33
Section 7.7 Tax Information 33
Section 7.8 Withholding 33

ARTICLE 8 DISTRIBUTIONS 33
Section 8.1 Current Distributions 33
Section 8.2 Base Distributions to Management Members 34
Section 8.3 Distribution of Capital 35
Section 8.4 Repayment of Funds 38
Section 8.5 Tax Distributions to Management Members 38

ARTICLE 9 TRANSFER 39
Section 9.1 Transfer of Interests 39
Section 9.2 Conditions of Transfer 39
Section 9.3 Tag-Along and Drag-Along Rights 39
Section 9.4 Effect of Transfer without Approval 41
Section 9.5 Liability for Breach 41
Section 9.6 Encumbrances 41

ARTICLE 10 TERM; DISSOLUTION AND LIQUIDATION 41
Section 10.1 Term 41
Section 10.2 Dissolution 41
Section 10.3 Liquidity Distributions 42
Section 10.4 Purchase upon a Lazard Sale Event 43
Section 10.5 Public Sale 44
Section 10.6 Merger or Sale of the Company 45

ARTICLE 11 EXCULPATION AND INDEMNIFICATION 45
Section 11.1 Exculpation 45
Section 11.2 Indemnification 45
Section 11.3 Exculpation and Indemnification Definitions 46
Section 11.4 Survival 47

ARTICLE 12 MISCELLANEOUS 47
Section 12.1 Use of Firm Name 47
Section 12.2 Amendments 47

Section 12.3	Benefits of Agreement	48
Section 12.4	Confidentiality	48
Section 12.5	Covenants of Management Members; Non-Exclusive Remedy	48
Section 12.6	No Waiver of Rights	49
Section 12.7	Power of Attorney	49
Section 12.8	Entire Agreement	49
Section 12.9	Governing Law	49
Section 12.10	Counterparts	49
Section 12.11	Arbitration	50
Section 12.12	Corporate Opportunity; Fiduciary Duty	50
Section 12.13	Interpretation	52
Section 12.14	Delaware Limited Liability Company Act Prevails	52
Section 12.15	Effectiveness	52
Section 12.16	Severability	52

Annex I – Form of Class A Interest Agreement and Acknowledgement

Annex II – Form of Class B Interest and Class C Interest Agreement and Acknowledgement

Annex III – Form of LAML Phantom Interest Agreement and Acknowledgement

Annex IV – Form of Phantom Right Agreement and Acknowledgement

Annex V – Form of Certificate of Limited Liability Company Interest

Schedule 3.4(a) – Vesting Schedule

Schedule 6.4 – Initial Managing Directors

Schedule A – List of Members, Units and Capital Accounts

THIS FIRST AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF LAZARD ASSET MANAGEMENT LLC (this "Agreement") is made and entered into as of this 10th day of January, 2003, by Lazard Frères & Co. LLC, a New York limited liability company ("LFNY"). Persons who shall be admitted as Members of the Company on and after the date hereof shall be added as parties hereto as of the date of such admission in accordance with the terms hereof.

W I T N E S S E T H:

WHEREAS, on August 20, 2002, a Certificate of Formation (the "Certificate") for Lazard Asset Management LLC (the "Company"), a limited liability company organized under the laws of the State of Delaware, was filed with the Secretary of State of the State of Delaware; and

WHEREAS, on September 17, 2002, LFNY entered into the Limited Liability Company Agreement of Lazard Asset Management LLC (the "Initial Agreement") pursuant to which LFNY became the initial Member of the Company; and

WHEREAS, the purpose of the Company is to combine the asset management business of Lazard LLC, a Delaware limited liability company and parent company of LFNY ("Lazard"), under a single, separate entity and to conduct the combined asset management businesses currently conducted by LFNY through such entity; and

WHEREAS, LFNY shall enter into a U.S. Contribution Agreement with the Company pursuant to which LFNY shall contribute its asset management businesses and certain capital (which capital shall include all of the capital in Lazard of certain individuals who are members of Lazard and who shall provide services to and for the benefit of the Company and shall cease to be members of Lazard) to the Company and in exchange therefor the Company shall issue Interests (as defined below) to LFNY (the "LFNY Contribution"), on the terms and subject to the conditions described in such agreement; and

WHEREAS, Lazard Asset Management (UK) Holdings Limited, a company incorporated in England and Wales with registered number 4496540 and a wholly owned subsidiary of the Company ("LAMUKH"), shall enter into a Share Sale and Purchase Agreement with Lazard Asset Management Holdings Limited, a company incorporated in England with registered number 03328988 ("LAMH"), pursuant to which LAMH shall sell, and LAMUKH shall purchase, the entire issued share capital of Lazard Asset Management Limited, a company incorporated in England and Wales with registered number 00525667 ("LAML"), on the terms and subject to the conditions described in such agreement; and

WHEREAS, certain individuals who are members of Lazard and who shall provide services to and for the benefit of the Company shall cease to be members of Lazard, all of the capital of such individuals in Lazard shall be contributed by LFNY to the Company pursuant to the LFNY Contribution in exchange for Interests in the form of Class C Capital, as defined below, and such Interests shall be distributed by LFNY to Lazard and by Lazard to such individuals (the "MD Distribution") and such individuals shall become Class C Members, in each case on the terms and subject to the conditions provided herein; and

WHEREAS, certain individuals who shall provide services to and for the benefit of the Company shall contribute capital to the Company after the LFNY Contribution in exchange for membership interests in the Company (in the form of Class C Capital, as defined below), and such individuals shall become Class C Members in the Company, in each case on the terms and subject to the conditions provided herein; and

WHEREAS, after the date of the LFNY Contribution additional Persons may become Members, and shall become bound by and parties to this Agreement, on the terms and subject to the conditions contained herein; and

WHEREAS, LFNY, as the initial Member, now desires to amend and restate the Initial Agreement to more particularly provide for the rights, powers, duties and obligations of Members and to govern the management, operations and activities of the Company.

NOW, THEREFORE, LFNY, as the initial Member, pursuant to and in accordance with the Act (as defined below), hereby amends and restates the Initial Agreement in its entirety as provided herein:

ARTICLE 1
CERTAIN DEFINITIONS

Section 1.1 Certain Definitions. Capitalized terms used in this Agreement without other definition shall, unless expressly stated otherwise, have the meanings specified in this Article 1.

"Accounting Period" means (i) in the case of the first Accounting Period, the period commencing on the date of this Agreement and ending at the next Closing of the Books Event, and (ii) in the case of each subsequent Accounting Period, the period commencing immediately after a Closing of the Books Event and ending at the next Closing of the Books Event.

"Acknowledgement" means a Class A Interest Agreement and Acknowledgement substantially in the form of Annex I or a Class B Interest and Class C Interest Agreement and Acknowledgement substantially in the form of Annex II hereto, as applicable, as such forms may be amended from time to time by the Board.

"Act" means the Delaware Limited Liability Company Act, 6 Del. L. § 18-101 *et seq*., as the same may be amended from time to time.

"Adjusted Class C Capital Account" has the meaning set forth in Section 7.2(f).

"Affected Entity or Entities" has the meaning set forth in Section 10.4(a)(ii).

"Affiliate" has the meaning set forth in Rule 405 under the Securities Act of 1933, as amended, and as set forth in Section 11.3.

"Affiliate Transaction" means a transaction between (1) the Company and any Company Affiliate or (2) two or more Company Affiliates.

"Agreement" means this Limited Liability Company Agreement as originally executed and as amended, modified or supplemented from time to time in accordance with the terms hereof. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder," when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires.

"Allocation Percentage" has the meaning set forth in Section 6.6(b).

"Appraised Value of LAM" means the value of the Company as a going concern determined by appraisal, which appraisal shall be made by an investment banking, appraisal or accounting firm selected by the Board (after consultation with the Managing Directors Special Committee) and made at the direction of the Board in connection with sales of Class A Units to Managing Directors and certain other Persons pursuant to Section 6.6(b). Such appraisal shall take into account such factors as the appraiser deems appropriate, including, but not limited to, the earnings and certain other financial and operating results of the Company and its Subsidiaries, taken as a whole, in recent periods.

"Available Compensation Amount" means the salary and Other Compensation that would be paid by the Company and its Subsidiaries to an Eligible Recipient if not for Section 6.6(b) (for the avoidance of doubt, on a pre-tax basis) in respect of the fiscal year of the Company immediately preceding the applicable Eligible Year.

"Board" has the meaning set forth in Section 4.1.

"Board Review" has the meaning set forth in Section 12.11(b).

"Capital" has the meaning set forth in Section 3.2(a).

"Capital Account" has the meaning set forth in Section 7.1(b).

"Capital Return Amount" has the meaning set forth in Section 7.2(b).

"Cause" means, with respect to a Management Member, (i) the continued failure of the Management Member to perform substantially such Person's duties with the Company or one of its Affiliates (other than any such failure resulting from incapacity due to physical or mental illness) after written notice from the Company specifying the duties alleged not to have been performed; (ii) the engaging by the Management Member in (a) illegal or fraudulent conduct or gross misconduct or (b) dishonest conduct that, in the case of this clause (b) only, is materially and demonstrably injurious to the Company or its reputation; (iii) commission of a felony or guilty or *nolo contendere* plea by the Management Member with respect thereto; (iv) a material breach by the Management Member of this Agreement, any applicable Member Services Agreement or any Acknowledgement that has not been cured within 10 days after written notice from the Company specifying the alleged breach; or (v) a violation in any material respect of any material policy of the Company applicable to the Management Member; provided that in no event shall Cause be found to have occurred due to any action be taken by a Management Member (x) if such action was in the opinion of the Board in the best interests of the Company, (y) in good faith reliance upon the advice of counsel to the Company or (z) at the direction of the Board. Notwithstanding the foregoing, in the event that a Management Member is party to a

Member Services Agreement that provides for a definition of "Cause" that differs from the foregoing definition, "Cause" shall be defined for such Management Member under this Agreement as it is for purposes of such other agreement.

"Certificate" has the meaning set forth in the Recitals.

"Class A Capital" means, with respect to any Class A Member, the balance in such Member's Class A Capital Account from time to time.

"Class A Capital Account" has the meaning set forth in Section 7.1(b).

"Class A Interest" means, with respect to any Class A Member, such Member's Class A Units, Class A Capital interests and the rights and obligations of such Member with respect to the Company pursuant to this Agreement and applicable law by virtue of such Member holding such Class A Units and having such Class A Capital.

"Class A Member" means each of the Persons listed under the caption "Class A Member" on Schedule A hereto (as it may be amended from time to time in accordance with this Agreement).

"Class A Units" has the meaning set forth in Section 3.2(a).

"Class B Capital" means, with respect to any Class B Member, the balance in such Member's Class B Capital Account from time to time.

"Class B Capital Account" has the meaning set forth in Section 7.1(b).

"Class B Interest" means, with respect to any Class B Member, such Member's Class B Units, Class B Capital interests and the rights and obligations of such Member with respect to the Company pursuant to this Agreement and applicable law by virtue of such Member holding such Class B Units and having such Class B Capital.

"Class B Member" means each of the Persons listed under the caption "Class B Member" on Schedule A hereto (as it may be amended from time to time in accordance with this Agreement).

"Class B Units" has the meaning set forth in Section 3.2(a).

"Class C Capital" means, with respect to any Class C Member, the balance in such Member's Class C Capital Account from time to time.

"Class C Capital Account" has the meaning set forth in Section 7.1(b).

"Class C Interest" means, with respect to any Class C Member, such Member's Class C Capital interests and the rights and obligations of such Member with respect to the Company pursuant to this Agreement and applicable law by virtue of such Member having such Class C Capital.

"Class C Member" means each of the Persons listed under the caption "Class C Member" on Schedule A hereto (as it may be amended from time to time in accordance with this Agreement).

"Closing of the Books Event" means (i) the close of the last day of each calendar year, (ii) the close of any date on which there occurs a dissolution of the Company, the admission of a new Member or the withdrawal of a Member (other than by reason of the Transfer of such Member's Units pursuant to Section 9.2(b)(iii)), (iii) immediately prior to the occurrence of a Liquidity Event, a Lazard Sale Event or a Covered Control Event, (iv) in the event of a sale or other disposition giving rise to one or more Extraordinary Items (other than an Extraordinary Item relating to a Liquidity Event, a Lazard Sale Event or a Covered Control Event), immediately after the occurrence of all Extraordinary Items related to such sale or other disposition, unless otherwise determined by Lazard, and (v) any other time that the Board determines to be appropriate for an interim closing of the Company's books.

"Co-CEOs" has the meaning set forth in Section 6.1.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"Company" has the meaning set forth in the Recitals.

"Company Affiliate" means any Affiliate of the Company that the Company controls (ignoring the concept of "under common control").

"Company Fair Market Value" has the meaning set forth in Section 10.4(b).

"Competition Period" means, with respect to any Management Member, the period commencing on the Grant Date and ending on the earlier to occur of (i) the 12 month anniversary of a Covered Control Event, a Lazard Sale Event or a Liquidity Event and (ii) the day that is six months after the last day on which the Management Member ceases to provide services to the Company or any of its Subsidiaries or Affiliates. Notwithstanding the foregoing, in the case of a Management Member whose services for the Company or any of its Subsidiaries or Affiliates cease due to a termination by the Company or any of its Subsidiaries or Affiliates without Cause or by the Management Member for Good Reason, the Competition Period shall mean the period commencing on the Grant Date and ending on the day which is 30 days after the date such Management Member ceases to provide services to the Company or any of its Subsidiaries or Affiliates.

"Competitive Activities" means activities for a Competitive Enterprise of the Company or one of its Subsidiaries or Affiliates in a capacity that is similar to the capacity in which the Management Member acted for the Company or any of its Subsidiaries or Affiliates while a Management Member.

"Competitive Enterprise" means a business enterprise that (i) engages in any activity or (ii) 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 Company or any of its Subsidiaries or Affiliates is directly or indirectly engaged.

"control" has the meaning set forth in Section 11.3.

"Control Event" means the consummation of any transaction (i) after giving effect to which more than 50% of the Units would be held by any Person other than Lazard (whether directly or indirectly through the Lazard Affiliates) or (ii) that conveys to any Person other than Lazard (whether directly or indirectly through the Lazard Affiliates) effective control of the appointment of a majority of the Board (for the avoidance of doubt, the dissolution of the Company shall not be deemed to be a Control Event).

"Coordination Agreement" means the Second Amended and Restated Coordination and Service Agreement among the Coordination Company; Lazard; LFNY; Lazard Frères S.A.S.; Maison Lazard S.A.S.; Lazard & Co., Holdings Limited; Lazard Bank Limited; Lazard & Co., Services Limited and Lazard Brothers & Co., Limited, dated as of January 1, 2002 (together with the Accounting Memorandum and all schedules thereto), as it may be amended from time to time (subject to Section 5.1(e)).

"Coordination Company" means Lazard Strategic Coordination Company LLC, a Delaware limited liability company.

"Covered Control Event" has the meaning set forth in Section 10.6.

"Current Item" has the meaning set forth in Section 7.3(a).

"Deemed Liquidation Value" has the meaning set forth in Section 10.4(b).

"Directors" has the meaning set forth in Section 4.2.

"Disability" means the absence of a Management Member from the Company and its Subsidiaries and Affiliates on a full-time basis due to a mental or physical impairment or condition (i) for a consecutive three-month period or (ii) for nonconsecutive periods aggregating six months in any consecutive 24-month period. Notwithstanding the foregoing, in the event that a Management Member is party to a Member Services Agreement that provides for a definition of "Disability" that differs from the foregoing definition, "Disability" shall be defined for such Management Member under this Agreement as it is for purposes of such other agreement.

"Disputes" has the meaning set forth in Section 12.11(a).

"Distributable Amount" has the meaning set forth in Section 8.1(b).

"Distributable Percentage" has the meaning set forth in Section 8.1(b).

"Division" has the meaning set forth in Section 7.3(d).

"Eligible Recipient" has the meaning set forth in Section 6.6(b).

"Eligible Year" has the meaning set forth in Section 6.6(b).

"Estate Transferee" has the meaning set forth in Section 9.2(b)(iii)(B).

"Extraordinary Item" has the meaning set forth in Section 7.3(a).

"Forfeiture Event" has the meaning set forth in Section 3.4(c).

"Fraction" has the meaning set forth in Section 9.3(a).

"Good Reason" means, in respect of any Management Member, (i) any failure on the part of the Company (other than any failure remedied within 10 days following receipt by the Company of written notice thereof from the Member) to pay the Member any guaranteed payment or other compensation for services to the Company and its Subsidiaries due the Member under the terms of this Agreement or any other agreement between the Member and the Company expressly approved by the Board, (ii) in the case of a Member who has a title of at least Managing Director, any reduction or diminution in such Member's title, or (iii) the relocation of the principal location at which the Member performs his services to another city or location in each case outside of a 50 mile radius from such initial principal location other than one that is, in the reasonable judgment, in the case of a Member who is a member of the Managing Directors Special Committee, of the Board, or, in the case of a Member who is not a member of the Managing Directors Special Committee, of the Managing Directors Special Committee, suitable for the Member to perform his services in furtherance of the business objectives of the Company, in each case that has not been cured within 30 days of the delivery to the Company of written notice of the action(s) alleged to constitute Good Reason; provided that none of the foregoing events or occurrences shall constitute Good Reason if and to the extent that the Member shall agree to such action in writing. Notwithstanding the foregoing, in the event that a Member is party to a Member Services Agreement with the Company or any of its Subsidiaries that provides for a definition of "Good Reason" that differs from the foregoing, "Good Reason" shall be defined for such Member under this Agreement as it is for purposes of such other agreement.

"Grant Date" means the effective date as of which a Person is first allocated a Unit as set forth in the Acknowledgement between the Company and such Person.

"Grantee" has the meaning set forth in Annex II.

"Head of Lazard and Chairman of the Executive Committee" has the meaning assigned to such term in the Lazard Agreement.

"ICC" has the meaning set forth in Section 12.11(b).

"ICC Rules" has the meaning set forth in Section 12.11(b).

"Indemnified Capacity" has the meaning set forth in Section 11.3.

"Indemnified Representative" has the meaning set forth in Section 11.3.

"Initial Agreement" has the meaning set forth in the Recitals.

"Initial Capital" means the initial balance of each Member's Capital Account immediately upon contribution of the capital contemplated by such Member's Acknowledgement.

"Initial Capital Account Balance" has the meaning set forth in Section 7.1(a).

"Initial Property Valuations" has the meaning set forth in Section 7.4(c).

"Initial Valuations" has the meaning set forth in Section 10.4(a).

"Interest" means any of the Class A Interests, the Class B Interests and the Class C Interests.

"Investment Council" has the meaning set forth in Section 5.2.

"LAM" has the meaning set forth in the Annex II.

"LAM Incentive Plan" means the Lazard Asset Management Incentive Plan, dated as of January 1, 2003, as it may be amended from time to time by the Board or otherwise in accordance with the terms thereof.

"LAMH" has the meaning set forth in the Recitals.

"LAML" has the meaning set forth in the Recitals.

"LAML Phantom Acknowledgement" means a LAML Phantom Interest Agreement and Acknowledgement in the form of Annex III hereto, as such form may be amended from time to time by the Board.

"LAML Phantom Interest Agreement" means the letter agreement between LAML and a holder of LAML Phantom Rights with respect to the holder's entitlement with respect to LAML Phantom Rights.

"LAML Phantom Rights" means contractual rights representing the right to receive compensation from LAML (in the form of an entitlement to bonus payments) based upon the economic rights of Class B Units except with respect to capital, having the terms and being subject to the conditions set forth in a LAML Phantom Interest Agreement. For purposes of this Agreement, references to a number of LAML Phantom Rights shall be deemed to refer to the number of Notional Units (as defined in the applicable LAML Phantom Interest Agreement) underlying such LAML Phantom Rights.

"LAMUKH" has the meaning set forth in the Recitals.

"Lazard" has the meaning set forth in the Recitals.

"Lazard Affiliate" means any Affiliate of Lazard (including LFNY) other than the Company or any Company Affiliate.

"Lazard Agreement" means the Third Amended and Restated Operating Agreement of Lazard, dated as of January 1, 2002, as in effect on the date hereof and as the same may be amended from time to time (subject to Section 5.1(e)).

"Lazard Board" means the board of directors of Lazard.

"Lazard Entities" means Lazard and the Lazard Affiliates.

"Lazard Fair Market Value" has the meaning set forth in Section 10.4(b).

"Lazard Mark" has the meaning assigned to such term in the Coordination Agreement.

"Lazard Name" has the meaning assigned to such term in the Coordination Agreement.

"Lazard Sale Event" means the consummation of a "Liquidity Event" (as defined in the Lazard Agreement) to which Section 7.03(a) of the Lazard Agreement applies or a merger or sale of interests that results in a "Control Event" (as defined in the Lazard Agreement) to which Section 7.06 of the Lazard Agreement applies.

"LFNY" has the meaning set forth in the Preamble.

"LFNY Contribution" has the meaning set forth in the Recitals.

"Liability" has the meaning set forth in Section 11.3.

"Limited Forfeiture Event" has the meaning set forth in Section 3.4(c).

"Limited Managing Director" has the meaning set forth in Section 6.4(a).

"Liquidation Value" means the proceeds (regardless of the type or form thereof) of a Liquidity Event.

"Liquidity Event" means the consummation of (1) a sale of all or substantially all the assets of the Company, (2) the dissolution of the Company pursuant to Section 10.2 other than a dissolution by LFNY pursuant to Section 10.2(a), or (3) the dissolution of the Company by LFNY that shall be deemed to be a "Liquidity Event" pursuant to Section 10.2(c)(ii).

"Management Member" has the meaning set forth in Section 3.8(a). For the avoidance of doubt, neither LFNY nor any of its permitted Transferees (other than those permitted Transferees who would otherwise be Management Members) shall be deemed to be a Management Member for the purposes of this Agreement.

"Management Pool" has the meaning set forth in Section 3.3(a).

"Management Unit Holder" means any Management Member or any Member that holds Units that were allocated to a Management Member and Transferred to such other Member pursuant to Section 9.2(b)(iii).

"Managing Director" has the meaning set forth in Section 6.4(a).

"Managing Directors Special Committee" has the meaning assigned to such term in Section 5.1(a).

"MD Director" has the meaning set forth in Section 4.2.

"MD Distribution" has the meaning set forth in the Recitals.

"Member" means a Class A Member, a Class B Member or a Class C Member.

"Member Services Agreement" means an employment agreement, as may be in effect at the relevant time, between the Company or any of its Subsidiaries and a Management Member, in a form approved by the Board for such Member, relating to such Member's provision of services to the Company.

"Net Earnings" means the difference between (1) the Company's after-tax net profits as shown on the Company's financial statements for the relevant period prepared in accordance with U.S. generally accepted accounting principles in a manner consistent in all material respects with the policies and principles used by Lazard in connection with the preparation of the audited financial statements of Lazard and (2) all Extraordinary Items during such period.

"Non-MD Members" has the meaning set forth in Section 7.3(g).

"Other Compensation" means, with respect to any Person for any Accounting Period, all bonus, profit pool participation, carried interests and other compensation received or to be received by such Person from the Company or its Affiliates for such Accounting Period (including in connection with such Person's Member Services Agreement, if applicable, but excluding (1) any salary and (2) any distributions made to such Member pursuant to any provision of this Agreement other than any distributions in respect of (x) Section 8.2 and (y) any compensation (other than salary) provided pursuant to Section 6.6 (including any Other Compensation paid to such Person in the form of Class A Interests pursuant to Section 6.6(b) in such Accounting Period)).

"Person" means any general partnership, limited partnership, joint venture, association, corporation, limited liability company, trust or other entity and, where the contexts so permits or requires, a natural person.

"Phantom Acknowledgement" means a Phantom Right Agreement and Acknowledgement substantially in the form of Annex IV, as such form may be amended from time to time by the Board.

"Phantom Rights" means contractual rights representing the right to receive compensation from the Company based upon the economic rights of Class B Units except with respect to capital, having the terms and being subject to the conditions set forth in the LAM Incentive Plan.

"Proceeding" has the meaning set forth in Section 11.3.

"Reserved Management Float" has the meaning set forth in Section 3.3(a).

"Residual Amount" means, with respect to a Management Member, the sum of (x) the Unvested Distributable Amount of each Extraordinary Item that is income or gain allocated pursuant to Section 7.3(a)(ii) to a class of Interests held by such Member to the extent that such Unvested Distributable Amount has not been distributed to such Member pursuant to Section 8.1(c) and (y) the product of (i) the product of (A) the amount of each such Extraordinary Item (net of any related Extraordinary Items that are deduction or loss) and (B) one minus the Distributable Percentage of such net Extraordinary Item allocated to such class (expressed as a decimal) and (ii) a fraction, the numerator of which is the number of unvested Units of the applicable class allocated to such Member and the denominator of which is the total number of Units of the applicable class allocated to such Member (in each case, at the time of the applicable forfeiture of Units and not including Units allocated to such Member after the date such Extraordinary Item was allocated pursuant to Section 7.3(a)(ii)).

"Significant Event" means, with respect to a Management Member, (i) the termination of all such Member's services on behalf of the Company other than any termination of such Member's services (a) by the Company for Cause, or (b) due to the resignation of such Member other than for Good Reason; (ii) the death or Disability of such Member; (iii) a determination by the Board to accelerate the vesting of the Units of such Member; or (iv) any other event designated as a "Significant Event" in a Member Services Agreement to which such Management Member is a party.

"Significant Transaction" has the meaning set forth in Section 3.3(b).

"Solicit" means to make any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any Person, in any manner, to take or refrain from taking any action.

"Solicitation Period" means the period commencing on the Grant Date and ending on the day which is 12 months after the last day on which the Management Member provides any services to the Company or any of its Subsidiaries or Affiliates.

"Soliciting Activities" means activities that in any manner, directly or indirectly, have the purpose or effect of (i) Soliciting any Person who is a professional employee of the Company or any of its Subsidiaries or Affiliates (including, for the avoidance of doubt, a Member or a Managing Director) to apply for or accept employment with any Competitive Enterprise or resign from any service with the Company or such Subsidiary or Affiliate, as applicable, or (ii) hiring any such Member, professional employee or analyst to work for any Competitive Enterprise.

"Subsequent Vesting Date" has the meaning set forth in Section 8.1(c).

"Subsidiary" means, when used with respect to any Person, any corporation, partnership, limited liability company, or other organization, whether incorporated or unincorporated, of which such Person owns or controls, directly or indirectly, 50% or more of the outstanding voting securities (or equivalent voting interests).

"Tier" has the meaning set forth in Schedule 3.4(a).

"Transfer" means any transfer, sale, conveyance, assignment, gift, hypothecation, pledge or other disposition, whether voluntary or by operation of law, of all or any part of an Interest or any right, title or interest therein.

"Transferee" means the transferee in a Transfer or proposed Transfer.

"Treasury Regulations" means the regulations of the U.S. Treasury Department issued pursuant to the Code.

"Trigger Amount" shall mean 25% of the outstanding Units at the time of the applicable sale.

"UBT" has the meaning set forth in Section 7.3(g).

"Units" has the meaning set forth in Section 3.2(a).

"Unvested Distributable Amount" means, with respect to any Management Member, in the event of an Extraordinary Item allocated pursuant to Section 7.3(a)(ii) to a class of Interests held by such Member, the product of (x) the Distributable Amount in such Extraordinary Item with respect to such Interests of such Management Member and (y) a fraction, the numerator of which is the sum of all unvested Units held by such Member and the denominator of which is the sum of all Units held by such Member, in each case at the time such Extraordinary Item is allocated.

"Value of LAM" means the value of the Company as a going concern determined by the Board in good faith, taking into account such factors as the Board deems appropriate, including, but not limited to, the earnings and certain other financial and operating results of the Company and its Subsidiaries, taken as a whole, in recent periods.

"Vested Distributable Amount" means, with respect to any Member, in the event of an Extraordinary Item allocated pursuant to Section 7.3(a)(ii) to a class of Interests held by such Member, any Distributable Amount in such Extraordinary Item with respect to such Interests of such Member less any Unvested Distributable Amount in such Extraordinary Item.

Section 1.2 Definitions Generally. Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. References to the masculine gender include the feminine gender. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation." The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. All schedule, exhibit, annex, preamble, recital, section, paragraph or clause references not attributed to a particular document shall be references to such parts of this Agreement.

ARTICLE 2

OFFICES AND STATUTORY AGENT

Section 2.1 Name; Effectiveness of Agreement. The name of the limited liability company formed hereby is "Lazard Asset Management LLC." This Agreement shall be effective upon execution by LFNY.

Section 2.2 Registered Office and Statutory Agent. The registered office and statutory agent in Delaware required by the Act shall be as set forth in the Certificate until such time as the registered office or statutory agent is changed in accordance with the Act.

Section 2.3 Principal Executive Office. The location of the principal executive office for the transaction of the business of the Company shall be New York, New York, or such other location as determined by the Board from time to time.

Section 2.4 Purpose and Powers. The purpose of the Company is to provide investment advisory and asset management services, including, without limitation, the administration of hedge funds and other alternative investments and to engage in any activity incidental to carrying out the foregoing to the extent consistent with applicable laws and regulations. The Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purpose set forth in the foregoing sentence.

Section 2.5 House of Lazard. The Company shall be deemed to be one of the Houses of Lazard, as defined in the Lazard Agreement, and shall be a party to the Coordination Agreement.

ARTICLE 3

MEMBERS; INTERESTS; CLASSES; VOTING RIGHTS

Section 3.1 Members. Each party to this Agreement and each Person admitted as a Member pursuant to this Agreement shall be a member of the Company until such Person ceases to be a Member in accordance with the provisions of this Agreement.

Section 3.2 Classes of Units and Capital; Members.

(a) The membership interests in the Company shall consist of units ("Units") and capital, and there shall be two classes of Units, such classes being designated as "Class A Units" and "Class B Units," and three classes of capital, such classes being designated as "Class A Capital," "Class B Capital" and "Class C Capital" and, together, "Capital." All of the Class A Interests, the Class B Interests and the Class C Interests shall be evidenced by certificates of limited liability company interest issued by the Company in accordance with Section 18-702(c) of the Act substantially in the form attached hereto as Annex V, which certificates shall be issued to and held by LAM as custodian for the Members.

(b) The holder of a Class A Unit and/or Class A Capital and identified as a "Class A Member" on Schedule A in accordance with this Agreement is referred to as a Class A Member,

the holder of a Class B Unit and/or Class B Capital and identified as a "Class B Member" on Schedule A in accordance with this Agreement is referred to as a Class B Member and the holder of Class C Capital and identified as a "Class C Member" on Schedule A in accordance with this Agreement is referred to as a Class C Member. As used in this Agreement, all Class A Members, Class B Members and Class C Members shall be deemed to be separate Members even if any Member holds more than one class of Interest. References to a certain class of Interest with respect to any Member shall refer solely to that class of Interest of such Member and not to any other class of Interest, if any, held by such Member. A Person shall cease to be a Member with respect to a class of Interest, and such Person's name shall be removed from Schedule A as a Member of such class, at such time as (x) no Units of such class allocated to such Person are held by such Person and (y) all of the Capital of such Person, if any, relating to such class has been distributed to such Person in accordance with Section 8.3.

Section 3.3 Units.

(a) There shall initially be a total of 10,000,000 Units. The number of Units may be (i) increased pursuant to Section 3.3(b) and (ii) increased or decreased pursuant to Section 3.9. Except as permitted under the immediately preceding sentence, the number of Units shall not be changed, modified or adjusted. The Board shall have the power to allocate Units. The initial number of Units available for allocation to Management Members under this Agreement is 2,175,000 (the "Management Pool") (subject to adjustment pursuant to Section 3.3(b) and Section 3.9). Interests representing fractional Units may be issued and allocated. The initial number and class of Units allocated to each Member is set forth on Schedule A. In addition, the number of Units allocated to each Class B Member shall be set forth on such Member's Acknowledgement. By executing an Acknowledgement, each Management Member expressly agrees that he or she shall not (and he or she shall cause any permitted Transferee therefrom to agree that such permitted Transferee shall not) have the right to review any portion of Schedule A (other than such Member's Capital Account established and adjusted pursuant to Section 7.2) unless the Board, in its sole discretion, shall permit such review. Any Units in the Management Pool which are not allocated to a Management Member (or are allocated but are subsequently forfeited or repurchased pursuant to the provisions of this Agreement or any Acknowledgement) (collectively, the "Reserved Management Float") shall be allocated, pending their allocation or re-allocation to Management Members pursuant to the terms hereof, to the Class A Members (in proportion to their respective Units prior to the application of this sentence) in the form of Class A Units; provided, however, that solely with the prior written consent of the Head of Lazard and Chairman of the Executive Committee (which may be granted or withheld in his sole discretion), some or all of the Units in the Reserved Management Float that are from time to time allocated to the Class A Members in accordance with this sentence may be reallocated immediately prior to the occurrence of a Lazard Sale Event, a Covered Control Event or a Liquidity Event to the Management Members who received such an allocation in connection with the initial allocation of Class B Units after the consummation of the LFNY Contribution, and who are then still providing services to the Company on such basis as the Head of Lazard and Chairman of the Executive Committee shall, in his sole discretion, determine. Any Units in the Reserved Management Float may, from time to time, be allocated by the Board to Persons who provide service to the Company or its Subsidiaries pursuant to Section 3.8. Units in the Management Pool allocated to Persons who are (or will upon allocation become) Management Members shall be allocated in the form of Class B Units, provided that on or after January 1, 2006 Units in the

Management Pool may be allocated to Managing Directors and certain other Persons pursuant to Section 6.6(b) in the form of Class A Units.

(b) Adjustments upon Significant Transactions. Notwithstanding anything else contained herein to the contrary, in the event that the Company engages in any acquisition of all or a substantial portion of an existing business or receives any contribution of assets or a business (other than any contribution of capital) (a "Significant Transaction"), appropriate adjustments to the Management Pool may be required to recruit or retain the services of the individuals servicing such acquired business or adjustments to the total number of Units may be required in connection with such Significant Transaction. In the event that any such adjustments are required, the Board shall consult with the Managing Directors Special Committee in good faith regarding appropriate adjustments to the Management Pool and/or appropriate increases in the total number of Units; provided, that the approval of the Managing Directors Special Committee for any such adjustment or increase shall be required if such adjustment would dilute Management Members on more than a proportionate basis.

Section 3.4 Vesting and Forfeiture of Units.

(a) Vesting Schedule of Units Allocated to Management Members. The Units allocated to each Management Member shall vest according to the vesting schedule set forth on Schedule 3.4(a) for the tier identified in the Acknowledgement signed by such Management Member. The Board shall determine the tier applicable to any Units allocated to Management Members.

(b) Acceleration of Vesting of Units Allocated to Management Members. Notwithstanding anything to the contrary in Section 3.4(a), the occurrence of a Significant Event with respect to a Management Member shall cause all of the Units allocated to such Management Member and not previously forfeited to vest effective as of the date of such Significant Event. Upon the occurrence of a Liquidity Event, Control Event or Lazard Sale Event, all Units allocated to each Management Member and not previously forfeited shall vest effective as of the date on which such event is consummated.

(c) Forfeiture or Cancellation of Units or Interests Allocated to Management Members.

(i) Unless otherwise determined by the Board, upon the resignation from service of a Management Member, unless such resignation is caused by a Significant Event, all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders) which are unvested shall be forfeited, effective immediately upon such resignation.

(ii) Upon the termination of a Management Member's provision of services to the Company and/or its Subsidiaries for Cause, (A) prior to January 2, 2006, all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders), whether vested or unvested, shall be forfeited, or (B) on or after January 2, 2006, all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders) which are unvested or which vested less than 24 months prior

to the date of such termination shall be forfeited, in either case effective immediately upon such termination.

(iii) Upon a material breach of Section 12.4 by a Management Member, all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders) shall be forfeited, whether or not vested, effective immediately upon such breach.

(iv) If a Management Member engages in Soliciting Activities during the Solicitation Period, all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders), whether or not vested, shall be forfeited, effective on the first day of the Solicitation Period in which such Member engages in Soliciting Activities.

(v) If a Management Member engages in Competitive Activities during the Competition Period, (A) all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders), whether or not vested, shall be forfeited if such Member first engages in such Competitive Activity prior to January 2, 2006, or (B) all Units allocated to such Member (including any such Units Transferred to other Management Unit Holders) that are unvested or that vested within 24 months of such Member first engaging in such Competitive Activity shall be forfeited if such Member first engages in Competitive Activity on or after January 2, 2006.

(vi) Unless otherwise determined by the Board, in the event of a Lazard Sale Event or a Covered Control Event, all Interests allocated to Management Members (including any such Units Transferred to other Management Unit Holders), whether or not vested, shall be cancelled, effective immediately after consummation of such Lazard Sale Event or Covered Control Event, as applicable (and thereafter the former holder thereof shall have the right to receive the distribution in respect of such forfeited Interests payable to each Management Member required pursuant to Section 10.4 or Section 10.6, as applicable).

Except as expressly provided in Schedule 3.4 with respect to breaches of clause (v) of this Section 3.4(c), forfeiture under clause (ii), (iii), (iv) or (v) of this Section 3.4(c) is a non-exclusive remedy for any breach of a Management Member's obligations under such clauses or Section 12.4, Section 12.5 or any Acknowledgement and is in addition to any other remedy to which the Company is entitled at law or in equity under this Agreement (including for the avoidance of doubt Section 12.5(b)) or any Acknowledgement. Upon the occurrence of an event described in clause (ii), (iii), (iv) or (v) of this Section 3.4(c) (each such event, a "Forfeiture Event" and an event described in clause (ii) or (v), a "Limited Forfeiture Event"): such Management Member or, if applicable, former Management Member (and each Management Unit Holder to whom such Member Transferred Units) shall pay to the Company (A) all amounts distributed by the Company (and not previously repaid to the Company) with respect to Units allocated to such Person (x) that were forfeited or cancelled, (y) that were Transferred pursuant to Section 9.1 hereof or (z) with respect to which distributions were made pursuant to Section 10.3, 10.4 or 10.6 and (B) all amounts paid or otherwise distributed to such Person pursuant to Section 9.3. Notwithstanding the immediately preceding sentence, in the event of a Limited

Forfeiture Event only, no Person shall be required to pay to the Company any amounts pursuant to the immediately preceding sentence with respect to Units that (1) are held by such Person and shall not be required to be forfeited pursuant to Section 3.4(c)(ii) or (v) above or (ii) were previously Transferred by such Person and if held by such Person at the time of the applicable Limited Forfeiture Event would not have been required to be forfeited pursuant to Section 3.4(c)(ii) or (v) above. Any repayment to be made in accordance with this paragraph shall be made immediately following the breach of Section 12.4 or 12.5, as applicable, or termination for Cause giving rise thereto, as applicable.

(d) Vesting and Forfeiture of Units Allocated to Other Members. Any Units allocated by the Board to any Member other than a Management Member shall be fully vested upon allocation and shall not be subject to forfeiture unless otherwise specified by the Board in writing to such Member in connection with the allocation of such Units.

Section 3.5 Determinations.

(a) The determination of whether any Management Member has been (or should be) terminated in a manner that constitutes a termination for Cause, has resigned due to a Significant Event (including Good Reason), has breached the covenants contained in Section 12.4, has engaged in Soliciting Activities during such Management Member's Solicitation Period or engaged in Competitive Activities during such Management Member's Competition Period shall be made by the Board. The Board's determination shall be final and binding on the Company and the Management Members (including any Management Unit Holder that is a Transferee of such Management Member); provided, that the Management Member affected by such determination may contest such determination pursuant to Section 3.5(b) and the arbitration provisions of Section 12.11.

(b) For the purposes of Section 3.4(c), the Management Member shall be permitted to contest any such determination by submitting a written statement to the Board, delivered not less than the fifth business day prior to the meeting at which such contest is scheduled to be heard, stating his or her position on the relevant issues. The Board may in its sole discretion alter its determination after hearing such contest; provided, that nothing in this Section 3.5(b) shall affect the time at which the Company may terminate any Management Member's services or, unless the Board otherwise determines, the finality and binding nature of such determination as provided in Section 3.5(a).

Section 3.6 Voting Rights. Notwithstanding anything to the contrary in the Act, the Members shall not have, in their capacity as Members, any voting rights, and shall not be entitled, in their capacity as Members, to consent to, approve or authorize any actions by the Company.

Section 3.7 Authority of Members. No Member shall have any power or authority, in such Member's capacity as a Member, to act for or bind the Company except to the extent that such Member is so authorized in writing prior thereto by the Board. Without limiting the generality of the foregoing, no Member, as such, shall, except as so authorized, have any power or authority to incur any liability or execute any instrument, agreement or other document for or on behalf of the Company, whether in the Company's name or otherwise.

Section 3.8 Admission of Management Members and Other New Members.

(a) Admission of Management Members. The Board may admit as Class B Members, and allocate Class B Units to, such Persons who are providing or shall provide services to the Company or its Subsidiaries as it shall determine, and may admit as Class A Members, and allocate Class A Units to, Managing Directors and certain other Persons pursuant to Section 6.6(b) as it shall determine (each such Person, upon admission as (1) a Class B Member pursuant to Section 3.8(b), (2) a Class A Member pursuant to Section 3.8(b) or (3) a Class C Member pursuant to Section 3.8(c), a "Management Member"). The Board may allocate additional Class B Units to one or more Management Members and may allocate additional Class A Units to one or more Management Members pursuant to Section 6.6(b).

(b) Procedure for Admission of Management Members. As a condition to any allocation of Units (including any allocation on the date of this Agreement) to a Management Member (including an individual who would be a Management Member upon allocation of such Units) pursuant to Section 3.8(a), such Management Member shall execute an Acknowledgement in respect of the allocation of such Units and deliver such executed Acknowledgement to the Company. Immediately after the execution and delivery of such Acknowledgement by such Management Member (or, if a different date is specified in such executed and delivered Acknowledgement, on such other date), (i) in the case of admission of any individual as a Management Member (including the admission of a Management Member as a Member of a different class of Interest), such Person shall be admitted as a Member and be listed as a "Class B Member" on Schedule A unless the Board otherwise expressly designates such Person as a Class A Member pursuant to Section 6.6(b), in which case such Person shall be admitted as a Member and listed as a "Class A Member" on Schedule A, or (ii) in the case of the acquisition of any additional Units of the same class held by a Management Member at such time, Schedule A shall be amended to reflect the change in ownership of Units of and any related capital contribution by such Management Member. The number of Class B Units (or, if applicable, Class A Units) allocated to such Management Member shall be determined by the Board, and Schedule A shall be deemed to be amended to reflect such number and class of Units.

(c) Procedure for Admitting Class C Members. The Board may admit as Class C Members any Class A Member or Class B Member or any Person who shall, upon admission as a Member, have allocated to him any Class A Units or Class B Units or have contributed Class C Capital. The initial capital contribution of such Class C Member shall be set forth in such Member's or Person's Acknowledgement and, upon consummation of such contribution and delivery of an executed Acknowledgement by such Member or Person (or, if a different date is specified in such executed and delivered Acknowledgement, on such other date), the capital contributions shall be allocated to such Member's or Person's Class C Capital Account, Schedule A shall be deemed to be amended to reflect such capital contribution and such Person shall be admitted as a Class C Member and listed as a "Class C Member" on Schedule A.

(d) Admission of Other Members. In addition to Members admitted in accordance with Section 3.8(a) and (c), Members may be admitted to the Company (i) in accordance with Article 9 or (ii) as may be determined by the Board; provided that each Person to be admitted pursuant to this clause (ii) executes and delivers to the Board an agreement in which such Person agrees to be a party to this Agreement in accordance with the Act and be bound by this

Agreement and any other agreements, documents or instruments specified by the Board as a condition to such Person being admitted as a Member. In the event that the new Member or the Member contributing capital is Lazard or any Lazard Affiliate, and the form of contribution is property (other than cash or cash equivalents), the provisions of Section 7.4 shall apply. Each Person so admitted in accordance with this Section 3.8(d) shall be listed as a "Class A Member," "Class B Member" or "Class C Member," as the case may be, on Schedule A.

Section 3.9 Phantom Rights. The Company may grant Phantom Rights to certain employees (and may direct LAML to grant LAML Phantom Rights to certain employees of LAML); provided that Phantom Rights and LAML Phantom Rights may only be granted to the extent there are Units available for allocation to Management Members in the Reserved Management Float. Immediately upon the grant of any Phantom Rights or LAML Phantom Rights, the total number of Units, the number of Units in the Management Pool and the number of Units in the Reserved Management Float shall be reduced by an amount equal to the number of Phantom Rights or LAML Phantom Rights granted (and Schedule A shall be accordingly amended). In the event of forfeiture or cancellation (or deemed forfeiture or cancellation) of any Phantom Rights or LAML Phantom Rights, the total number of Units, the number of Units in the Reserved Management Float and the Management Pool shall be increased by the number of Phantom Rights or LAML Phantom Rights forfeited or cancelled (or deemed forfeited or cancelled) (and Schedule A shall be accordingly amended). The Company intends that each Phantom Right and LAML Phantom Right shall have economic rights (not taking into account any income, employment or other taxes) with respect to the Company that are substantially equivalent to the economic rights of a Class B Unit except with respect to capital. For the avoidance of doubt, neither Phantom Rights nor LAML Phantom Rights are intended to be treated as membership interests in the Company.

ARTICLE 4

BOARD OF DIRECTORS

Section 4.1 General. Subject to the provisions of the Act and except as otherwise provided in this Agreement, the Lazard Agreement and the Coordination Agreement, the business and affairs of the Company shall be managed and all its powers shall be exercised by, and all decisions with respect thereto shall be made by, the board of directors of the Company (the "Board"); provided that (a) the Board shall coordinate with the Head of Lazard and Chairman of the Executive Committee to the extent set forth in the Coordination Agreement and (b) the Board shall not take any of the actions set forth in Section 3.02(c) of the Lazard Agreement without the approval of the Lazard Board required thereby. Certain powers and authorities of the Board may be concurrently allocated to or executed by the CEO, one or more officers, the Investment Council or the Managing Directors Special Committee, when and to the extent delegated thereto by the Board in accordance with this Agreement and subject to the immediately preceding sentence (including the proviso thereto). Approval by or action taken by the Board in accordance with this Agreement shall constitute approval or action by the Company and shall be binding on the Members. No Affiliate Transaction that may give rise to an allocation for tax purposes under Section 7.3(b) may be consummated without the approval of the Board.

Section 4.2 Composition. The Board shall consist of three (3) directors (the "Directors"), at least one of whom shall be a Management Member with an officer position and a title of at least Managing Director (an "MD Director"), provided that the number of Directors may be increased or decreased from time to time exclusively by Lazard. The Directors of the Company shall also be the "managers" of the Company within the meaning of the Act. The initial Directors shall be Bruce Wasserstein, Norman Eig and Charles G. Ward III.

Section 4.3 Vacancies; Removal. Subject to requirement that at least one Director shall be an MD Director, vacancies resulting from death, resignation, retirement, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by LFNY. Any Director may be removed at any time, with or without cause, by LFNY.

Section 4.4 Compensation of Directors. Directors of the Company, in their capacity as such, shall not be entitled to compensation, unless otherwise approved by Lazard. The Directors shall not be liable to the Company or its Members for actions taken in good faith.

Section 4.5 Place of Meetings. Meetings of the Board of Directors shall be held at any place within or without the State of Delaware that has been designated from time to time by the Board.

Section 4.6 Meetings of Directors. Meetings of the Board for any purpose or purposes may be called at any time by any Director. Notice of any meeting of the Board shall be given to each Director at his business or residence in writing by hand delivery, first-class or overnight mail or courier service, email, facsimile transmission, or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five days before such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered when the notice is delivered to the overnight mail or courier service company at least 24 hours before such meeting. If by facsimile transmission or email, such notice shall be deemed adequately delivered when the notice is transmitted at least 24 hours prior to the time set for such meeting. If by telephone or by hand delivery, the notice shall be given at least 24 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Board need be specified in the notice of such meeting. A meeting of the Board may be held at any time without notice if all the Directors are present or if those not present waive notice of the meeting in accordance with Section 4.8.

Section 4.7 Quorum; Alternates; Participation in Meetings by Conference Telephone Permitted; Vote Required for Action.

(a) The presence of a majority of the Directors shall constitute a quorum for the transaction of business, provided that the presence of at least one MD Director (or an alternate of an MD Director, as provided below) shall be required to constitute a quorum unless each MD Director (or an alternate of an MD Director, as provided below) then in office has been duly notified of the meeting pursuant to Section 4.6 or duly waives such notice pursuant to Section 4.8. If at any meeting of the Board there shall be less than a quorum present, a majority of the Directors present may adjourn the meeting from time to time without further notice. Each

Director may, by prior written notice given to the other Directors, appoint an alternate (who shall be an employee of the Company or one of its Subsidiaries or Affiliates) to attend and vote at meetings of the Board, or at any particular meeting. The presence of an alternate at any meeting of the Board shall be deemed to be presence of the Director at such meeting for all purposes, and the vote of such alternate shall be deemed to be the vote of the relevant Director. An alternate may be a member of the Board and may represent more than one other Director (in which case such alternate shall have the right to vote, and to be counted for quorum and other purposes hereunder, both in his or her capacity as Director and as the alternate of such other Director). No Director may retract the vote of any duly appointed alternate on behalf of such Director after the close of the meeting at which such vote is made. In the event that the Director who appointed an alternate attends a meeting, the appointment of such alternate shall be ineffective for such meeting, and the alternate shall have no right to be present or to participate in that meeting in his or her capacity as an alternate.

(b) Directors may participate in a meeting of the Board through use of conference telephone or similar communications equipment, so long as all Directors participating in such meeting can communicate with and hear one another.

(c) The act of the majority of the Directors present at a meeting of the Board at which a quorum is present shall be the act of the Board. The Directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Directors (including the withdrawal of any or all MD Directors) to leave less than a quorum.

Section 4.8 Waiver of Notice; Consent to Meeting. Notice of a meeting need not be given to any Director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the Company's records and made a part of the minutes of the meeting.

Section 4.9 Action by Board of Directors Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting if each Director (or their alternates who have been appointed pursuant to Section 4.7(a) above) shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Board.

ARTICLE 5

MANAGING DIRECTORS SPECIAL COMMITTEE AND INVESTMENT COUNCIL

Section 5.1 Managing Directors Special Committee.

(a) General. The Company shall have a Managing Directors Special Committee (the "Managing Directors Special Committee") that shall have only the functions and powers as are specifically granted to the Managing Directors Special Committee (x) in clause (iii) of the

definition of "Good Reason" and in Sections 3.3(b), 5.1(b), 5.1(e), 5.3, 6.1, 6.6, 7.4(a), 7.4(c), 10.2(c), 10.4(a), 10.5 and 12.2 hereof, or (y) as may be designated from time to time by the Board, in each case in accordance with, and subject to, the directives, oversight and supervision of the Board and subject to Section 4.1.

(b) Composition; Removal. The Managing Directors Special Committee shall be comprised of at least five and no more than nine members (as determined by the Board). Each Person selected for membership shall provide services to the Company and have the title of at least Managing Director; provided, however, that, unless the Managing Directors Special Committee shall otherwise agree, no Person who was not a managing director of the asset management business of Lazard on August 1, 2002 shall be eligible to serve as a member of the Managing Directors Special Committee unless (i) his primary professional responsibilities during immediately preceding twelve-month period were (1) to the Company or any Company Affiliate (or any predecessor of the Company, including the asset management business of Lazard as conducted prior to January 1, 2003) or (2) to an entity (or combination of entities) that, in each case, during such period (A) was not Lazard or a Lazard Affiliate and (B) was engaged in the asset management business, and (ii) if applicable the value of any economic interests he holds in Lazard and all other Lazard Affiliates is insubstantial in relation to the economic interests he holds as a Management Member (or will hold upon admission as such) and the compensation, if any, that he received from Lazard and all Lazard Affiliates (other than the Company and its predecessors, including the asset management business of Lazard as conducted prior to January 1, 2003) during such 12-month period did not exceed $100,000 in the aggregate. The Board shall in its sole discretion appoint the members of the Managing Directors Special Committee from among eligible persons and may revoke any such appointment, and remove any such member, at any time with or without cause. Notwithstanding the foregoing sentence, the Board may not revoke any appointment to, or remove any member from, the Managing Directors Special Committee during the period (i) in the case of any negotiations among the Board, Lazard and the Managing Directors Special Committee pursuant to Section 5.3, beginning on the commencement, and ending on the termination, of such negotiations, (ii) in the case of any dissolution of the Company pursuant to Section 10.2, commencing on the date of the decision by Lazard or LFNY, as applicable, to dissolve the Company under Section 10.2(a) and ending on the earlier of the dissolution of the Company or the abandonment of such dissolution, (iii) in the event of a Lazard Sale Event under Section 10.4(a), commencing on the occurrence of such Lazard Sale Event and ending on determination of the valuation of the Company and Lazard pursuant to such Section 10.4(a), and (iv) in the case of any negotiations between the Board and the Managing Directors Special Committee in connection with an initial public offering of the Company pursuant to Section 10.5, beginning on the commencement, and ending on the termination, of such negotiations; other than, in each case, any such revocation or removal by the Board if the Board determines that such person engaged in (i) conduct detrimental to the conduct of the business of the Company or (ii) continued failure to perform duties in an appropriate manner following at least 15 days' notice by the Board of such failure. The initial members of the Managing Directors Special Committee shall be: Charles Carroll, Robert DeConcini, Robert Hougie, Jeffrey Kigner, Gerald Mazzari, John Reinsberg, William Smith, Andrew Lacey and Michael Charlton.

(c) Quorum; Actions of the Managing Directors Special Committee. A majority of the members of the Managing Directors Special Committee then in office shall constitute a

quorum at any meeting of the Managing Directors Special Committee. Any action of the Managing Directors Special Committee shall be taken by a simple majority vote of the members in attendance. Any consent or approval of the Managing Directors Special Committee required by this Agreement shall not be unreasonably withheld or delayed by such Managing Directors Special Committee.

(d) Meetings. Meetings of the Managing Directors Special Committee for any purpose or purposes within the power of the Managing Directors Special Committee pursuant to this Agreement may be called at any time by (i) members representing at least one-third of the members of the Managing Directors Special Committee or (ii) any member of the Board. Notice of any meeting of the Managing Directors Special Committee shall be given to each member of the Managing Directors Special Committee and each Director at his business or residence in writing by hand delivery, overnight mail or courier service, email, facsimile transmission, or orally by telephone. Such notice shall be deemed adequately delivered when sent at least 24 hours in advance of the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Managing Directors Special Committee need be specified in the notice of such meeting; provided, that any such notice to the Directors shall state such business and/or purpose. A meeting may be held at any time without notice if all the members of the Managing Directors Special Committee are present or waive notice, either orally or in writing.

(e) Amendments to Key Agreements. In the event that any amendment of the Lazard Agreement or the Coordination Agreement after the date of the LFNY Contribution materially and adversely affects the economic benefits of Management Unit Holders granted under this Agreement (other than any such amendment which adversely affects the economic benefits of all Class A-2 Members (as defined in the Lazard Agreement) under the Lazard Agreement), the provisions of such amendment that so materially and adversely affect Management Unit Holders' economic benefits will not apply to this Agreement unless such provisions shall be approved by the Managing Directors Special Committee.

Section 5.2 Investment Council. The Company shall have an Investment Council (the "Investment Council") which shall be comprised of between five and seven members, each of whom shall be Managing Directors. Subject to the oversight, supervision and direction of the Board and to Section 4.1, the Investment Council shall be responsible for oversight of the Company's investment products, development of and adherence to the Company's investment philosophy, processes and client guidelines, as the case may be, and reviewing and approving investments of the Company; provided that (a) the powers and duties of the Investment Council may not impair, and shall be subordinate to, the powers and duties of the Board set forth in Article 4; and (b) the Investment Council shall not take any of the actions set forth in Section 3.02(c) of the Lazard Agreement without the approval of the Lazard Board required thereby. The Chairman of the Investment Council shall make reports to the Board on such matters as may be requested by the Board. The Board shall appoint the members of the Investment Council, including the Chairman of the Investment Council, in its sole discretion and may revoke any such appointment at any time with or without cause. The initial Chairman of the Investment Council shall be Herbert Gullquist.

Section 5.3 Certain Adjustments to Distributions or Units, Etc. Other than in connection with a Liquidity Event, a Control Event or a Lazard Sale, in the event that the Board gives final

approval, without the recommendation or approval of the Managing Directors Special Committee, of (a) (i) a diversification outside of the Company's investment advisory or asset management business that is (A) not in the ordinary course of business and (B) material to the operations of the Company, (ii) the incurrence of indebtedness for borrowed money (or guarantees thereof) not in the ordinary course of business that is (A) for purposes other than the operation or expansion of the Company's business and (B) in excess of $5,000,000 when aggregated with all other such outstanding indebtedness of the Company incurred after the date hereof, (iii) the sale or other disposition of assets of the Company not in the ordinary course of business of the Company that is in excess of $7,500,000 in the aggregate per fiscal year, or (iv) any change in the amount of any intercompany charges, fees, allocations or other similar items inconsistent with past practice that exceeds $7,500,000 (unless required by generally applicable accounting principles), and (b) which diversification, incurrence of indebtedness, sale or other disposition, or change, in the case of clauses (i) - (iv) above, would, in the good faith judgment of the Board, reasonably be expected to materially and adversely affect the value of the Class B Interests and the Class C Interests, taken as a whole; then Lazard, the Board and the Managing Directors Special Committee shall negotiate in good faith to determine what adjustments, if any, should be made to the amounts distributable or payable under this Agreement, the Units held by or available for allocation to the Management Members, or such other items as shall be appropriate to avoid or minimize the enlargement or diminution of the economic interests of the Members hereunder.

ARTICLE 6
OFFICERS

Section 6.1 Officers. The officers of the Company shall initially be two Co-Chief Executive Officers (the "Co-CEOs") and the Persons designated as Managing Directors on the date hereof. The Board may appoint such other officers of the Company, and assign such titles to officers, as it from time to time may deem proper (provided that the Managing Directors Special Committee may make recommendations to the Board for its consideration and approval regarding such appointments and assignments of titles). Each officer elected by the Board shall have such powers and duties as may be conferred by the Board upon such officer in accordance with this Article 6; provided that, notwithstanding anything in this Article 6 to the contrary, (a) such powers and duties may not impair, and shall be subordinate to, the powers and duties of the Board set forth in Article 4 hereof and (b) such officers shall not take any of the actions set forth in Section 3.02(c) of the Lazard Agreement without the approval of the Lazard Board required thereby.

Section 6.2 Term of Office. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or retire, but any officer may be removed from office with or without cause at any time by the Board. Such removal shall be without prejudice to the contractual rights, if any, of the Person so removed.

Section 6.3 Co-Chief Executive Officers. There shall initially be two Co-CEOs of the Company. Subject to such directions and resolutions as may be adopted from time to time by the Board, the Co-CEOs or CEO, in the event there is one CEO, shall act in a general executive capacity and shall be the principal executive officer(s) of the Company responsible for the day to

day management of the affairs of the Company. The Co-CEOs or CEO, in the event there is one CEO, shall make reports to the Board and shall see that all orders and resolutions of the Board are carried into effect, and each shall have the power to bind the Company. The initial Co-CEOs shall be Norman Eig and Herbert Gullquist, each of whom shall serve in such position until the earlier of his resignation, retirement, death or removal by the Board.

Section 6.4 Managing Directors.

(a) The Board shall have the power to promote or appoint individuals to be managing directors of the Company (each, a "Managing Director") and may from time to time make such promotions or appointments. Notwithstanding the foregoing, each individual listed on Schedule 6.4 shall be a Managing Director of the Company, effective upon the consummation of such individual's contribution of his or her Initial Capital to the Company pursuant to such individual's Management Service Agreement and execution of such person's Acknowledgement or, if applicable, the execution of a Phantom Acknowledgement or LAML Phantom Acknowledgement. Managing Directors shall participate in the management and operations of the Company, subject to the control of the Board and the powers specifically granted in Section 5.1 to the Managing Directors Special Committee and pursuant to Section 6.1 to the Co-CEOs, and shall have the power to bind the Company. The Company shall provide each Managing Director periodic financial reports, which may be unaudited unless audited reports are available, not less frequently than quarterly, showing the financial condition and performance of the Company. The Board may (i) revoke any appointment of a Managing Director pursuant to this Section 6.4 or remove any Managing Director at any time with or without cause or (ii) designate any Managing Director a limited managing director (a "Limited Managing Director") at any time with or without cause. Limited Managing Directors shall not participate in the management and operations of the Company or have the power to bind the Company, and may not be elected or appointed to serve on the Managing Directors Special Committee.

(b) Meetings. The CEO shall call a meeting of the Managing Directors every Tuesday (or if such day is a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close, the next preceding date on which such banking institutions are not so authorized or obligated to close) or such other time as the CEO or the Board shall determine. The purpose of such meetings shall be solely to discuss the business and operations of the Company in a manner consistent with past practice and such other matters as the Board or the CEO in consultation with the Board shall determine (it being understood that such meetings shall not confer any additional powers or rights on the Managing Directors under this Agreement). Any such meeting may be postponed or adjourned by the CEO or the Board.

Section 6.5 Other Officers. The Board may from time to time as it deems advisable appoint other officers of the Company and assign titles (including Vice President, Secretary and Treasurer) and functional titles (including Chief Operating Officer, Chief Administrative Officer and Chief Financial Officer) to any such individual. Such officers shall have such functions, powers and obligations, including, even if not a Managing Director or Director duly authorized, such power to bind the Company, as the Board shall delegate to them.

Section 6.6 Compensation.

(a) The compensation (fixed and discretionary) of the Management Members and any other Managing Directors, other officers or employees of the Company and any of its Subsidiaries shall be fixed from time to time by the Board, in such amounts (individually or in the aggregate) and/or by such measuring standards and for such time period or periods as the Board may determine (provided that the Managing Directors Special Committee may make recommendations to the Board for its consideration and approval regarding such compensation arrangements). Compensation to Management Members shall be further subject to Section 8.2.

(b) From January 1, 2006 and thereafter (each such year, an "Eligible Year"), the Board may in its discretion determine that up to 25% of the Available Compensation Amount of a Managing Director (and/or such other individuals providing services to the Company or its Subsidiaries as the Board shall determine) (any such individual, an "Eligible Recipient") shall be paid in the form of Class A Units (the percentage of the Available Compensation Amount determined by the Board to be paid in the form of Class A Units with respect to any individual being referred to as such individual's "Allocation Percentage"). Following such a determination by the Board, (i) the salary and Other Compensation payable by the Company to such Eligible Recipient in respect of the fiscal year of the Company preceding such Eligible Year shall be reduced by the product of (x) the Available Compensation Amount and (y) the Allocation Percentage (expressed as a fraction) and (ii) the Company shall allocate and issue to such Eligible Recipient a number of Class A Units equal to the quotient obtained by dividing (x) the product of such Eligible Recipient's Allocation Percentage (expressed as a fraction) and such Eligible Recipient's Available Compensation Amount by (y) the value of a Class A Unit as determined in good faith by the Board based on the Appraised Value of LAM. Class A Units issued pursuant to this Section 6.6(b) will be subject to the forfeiture provisions set forth in Section 3.4 and shall vest as follows: 50% of such Units shall vest on the second anniversary of the date of issuance and the remaining 50% of such Units shall vest on the third anniversary of the date of issuance.

ARTICLE 7

CAPITAL AND ACCOUNTING MATTERS

Section 7.1 Capital Accounts; Contributions.

(a) Upon completion and as a result of the LFNY Contribution (for the avoidance of doubt, not giving effect to any capital contribution other than the LFNY Contribution), the aggregate balance in the Capital Accounts shall be $75 million (the "Initial Capital Account Balance"). On and after the date of the LFNY Contribution, each of the current managing directors of the asset management businesses of Lazard who shall provide services to and for the benefit of the Company and become Class C Members shall make a capital contribution to the Company as contemplated by this Agreement and such Member's Acknowledgement. Other Persons to be admitted as Members shall make a capital contribution to the Company if so required by the Board in connection with their admission as a Member.

(b) There shall be established on the books and records of the Company a capital account for each Class A Member (a "Class A Capital Account"), a capital account for each Class B Member (a "Class B Capital Account"); and a capital account for each Class C Member (a "Class C Capital Account"; a Class A Capital Account, Class B Capital Account or a Class C Capital Account, a "Capital Account"). Schedule A sets forth the names, Class A Capital Accounts, Class B Capital Accounts and Class C Capital Accounts of the Members as of the date hereof. Such Schedule shall be deemed to be amended from time to time to reflect any change in the identity, Class A Capital Accounts, Class B Capital Accounts and Class C Capital Accounts of the Members in accordance with this Agreement.

(c) If and to the extent requested by the Board, promptly following the end of each fiscal year, each Managing Director or Limited Managing Director on the date of the Board's request shall make a capital contribution to the Company in an amount equal to the product of (i) the "Contribution Percentage" (as defined in and determined in accordance with the Lazard Agreement) for such fiscal year and (ii) the difference between (x) the sum of (A) the amount distributable to such individual in respect of such individual's Class A Units (if any) for the Accounting Periods in such fiscal year and (B) such individual's Other Compensation for the Accounting Periods in such fiscal year and (y) the amount of Other Compensation paid to such individual in the form of Class A Units pursuant to Section 6.6(b) in respect of such fiscal year. Upon consummation of such capital contribution, such individual's Class A Capital Account (or, if such Member does not have a Class A Capital Account, such Member's Class C Capital Account) shall accordingly be credited by an amount equal to such capital contributions in accordance with Section 7.2(c)(x)(ii). If any Managing Director or Limited Managing Director is not a Member at the time such contribution is required to be made, such individual shall be admitted as a Member pursuant to Section 3.8(c) or (d) effective upon such contribution; provided that this sentence shall not apply to any Managing Director or Limited Managing Director who is entitled to LAML Phantom Rights (each of whom shall, as a condition to a grant of LAML Phantom Rights, enter into arrangements satisfactory to LAM which are equivalent (in economic terms and on a before tax basis) to those which apply under this Agreement to Managing Directors who are Members in respect of capital contributions (other than Initial Capital), the use of such capital, return on the same and repayment thereof) or other such persons as the Board may determine. Notwithstanding the foregoing, if, with respect to any fiscal year of Lazard, the application to the Contribution Percentage to the members of Lazard who are managing directors of Lazard results in a capital contribution or equivalent transaction, as applicable, of less than $1,000 for at least fifty percent of such members of Lazard who are both managing directors and members of Lazard, the Contribution Percentage for such purposes of this Agreement for the fiscal year of the Company ending with or within such fiscal year of Lazard shall be zero.

(d) Except as otherwise provided in this Section 7.1, no additional capital contributions shall be required unless otherwise determined by the Board and agreed to by the contributing Member or unless otherwise determined by the Board in connection with the admission of a new Member or the grant of additional Interests (or a different class of Interests) to a Member.

(e) The Board may invest or cause to be invested all amounts received by the Company as capital contributions in its discretion.

Section 7.2 Withdrawals; Return on Capital.

(a) No Member may withdraw any Capital without the prior approval of the Board, except as provided in Section 8.3 and Article X.

(b) At the end of each Accounting Period, the Company shall calculate an amount in respect of each Member (such Member's "Capital Return Amount" for the Accounting Period) equal to the product of the Member's Capital Account balance (excluding any portion of such Capital Account balance attributable to such Member's Unvested Distributable Amount) at the beginning of the Accounting Period (giving effect to any adjustment pursuant to Section 7.2(d)) and a fixed return at the rate of 6% per annum. At the end of each fiscal year of the Company (or at the end of such other Accounting Period as the Board shall determine), the Company shall distribute (in addition to other distributions, if any, to which Class A Members and Class B Members may be entitled in respect of their Class A Units and Class B Units, respectively) an amount in cash equal to the sum of such Member's Capital Return Amounts for each Accounting Period in such fiscal year (or such other Accounting Period, as applicable) since the last distribution pursuant to this sentence. Such returns shall be charged as expenses of the Company and shall be treated as guaranteed payments for the use of capital within the meaning of Section 707(c) of the Code.

(c) As of the end of each Accounting Period, the balance in each Member's Capital Account shall be adjusted by (x) increasing such balance by (i) such Member's allocable share of each item of the Company's income and gain for such Accounting Period (allocated in accordance with Section 7.3(a)) and (ii) the amount of cash or the fair market value of other property (determined in accordance with Section 7.4) contributed to the Company by such Member in respect of such class of capital during such Accounting Period, net of liabilities assumed by the Company with respect to such property (except to the extent already reflected in the initial balance of such Member's Capital Account), and (y) decreasing such balance by (i) the amount of cash or the fair market value of other property distributed to such Member in respect of such class of capital pursuant to this Agreement, net of liabilities assumed by such Member with respect to such property and (ii) such Member's allocable share of each item of the Company's deduction and loss for such Accounting Period (allocated in accordance with Section 7.3(a)).

(d) To the extent that any adjustment to a Member's Class B Capital Account pursuant to Section 7.2(c) reduces the balance in such Class B Capital Account to an amount less than zero, (x) the balance of such Member's Class C Capital Account shall be reduced by an amount equal to the negative balance in such Member's Class B Capital Account (provided that the balance in such Member's Class C Capital Account shall not be reduced below zero) and (y) the balance of such Member's Class B Capital Account shall be increased by an amount equal to the amount of such reduction.

(e) In the event of an Extraordinary Item that is an item of income or gain, Lazard may elect to cause the mandatory distribution to the Company on behalf of each Class B Member of an amount not to exceed the excess of (x) the amount of such Extraordinary Item allocated to such Member pursuant to Section 7.3(a)(ii) over (y) such Member's Distributable Amount (if any) with respect to such Extraordinary Item. If a distribution with respect to such Extraordinary

Item is to be made pursuant to Section 8.1(b), the mandatory distribution referred to in the prior sentence shall occur after such distribution. Immediately following such mandatory distribution, the Company shall cause a capital contribution to the Company on behalf of each such Class B Member to be made (such contribution representing additional Class C Interests) in an amount equal to such mandatory distribution made with respect to such Member and the Company shall issue to such Member additional Class C Interests in an amount equal to the amount contributed, which Class C Interests shall be represented by certificates substantially in the form attached hereto as Annex V.

(f) In the event that the Class C Capital Account of any Member is reduced or increased by any amount pursuant to Section 7.2(d) or (e) (the Class C Capital Account following such reduction or increase being the "Adjusted Class C Capital Account"), immediately following such reduction or increase: (i) the Class C Capital of such Member prior to such reduction or increase (plus the amount of any increase and less the amount of any reduction) shall be distributed to such Member and immediately re-contributed to the Company without further action by any person and (ii) the certificate representing such Member's Class C Capital prior to such reduction or increase shall be cancelled and a new certificate representing the amount of the Adjusted Class C Capital Account shall be issued to such Member.

Section 7.3 Allocations and Tax Matters.

(a) Book Allocations. For purposes of computing Capital Accounts and allocating any items of income, gain, loss or deduction thereto, the book value of the Company's assets upon consummation and as a result of the LFNY Contribution (for the avoidance of doubt, not giving effect to any capital contribution other than the LFNY Contribution) shall be deemed to equal the Initial Capital Account Balance, and

(i) each Current Item shall be allocated among the Capital Accounts of Class A Members with respect to each Accounting Period in proportion to their respective Class A Units as of the end of such Accounting Period; and

(ii) each Extraordinary Item shall be allocated among the Class A Capital Accounts and Class B Capital Accounts of the Members with respect to each Accounting Period in proportion to their respective Class A Units and Class B Units as of the end of such Accounting Period.

"Current Item" means each item of income, gain, loss or deduction that is not an Extraordinary Item. "Extraordinary Items" means the items of income, gain, loss or deduction that arises from any sale or other disposition (or any series of sales or dispositions) of assets of the Company (i) which sale or other disposition is not in the ordinary course of business of the Company and (ii) which assets have an aggregate value in excess of $50 million; provided, however, that this definition of "Extraordinary Item" may be expanded or limited pursuant to the determination of Lazard, the Board and the Managing Directors Special Committee in accordance with Section 5.3; and provided further that notwithstanding the foregoing, no item of income, gain, loss or deduction that arises from a dissolution of the Company by LFNY pursuant to Section 10.2 shall be deemed to be an "Extraordinary Item" for purposes of this Agreement; and provided further that Extraordinary Items shall include as an item of deduction any amount

paid or payable to holders of Phantom Rights or to LAML in respect of LAML Phantom Rights or to a trust in which such Persons have an interest pursuant to Section 6.4(c) of the LAM Incentive Plan or pursuant to the terms of any LAML Phantom Interest Agreement in connection with any such sale or other disposition. Current Items and Extraordinary Items shall exclude any item of income, gain, loss or deduction attributable to Affiliate Transactions and subsequent calculations of income, gain, loss and deduction for purposes of computing Capital Accounts or making any allocations under this Article VII shall be made without giving effect to any Affiliate Transactions.

(b) Tax Allocations. The Company shall cause each item of income, gain, loss or deduction recognized by the Company to be allocated among the Members for U.S. federal, state and local income and, where relevant, non-U.S. tax purposes in the same manner that each such item is allocated to the Members' Capital Accounts or as otherwise provided herein; provided, however, that (x) any item of income, gain, loss or deduction arising from an Affiliate Transaction that would, but for the final sentence of Section 7.3(a), constitute an Extraordinary Item shall be allocated for such tax purposes among the Class A Members and Class B Members in proportion to the number of Class A Units and Class B Units held by each Member and (y) any item of income, gain, loss or deduction arising from an Affiliate Transaction that would, but for the final sentence of Section 7.3(a), constitute a Current Item shall be allocated for such tax purposes among the Class A Members in proportion to the number of Class A Units held by each Member.

(c) Tax Matters Partner. Lazard is hereby designated as the tax matters partner of the Company, in accordance with the Treasury Regulations promulgated pursuant to Section 6231 of the Code and any similar provisions under any other state or local or non-U.S. tax laws. Lazard shall have the authority, in its sole discretion, to make an election under Section 754 of the Code on behalf of the Company, and each Member agrees to provide such information and documentation as Lazard may reasonably request in connection with any such election.

(d) Partnership for Tax Purposes. The Company shall not elect to be treated as an association taxable as a corporation for U.S. federal, state or local income tax purposes under Treasury Regulations Section 301.7701-3(a) or under any corresponding provision of state or local law. Except as contemplated by Section 10.5, the Company shall not participate in the establishment of an "established securities market" (within the meaning of Section 1.7704-1(b) of the Treasury Regulations) or a "secondary market or the substantial equivalent thereof" (within the meaning of Section 1.7704-1(c) of the Treasury Regulations) or, in either case, the inclusion of interests in the Company thereon. The LFNY Contribution and the distribution of Interests in the Company to certain Class B Members as part of a liquidating distribution in respect of their membership interests in Lazard shall be treated for U.S. federal income tax purposes as an "assets-over" division of Lazard under Section 1.708-1(d)(3) of the Treasury Regulations (the "Division") and the Company and Lazard shall report the Division accordingly. To the extent permitted by law, the Division shall be treated by the Company and Lazard for income tax purposes as not giving rise to any income, gain, loss or deduction to such former members of Lazard or to Lazard or any continuing members of Lazard under any provision of U.S. federal, state, local or non-U.S. tax law, including but not limited to Sections 721, 731 and 751 of the Code.

(e) Character of Liquidating Distributions. To the extent that the tax treatment of any payments or distributions to any Management Unit Holder pursuant to this Agreement is governed by Section 736 of the Code, such payments or distributions shall be treated as made in exchange for such Member's interests in the Company's property pursuant to Section 736(b)(1) of the Code, including the interests of such Management Unit Holder in the Company's goodwill.

(f) Special Allocation Relating to Class B Units. It is the intention of the Members that no amounts will be includible as compensation income to any Class B Member for United States federal, state or local income tax purposes as a result of the receipt, vesting or disposition of, or lapse of any restriction with respect to, any Class B Units granted to such Class B Member pursuant to an Acknowledgement. If, contrary to such intention, any United States federal, state or local taxing authority treats any such amount as so includible, any corresponding deduction for income tax purposes to the Company or any of its Subsidiaries will be specially allocated (i) to the extent any Members other than such Class B Member recognize income or gain for income tax purposes as a result of the event giving rise to such treatment, to such Members pro rata in proportion to the income or gain recognized by each such Member and then (ii) any remaining deduction to such Class B Member. To the extent that a deduction would be allocated to a Class B Member who is a Management Member pursuant to the immediately preceding sentence and such deduction cannot be allocated to such Class B Member by the Company, but may be allocated to such Member by Lazard, as a result of such Member's interest in Lazard, and such deduction is instead allocated to LFNY, LFNY shall use its reasonable best efforts to cause Lazard to specially allocate an amount of deduction equal to LFNY's incremental deduction to such Member to the extent permitted by the Lazard Agreement and the Coordination Agreement (including with the consent of the Head of Lazard and Chairman of the Executive Committee).

(g) Special Allocations with respect to Unincorporated Business Tax. Notwithstanding anything to the contrary in this Agreement, the allocations and distributions hereunder shall be made in a manner that (i) prevents those Class B Members and Class C Members who are not Managing Directors or Limited Managing Directors and who otherwise provide services to the Company (the "Non-MD Members") from bearing, in their capacity as Class B Members or Class C Members, as applicable, any economic cost of any New York City Unincorporated Business Tax ("UBT") payable by the Company or its subsidiaries with respect to any Current Item and (ii) causes the economic cost of the UBT payable by the Company or its subsidiaries with respect to any Current Item that would, but for this Section 7.3(g), be borne by the Non-MD Members in their capacity as Class B Members or Class C Members, as applicable, to be borne by the Class A Members in proportion to their respective Class A Units.

Section 7.4 Board Determinations.

(a) Except as otherwise provided herein, all determinations, valuations and other matters of judgment required to be made for purposes of this Article 7, including accounting procedures and tax matters not expressly provided for by the terms of this Agreement, or for determining the value of any type or form of proceeds or other distributions in a Liquidity Event, a Lazard Sale Event, a Covered Control Event or any distribution under Article 8 shall be made by the Board; provided that if any such determination, valuation or other matter of judgment would materially and adversely impact the economic interests of the Management Unit Holders

in their capacity as such, such determination, valuation or other matter of judgment shall be made by the Board after consulting with the Managing Directors Special Committee.

(b) Except as provided in clause (c) below, in the event an additional Member is admitted to the Company and contributes property to the Company, or an existing Member contributes additional property to the Company, pursuant to this Agreement, the value of such contributed property shall be the fair market value of such property as determined by the Board in good faith.

(c) In the event that a valuation is being undertaken in connection with any transaction between the Company and Lazard or any Lazard Affiliate, including, but not limited to, any sale or exchange of assets, any capital contribution to the Company in the form of property (other than cash or cash equivalents) or any distribution from the Company to any Lazard Entity in the form of property (other than cash or cash equivalents), and the value that the Board proposes to assign to such assets or property is equal to or in excess of $50 million, then the Managing Directors Special Committee and Lazard shall each retain, at the expense of the Company, an investment banking firm of national reputation (such firm's retention by either the Managing Directors Special Committee or Lazard shall be subject to the consent of the other, which consent shall not be unreasonably withheld) to determine, no later than 10 days following such transaction, the fair market value of all such assets and property involved in such transaction (the "Initial Property Valuations"). If the Initial Property Valuations of all such assets and property are within 10% of each other, the midpoint will be utilized, and such valuation of such property will be final, binding and conclusive on all parties including the Company, Lazard and the Members for the purposes of this Agreement. In the event that the Initial Property Valuations of all such assets and property diverge by more than 10%, the Managing Directors Special Committee and the Board shall negotiate in good faith to set an agreed value for such assets and property. If the Managing Directors Special Committee and the Board agree on a valuation of such assets and property, then such valuation of the property will be final, binding and conclusive on all parties including the Company, Lazard and the Members for the purposes of this Agreement; provided that if the Managing Directors Special Committee and the Board cannot agree to a valuation for such assets and property within 10 business days following the receipt of the Initial Property Valuations from such investment banks, the two investment banking firms will jointly choose an unaffiliated third investment banking firm of national reputation which shall determine, at the expense of the Company, the fair market value of such assets and property and shall select one of the applicable Initial Property Valuations for such assets and property based on which of such Initial Property Valuations is closer to the valuation arrived at by such third investment banking firm. The value chosen by such third investment banking firm for such assets and property shall be final, binding and conclusive on all parties including the Company, Lazard and the Members for the purposes of this Agreement.

Section 7.5 Liability to Third Parties; Capital Account Deficits. Except as may otherwise be expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and neither any present Member nor any future or past member of the Company shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company or Lazard. A Member shall not be liable to make up any deficit in its capital account.

Section 7.6 Books and Accounts.

(a) The Company shall at all times keep or cause to be kept true and complete records and books of account, which records and book shall be maintained in accordance with U.S. generally accepted accounting principles. Such records and books of account shall be kept at the principal place of business of the Company. Lazard and the Board shall have access thereto and the right to receive copies thereof. As permitted by Section 18-305(g) of the Act, no Member shall be entitled to review such records and books of account (including Schedule A) unless the Board, in its sole discretion, shall permit such review.

(b) The Company's fiscal year shall be the calendar year or such other period designated by the Board. At the end of each fiscal year the Company's accounts shall be prepared, presented to the Board and submitted to the Company's auditors for examination. Upon certification of the Company's accounts by the Company's auditors a copy thereof and the report of such auditors thereon shall be delivered to each Member.

(c) The Company's auditors shall be an independent accounting firm of international reputation to be appointed from time to time by the Board. The Company's auditors shall be entitled to receive promptly such information, accounts and explanations from the Board, the Managing Directors Special Committee, the Investment Council, each officer and each Member that they deem reasonably necessary to carry out their duties. The Members shall provide such financial, tax and other information to the Company as may be reasonably necessary and appropriate to carry out the purposes of the Company.

Section 7.7 Tax Information. The Company shall use commercially reasonable efforts to prepare and mail within 90 days after the end of each taxable year of the Company, or as soon as practicable thereafter, to each Member (and each other Person that was a Member during such taxable year or its legal representatives), U.S. Internal Revenue Service Schedule K-1, "Partner's Share of Income, Credits, Deductions, Etc.," or any successor schedule or form, for such Person.

Section 7.8 Withholding. The Company is authorized to withhold from distributions and allocations to the Members, and to pay over to any federal, state, local or foreign governmental authority any amounts required to be so withheld pursuant to the Code or any provision of any other federal, state, local or foreign law and, for all purposes under this Agreement, shall treat such amounts as distributed to those Members with respect to which such amounts were withheld.

ARTICLE 8
DISTRIBUTIONS

Section 8.1 Current Distributions.

(a) Subject to Section 7.2(a) and applicable law and regulatory requirements, the Company shall distribute at least 90% of its quarterly Net Earnings to Class A Members on a quarterly basis in accordance with this Section 8.1(a) or at such other times and in such other amounts determined by the Head of Lazard and Chairman of the Executive Committee. All distributions pursuant to this Section 8.1(a) shall be made to the Class A Members in proportion

to the amounts allocated to their respective Capital Accounts pursuant to Section 7.3(a)(i) as of the time of such distribution, provided that no distribution shall be made pursuant to this Section 8.1 to the extent such distribution, if made, would cause the aggregate amount distributed pursuant to this Section 8.1 to exceed the cumulative net Current Items of income, gain, deduction and loss allocated pursuant to Section 7.3(a)(i); provided further that distributions pursuant to this Section 8.1(a) shall be made to a Class A Member only to the extent of the positive balance in such Member's Class A Capital Account.

(b) Subject to Section 7.2(a) and applicable law and regulatory requirements, in the event of any Extraordinary Item that is income or gain, the Company shall distribute to the Members promptly after the end of the fiscal year in which such Extraordinary Item is consummated (or at such other times determined by the Head of Lazard and Chairman of the Executive Committee) an amount equal to such Member's Vested Distributable Amount. A Member's "Distributable Amount" equals the lesser of (x) 90% of such net Extraordinary Items (net of any related Extraordinary Items that are deduction or loss) allocated pursuant to Section 7.3(a)(ii) or such other amount determined by the Head of Lazard and Chairman of the Executive Committee (such amount not to exceed 100% of such net Extraordinary Items (net of any related Extraordinary Items that are deduction or loss)) (such amount, expressed as a percentage of such net Extraordinary Items, the "Distributable Percentage") and (y) the positive balance (if any) of such Member's Capital Account to which such Extraordinary Item was allocated (other than amounts that constituted Unvested Distributable Amounts). Subject to the foregoing limitation, all distributions pursuant to this Section 8.1(b) shall be made to the Members in proportion to amounts allocated to their respective Capital Accounts pursuant to Section 7.3(a)(ii) other than amounts that constituted Unvested Distributable Amounts.

(c) Promptly after January 2 of each year or any other date on which Units of a Management Member vest (a "Subsequent Vesting Date"), the Company shall distribute to such Management Member the excess, if any, of (x) such Member's Unvested Distributable Amounts, if any, that would have been treated as Vested Distributable Amounts if, solely for purposes of determining whether an item of income or gain is a Vested Distributable Amount or Unvested Distributable Amount, each Extraordinary Item giving rise to an Unvested Distributable Amount had occurred and had been allocated on such Subsequent Vesting Date (such determination being made without regard to any additional Units granted to such Member between the date on which the initial allocation of such Extraordinary Item was made and the Subsequent Vesting Date) over (y) amounts previously distributed to such Member pursuant to this clause (c).

(d) If Units of any Management Member are forfeited pursuant clauses (i), (ii), (iii), (iv) or (v) of Section 3.4(c), and there remains any Residual Amount, this amount shall be subtracted from such Member's Capital Account balance (provided, that no such Capital Account shall be reduced below zero pursuant to this Section 8.1(d) unless such Member's other Capital Accounts, if any, are reduced to zero pursuant to this Section 8.1(d)) and shall be credited to the Capital Accounts of Class A Members in proportion to their respective Class A Units on the date of the applicable Extraordinary Item. For the avoidance of doubt, Section 8.3 shall be applied after giving effect to this Section 8.1(d).

Section 8.2 Base Distributions to Management Members. For U.S. federal income tax purposes, payments of base salary or other fixed compensation contemplated by Section 6.6(b)

and a Member's Member Services Agreement are intended to constitute guaranteed payments for services within the meaning of Section 707(c) of the Code, and other payments pursuant to this Section 8.2 are intended to constitute either guaranteed payments for services within the meaning of Section 707(c) of the Code or payments governed by Section 731 of the Code with respect to such Member's "distributive share" (within the meaning of Section 704(b) of the Code), as determined by the Board.

Section 8.3 Distribution of Capital.

(a) Upon the cessation of services of a Management Member to the Company and its Subsidiaries, such Member and/or his Estate Transferee shall not have any interest in the profits, losses, assets or capital of the Company except (i) a Class A Interest to the extent that such Member had a vested and non-forfeited Class A Unit or Class A Capital and was a Class A Member at the time of his or her cessation of services, (ii) a Class B Interest to the extent that such Member had a vested and non-forfeited Class B Unit and was a Class B Member at the time of his or her cessation of services (such Class B Interest consisting solely of such Class B Unit, such Member's Class B Capital and the rights and obligations of such Member with respect to the Company pursuant to this Agreement and applicable law by virtue of such Member holding such Class B Unit), and (iii) as specifically provided with respect to Class B Capital and Class C Capital in this Section 8.3(a) and Section 8.3(d) through (h), subject in each case to the provisions of Section 3.4. Subject to the other provisions of this Section 8.3, satisfaction and discharge in full of all amounts due to such Management Member and/or its Estate Transferee, if applicable, in respect of its Class B Capital and Class C Interests shall be made by distributing to such Member and/or its Estate Transferee, if applicable, an amount equal to the lesser of (A) the sum of such Member's and/or its Estate Transferee's, if and as applicable, Class B Capital and Class C Capital as of the date of such Member's cessation of services and (B) the amount such Member and/or its Estate Transferee, if and as applicable, would receive in respect of his or her Class B Capital and Class C Interests pursuant to Section 10.3 if there were a Liquidity Event as of such time (where the Liquidation Value equals the then Value of LAM). At such time as a Management Member ceases to hold any Class B Units and all of the Class B Capital and Class C Capital of such Member has been distributed to such Member in accordance with this Section 8.3, such former Management Member shall not have any interest in the profits, losses, assets or capital of the Company except a Class A Interest to the extent such Member had a vested Class A Interest and was a Class A Member on the date that such Member received a distribution of all of the Class B Capital and Class C Capital of such Member in accordance with this Section 8.3, and such Management Member and/or his Estate Transferees, as applicable, shall be deemed to have released and discharged any claims such Persons would have in respect of Class B Interests and Class C Interests.

(b) At such time as a Class A Member ceases to hold Class A Units, such Class A Member shall not have any interest in the profits, losses, assets or capital of the Company except (i) a Class B Interest to the extent that such Member had a vested and non-forfeited Class B Unit or Class B Capital and was a Class B Member at the time such Class A Member ceases to hold such Class A Units, (ii) a Class C Interest to the extent such Member had Class C Capital and was a Class C Member on the date such Member ceased to hold Class A Units (such Class C Interest consisting solely of such Class C Capital and the rights and obligations of such Member with respect to the Company pursuant to this Agreement and applicable law by virtue of such

Member having such Class C Capital) and (iii) as specifically provided with respect to Class A Capital in this Section 8.3(b) and Section 8.3(d) through (h). Subject to the other provisions of this Section 8.3, satisfaction and discharge in full of all amounts due to such Class A Member in respect of its Class A Interests shall be made by distributing to such Member if and as applicable, an amount equal to the lesser of (A) such Member's Class A Capital as of the date that such Member ceased to hold Class A Units previously allocated to such Member and (B) the amount such Class A Member would receive in respect of his or her Class A Capital pursuant to Section 10.3 if there were a Liquidity Event as of such time (where the Liquidation Value equals the then Value of LAM), and such Member shall be deemed to have released and discharged any claims such Persons would have in respect of Class A Interests; provided, however, that no such distribution shall be made to a Lazard Entity who is a Class A Member as a result of a Transfer by such Lazard Entity of Class A Units to a controlled affiliate of Lazard until such time as such Class A Units are held by a Person who is not a controlled affiliate of Lazard.

(c) At such time as a Class B Member who is not a Management Member (or an Estate Transferee of a Management Member) ceases to hold Class B Units, such Class B Member shall not have any interest in the profits, losses, assets or capital of the Company except (i) a Class A Interest to the extent that such Member had a vested and non-forfeited Class A Unit or Class A Capital and was a Class A Member on the date such Class A Member ceases to hold such Class B Units and (ii) as specifically provided with respect to Class B Capital and Class C Capital in this Section 8.3(c) and Section 8.3(d) through (h). Subject to the other provisions of this Section 8.3, satisfaction and discharge in full of all amounts due to such Class B Member in respect of its Class B Capital and Class C Interests shall be made by distributing to such Member, if and as applicable, an amount equal to the lesser of (A) such Member's Class B Capital and Class C Capital as of the date that such Member ceased to hold Class B Units previously allocated to such Member and (B) the amount such Class B Member would receive in respect of his or her Class B Capital and Class C Interests pursuant to Section 10.3 if there were a Liquidity Event as of such time (where the Liquidation Value equals the then Value of LAM). At such time as a Class B Member who is not a Management Member (or an Estate Transferee of a Management Member) ceases to hold any Class B Units and all of the Class B Capital and Class C Capital of such Member has been distributed to such Member in accordance with this Section 8.3, such former Member shall not have any interest in the profits, losses, assets or capital of the Company except a Class A Interest to the extent such Member had a vested Class A Interest and was a Class A Member on the date that such Member received a distribution of all of the Class B Capital and Class C Capital of such Member in accordance with this Section 8.3, and such Member shall be deemed to have released and discharged any claims such Persons would have in respect of Class B Interests and Class C Interests.

(d) The Board may provide that, in lieu of any portion of the amount described in Sections 8.3(a), (b), or (c) there shall be distributed to such Member (or his or her estate) his or her "allocable share" (as determined below) of all or any portion of the long-term investments of the Company. For purposes of this Section 8.3(d), long-term investments shall not include (i) goodwill, (ii) any Lazard Name or Lazard Mark or (iii) if the Board shall so determine, any interest in an asset necessary or helpful to the business of the Company or any interest in an "affiliate" (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934) of the Company. The "allocable share" of a Member shall be a fraction, the numerator of which is, in the case of Section 8.2(a) or (c), the number of vested and non-forfeited Class B Units or, in

the case of Section 8.2(b), the number of vested and non-forfeited Class A Units held by such Member and the denominator of which is the total number of Units. In the event that long-term investments are distributed in kind to a Member under this Section 8.3(d), the amount to be distributed to such Member pursuant to Section 8.3(a), Section 8.3(b) or Section 8.3(c), as applicable, shall be reduced by (x) the fair market value (as determined by the Board in good faith) of such long-term investments as of the date the Board finally determined that such securities shall be distributed to such Member and (y) the value of such Member's allocable share of any corporate income taxes imposed by the relevant taxing authority on the Company as a result of such distribution in kind.

(e) Notwithstanding any other provision of this Section 8.3, the aggregate amount to be distributed pursuant to Sections 8.3(a), 8.3(b), 8.3(c) and 8.3(d) to a Management Member (valuing securities or other assets at their fair market values (as determined by the Board in good faith) as of the date the Board finally determined that such securities shall be distributed to such Member) shall (A) not exceed such Member's Class A Capital (in the case of 8.3(b) and (d)) or the sum of such Member's Class B Capital and Class C Capital (in the case of 8.3(a) and (d)) and (B) include as part of such distribution a cash distribution in an amount that the Board determines, in its reasonable judgment, is necessary to satisfy the U.S. federal, state, local and non-U.S. tax liabilities of such Member and his estate, if applicable, in respect of all distributions made to such Member or his estate under this Section 8.3.

(f) If the aggregate reserves set up by the Board in determining any Capital as of the date of the cessation of services of a Management Member should prove to be excessive in the determination of the Board, such Member shall be entitled to receive such Member's pro rata share of such excess. If the aggregate of such reserves should prove to be inadequate, such Member shall be chargeable with such Member's pro rata share of such deficiency for so long as it is a Member.

(g) Subject to the provisions of Rule 15c3-1(e) under the Securities Exchange Act of 1934, as amended, the distributions described in (1) Section 8.3(a) shall be made at any time in whole, or from time to time in part, within 180 days of the date of the applicable Member's cessation of services to the Company or (2) Sections 8.3(b) and 8.3(c) shall be made at any time in whole, or from time to time in part, within 180 days of the date that such Member ceased to hold Class A Units or Class B Units, as applicable. Until the payment in full of all amounts due to such Member pursuant to Sections 8.3(a), (b), (c) and (d), a fixed return shall be payable at the rate of 6% per annum on the unpaid amount due to such Member in respect of his Class C Capital, Class B Capital or Class A Capital, as applicable (in the case of Class B Members and Class C Members who are Management Unit Holders, commencing from the date such Member ceased to provide services to the Company). All undistributed amounts in respect of such Member's Class C Capital, Class B Capital or Class A Capital, as applicable, shall remain at the risk of the business of the Company after the date of such Member's cessation of services or the date that such Member ceased to hold Class A Units or Class B Units, as applicable, but shall be senior in right of payment to the Class C Capital, Class B Capital or Class A Capital, as applicable, of any other Management Member who at such date is providing services to the Company. Any claim of a Member to amounts payable pursuant to this Section 8.3 shall be subordinated in right of payment to all third-party indebtedness of the Company arising out of any matter occurring before such amounts are paid. For the avoidance of doubt, this

Section 8.3(g) shall not increase a Class C Member's entitlement above the fixed return at a rate of 6% per annum in respect of the balance in such Member's Class C Capital Account.

(h) Any securities or other assets to be distributed in kind pursuant to this Section 8.3 shall be distributed subject to such restrictions as the Board, in its absolute discretion, may impose. Such restrictions may or may not be pursuant to written agreements or understandings with the companies whose securities are being distributed or with other shareholders of the companies involved. The recipient of such distribution pursuant to this Section 8.3 will undertake to accept such distribution in kind subject to any applicable restrictive terms and conditions and to execute all documents required to effectuate any conditions imposed on such distributions in kind.

Section 8.4 Repayment of Funds. Except as otherwise may be provided in this Agreement (including Sections 3.4 and 8.5) or by law, no Member shall be required to repay to the Company any funds distributed to it pursuant to this Agreement.

Section 8.5 Tax Distributions to Management Members.

(a) To the extent any taxable income of the Company is allocated for U.S. federal, state, local or non-U.S. tax purposes to any Management Member corresponding to any allocation of an Extraordinary Item pursuant to Section 7.3(a)(ii), or with respect to any item of income, gain, loss or deduction that would be an Extraordinary Item but for the final sentence of Section 7.3(a), the Company shall, promptly following the close of each taxable year, distribute to such Member an amount of cash equal to the excess, if any, of (x) 50% of the taxable income allocated to such Member with respect to such Extraordinary Item (or item of income, gain, loss or deduction that would be an Extraordinary Item but for the last sentence of Section 7.3(a)) over (y) the amount distributed to such Member with respect to such Extraordinary Item pursuant to Section 8.1(b) in such taxable year. Notwithstanding anything in this Agreement to the contrary, any distribution otherwise payable to a Member pursuant to Section 8.1, 8.2 or 8.3 shall be reduced by an amount equal to any amounts distributed to such Member pursuant to this Section 8.5(a) (and not previously deducted pursuant to this Section 8.5(a) from a distribution otherwise payable to such Member).

(b) To the extent the Division gives rise to any taxable income or gain for U.S. federal, state, local or non-U.S. tax purposes to any former member of Lazard who becomes a Class C Member as a result of the Division, the Company shall promptly, upon receipt by the Board of documentation reasonably acceptable to the Board of a related tax assessment against such Member by a taxing authority, loan such Member an amount of cash equal to the amount of such assessment, up to a maximum aggregate loan amount for all such assessments of 50% of such taxable income. Such loan shall bear interest at a rate of 6% per annum, and shall be repaid by an offset to the amount of the distribution to be made to such Member upon the earlier to occur of (x) a distribution to such Member pursuant to Section 8.3 with respect to Class B Capital and/or Class C Capital and (y) a distribution to such member pursuant to Section 10.3, 10.4 or 10.6. If an event described in clause (x) or (y) occurs while a portion of such loan remains outstanding, such Member shall promptly repay the outstanding balance to the Company.

ARTICLE 9

TRANSFER

Section 9.1 Transfer of Interests. No Member may Transfer all or any part of its Interest, or any interests therein, except in accordance with the terms and conditions set forth in this Article 9. Schedule A shall be deemed to be amended from time to time to reflect any change in the identity, Class A Units, Class B Units, Class A Capital, Class B Capital and Class C Capital of the Members to reflect any Transfer permitted by this Article 9.

Section 9.2 Conditions of Transfer.

(a) Each Member other than a Management Unit Holder shall have the right to Transfer all or any part of its Interest only as permitted by the Lazard Agreement and with the prior written approval of Lazard; provided, that (x) any such Member may Transfer all or any part of its interest in the Company as contemplated by this Agreement and (y) LFNY and Lazard may transfer Interests in connection with the MD Distribution, in the case of (x) and (y) without the prior written approval of Lazard. A Transferee pursuant to this Section 9.2(a) shall become a Member, and shall be listed as a "Class A Member" or "Class B Member" or "Class C Member," as applicable, on Schedule A at such time as such Transferee executes and delivers to the Board an agreement in which the Transferee agrees to be bound by this Agreement and any other agreements, documents or instruments specified by the Board (if such Transferee shall not already be a Member hereto).

(b) No Management Unit Holder may Transfer all or any part of such Member's Interests except (i) in connection with a Liquidity Event, Covered Control Event or a Lazard Sale Event in order to give effect to such Liquidity Event, Covered Control Event or a Lazard Sale Event, (ii) pursuant to Section 9.3, or (iii) any Management Member may at any time Transfer all or any portion of his vested and non-forfeited Units (and a proportionate amount of his Capital) to his estate, direct descendents or, following the death of such Member, to a spouse, or to any trust for the benefit of such Member, his direct descendents or, following the death of such Member, a spouse, provided that, in the case of clause (iii), (A) the trustee and any successor trustees for any such trust are approved by the Lazard Board and (B) the Transferee executes and delivers to the Lazard Board an agreement in which the Transferee agrees to be bound by this Agreement and any other agreements, documents or instruments specified by the Board (each such Transferee described in this clause (iii), an "Estate Transferee"). Unless the Board otherwise determines, each Management Member who transfers Units to an Estate Transferee must transfer a proportionate amount of Capital to such Estate Transferee. An Estate Transferee pursuant to Section 9.2(b)(iii) shall become a Member, and shall be listed as a "Class A Member," "Class B Member" and/or "Class C Member," as applicable, on Schedule A, at such time as the events described in clauses (A) and (B) of such Section 9.2(b)(iii) shall have occurred.

Section 9.3 Tag-Along and Drag-Along Rights.

(a) Tag-Along. Notwithstanding anything else in this Section 9 (other than Section 9.3(b) and Section 9.3(c)) to the contrary, in the event that LFNY or any other Lazard Entity

proposes to sell in one or a series of related sales Units held by such Lazard Entity to any Person that is not a Lazard Entity, which Units represent, in the aggregate, not less than the Trigger Amount at the time of such proposed sale, each Management Unit Holder shall have the right to sell vested and non-forfeited Units in such sale in an amount equal to the number of vested and non-forfeited Units held by such Management Unit Holder multiplied by a fraction, the numerator of which is the number of Units that such Lazard Entity proposes to sell in such sale and the denominator of which is the aggregate number of Units held by all Lazard Entities immediately prior to such sale (including the Units that such Lazard Entity proposes to sell in such sale) (such fraction, the "Fraction"). Any sale by a Management Unit Holder pursuant to this Section 9.3(a) shall be on substantially the same terms and conditions as apply to such Lazard Entity (except as provided in Section 9.3(c) below). Lazard shall provide each Management Unit Holder with written notice of such a proposed sale at least 15 days prior to the consummation of such sale, and each Management Unit Holder who wishes to participate in such sale shall give Lazard written notice of his intent to participate within 10 days after receiving notice from Lazard of the proposed sale. Each electing Management Unit Holder shall execute such documents in respect of such sale as Lazard shall reasonably request. Notwithstanding the foregoing, the provisions of this Section 9.3(a) shall not apply to any such sale that would otherwise be deemed to be related to a Covered Control Event, a Liquidity Event or a Lazard Sale Event.

(b) Drag-Along. Notwithstanding anything else in this Section 9 (other than Section 9.3(b) and (c)) to the contrary, in the event that LFNY or any other Lazard Entity proposes to sell in one or a series of related sales Units held by such Lazard Entity to any Person that is not a Lazard Entity, which Units represent, in the aggregate, not less than the Trigger Amount at the time of such proposed sale, Lazard may require that each Management Unit Holder sell vested and non-forfeited Units in such sale in an amount equal to the number of vested and non-forfeited Units held by such Management Unit Holder multiplied by the Fraction. Any sale by a Management Unit Holder pursuant to this Section 9.3(b) shall be on substantially the same terms and conditions as apply to such Lazard Entity (except as provided in Section 9.3(c) below). To exercise its rights under this Section 9.3(b), Lazard shall give each Management Unit Holder written notice of its desire to have the Management Unit Holders participate in a sale within 10 days after entering into definitive documentation with respect to such sale. Each Management Unit Holder shall execute such documents in respect of such sale as Lazard shall reasonably request. If Lazard elects not to exercise its rights under Section 9.3(b), the Management Unit Holders shall retain the right to exercise any rights they may have under Section 9.3(a). Notwithstanding the foregoing, the provisions of this Section 9.3(b) shall not apply to any such sale that would otherwise be deemed to be related to a Covered Control Event, a Liquidity Event or a Lazard Sale Event.

(c) In any sale governed by this Section 9.3, the price per Unit shall be determined by reference to what each Management Unit Holder would have received in respect of his or her Units pursuant to Section 10.3 if there had been a Liquidity Event giving rise to a Liquidation Value equal to the value implied by the total amount payable by the purchaser and the Units transferred to the purchaser (as determined in good faith by the Board).

Section 9.4 Effect of Transfer without Approval. Any purported Transfer of all or any part of a Member's Interest, or any interest therein, which is not in compliance with this Article 9 shall be void and, except as provided for in Section 9.6 below, shall be of no effect.

Section 9.5 Liability for Breach. Notwithstanding anything to the contrary in this Article 9, any Member purporting to Transfer its Interest, or any part thereof, in violation of this Article 9 shall be liable to the Company and the other Members for all liabilities, obligations, damages, losses, costs and expenses (including reasonable attorneys' fees and court costs) arising as a direct or consequential result of such non-complying transfer, attempted transfer or purported transfer, including specifically any additional cost or taxes created by non-compliance with any of the requirements and conditions provided for in Section 9.2.

Section 9.6 Encumbrances. No Class A Member, Class B Member or Class C Member may charge or encumber his Interest or subject his Interest to a security interest, right of first refusal, option or other similar limitation except, in each case, as permitted by the Lazard Agreement or for those created by this Agreement.

ARTICLE 10

TERM; DISSOLUTION AND LIQUIDATION

Section 10.1 Term. Except as provided in Section 10.2 hereof, the existence of the Company shall be perpetual.

Section 10.2 Dissolution.

(a) The Company shall be dissolved and its affairs shall be wound up upon a decision made at any time by (i) the Lazard Board or (ii) LFNY to dissolve the Company. The Company shall not be dissolved by reason of, and shall continue notwithstanding, the retirement of any Member or the death, bankruptcy or dissolution of any Member. Except as provided in the first sentence of this Section 10.2(a), none of the Members shall have any right to terminate, wind up or dissolve their class of Interests or to terminate, wind up or dissolve the Company.

(b) Upon a dissolution pursuant to Section 10.2(a), the Company's business and assets shall be liquidated promptly in an orderly manner; provided that in the event of a dissolution by LFNY pursuant to Section 10.2(a)(ii), the proceeds of such dissolution relating to the LFNY's ownership interest in the Company shall be distributed to LFNY pursuant to Section 10.2(d) such that such distribution occurs within 30 calendar days of such decision to dissolve the Company. Lazard shall be the liquidator to wind up the affairs of the Company. In performing its duties, Lazard is authorized to sell, exchange or otherwise dispose of the Company's business and assets in accordance with the Act in any reasonable manner that Lazard, subject to the right of the Lazard Board to approve a liquidation of the Company, determines to be in the best interests of the Members. Upon completion of the winding-up and liquidation of the Company, Lazard shall prepare and submit to each Member a final statement with respect thereto.

(c) In the event of a dissolution of the Company by LFNY pursuant to Section 10.2(a)(ii), Lazard shall, in consultation with the Managing Directors Special Committee, take all

actions reasonably necessary to (i) (A) ensure that the business and operations of the Company shall be reformed at Lazard or an Affiliate thereof so that, upon such reformation, such business and operations are conducted in a substantially similar form as they are conducted prior to such dissolution and (B) provide the Management Unit Holders with interests or other arrangements with substantially identical economic terms (including with respect to vesting and distribution rights) to such Management Unit Holders' Capital and Units (as applicable) at the time of such dissolution, in each case to the greatest extent practicable, (ii) if Lazard so elects, with the approval of the Managing Directors Special Committee, deem such dissolution to be a "Liquidity Event" for the purposes of this Agreement, or (iii) establish such other arrangements in respect of the Management Unit Holders as the Managing Directors Special Committee and Lazard shall agree.

(d) Unless otherwise determined pursuant to Section 10.2(c)(ii) or Section 10.2(c)(iii), in the event of a dissolution of the Company by LFNY pursuant to Section 10.2(a)(ii) and except as otherwise provided pursuant to Section 10.2(c), the Company shall apply and distribute (by payment or, in the case of clause (i) below, by the making of reasonable provision for payment thereof, including the setting up of any reserves which are, in the judgment of Lazard, reasonably necessary therefor) the proceeds of the dissolution as provided below:

(i) first: to the creditors of the Company, including Members that are creditors of the Company to the extent permitted by law, in satisfaction of the liabilities of the Company; and

(ii) second: to each Class A Member other than Management Unit Holders in proportion to (and to the extent of) the positive balances in their respective Capital Accounts);

(iii) thereafter: to the Class A Members other than Management Unit Holders in proportion to the number of Class A Units held by each such Class A Member.

(e) Cancellation of Certificate of Formation. Upon completion of a liquidation and distribution following a dissolution of the Company pursuant to this Section 10.2 and, if applicable, Section 10.3, Lazard shall execute, acknowledge and cause to be filed a certificate of cancellation of the Company in the office of the Secretary of State of the State of Delaware.

Section 10.3 Liquidity Distributions.

(a) Following the occurrence of a Liquidity Event, the Company shall apply and distribute (by payment or, in the case of clause (i), by the making of reasonable provision for payment thereof, including the setting up of any reserves which are, in the judgment of Lazard, reasonably necessary therefor) the Liquidation Value, as provided below:

(i) first: to the creditors of the Company, including Members that are creditors of the Company to the extent permitted by law, in satisfaction of the liabilities of the Company (excluding, for the avoidance of doubt, any such liabilities that have been assumed by any third party (other than a Company Affiliate) and are no longer liabilities of the Company);

(ii) second: to the Members in proportion to (and to the extent of) the positive balances in their respective Capital Accounts;

(iii) thereafter: to the Members in proportion to the number of Units held by each Member.

(b) In the event of a deemed distribution under this Section 10.3 pursuant to Section 10.4 or Section 10.6, the provision to be made for payment of the creditors of the Company pursuant to clause (i) of Section 10.3(a) shall be determined in good faith by the Board and, in the case of Section 10.4, shall be based upon the Company Fair Market Value, adjusted to the date of distribution and shall include expenses and costs of the investment banking firms retained pursuant to Section 10.4 in connection with the determination of the Company Fair Market Value and the Lazard Fair Market Value.

(c) For purposes of computing the amounts distributable to Members under Section 10.3(a)(iii), references to "Members" shall be deemed to include holders of Phantom Rights and LAML Phantom Rights, and references to "Units" shall be deemed to include Phantom Rights and LAML Phantom Rights, and notwithstanding anything in Section 10.3(a)(i) to the contrary, as contemplated by the LAM Incentive Plan and the LAML Phantom Interest Agreements, distributions to holders of Phantom Rights and to LAML (on behalf of holders of LAML Phantom Rights) in connection with such Liquidity Event pursuant to this Section 10.3 shall be made in the same priority and at the same time as distributions in respect of Units pursuant to Section 10.3(a)(iii); provided that, for the avoidance of doubt, (i) nothing in this Agreement shall grant any rights as a Member or otherwise under this Agreement to any Person by virtue of holding Phantom Rights or LAML Phantom Rights, and (ii) the rights of holders of Phantom Rights shall be governed by the LAM Incentive Plan and of LAML Phantom Rights shall be governed by the applicable LAML Phantom Interest Agreement. In making the distributions contemplated by Section 10.3(a), the Company shall take into account amounts (if any) that Lazard deems appropriate to contribute to LAML to enable it to make any required payments in respect of LAML Phantom Units pursuant to a LAML Phantom Interest Agreement.

Section 10.4 Purchase upon a Lazard Sale Event.

(a) No later than immediately following the occurrence of a Lazard Sale Event, the Managing Directors Special Committee and Lazard shall each retain, at the expense of the Company, an investment banking firm of national reputation (such firm's retention by either the Managing Directors Special Committee or Lazard shall be subject to the consent of the other, which consent shall not be unreasonably withheld) to determine, no later than 10 days following such Lazard Sale Event, the fair market value of each of the Company and Lazard which in the case of the Company will be the value at which the Company would be sold to a third party purchaser taking into account an appropriate premium for control, and in the case of Lazard, will be the value received in the Lazard Sale Event (which value will be established by the investment banking firm based on the consideration received in such Lazard Sale Event) (the "Initial Valuations"). The Company and Lazard shall promptly make available to each appraisal firm all data and financial information regarding Lazard and the Company as any such firm shall reasonably request to conduct the valuation referred to herein (subject to appropriate confidentiality arrangements).

(i) If the Initial Valuations of the Company are within 10% of each other, the midpoint will be utilized, and such valuation of the Company will be final, binding and conclusive on all parties including the Company, Lazard and the Members for the purposes of this Section 10.4. If the Initial Valuations of Lazard are within 10% of each other, the midpoint will be utilized, and such valuation of Lazard will be final, binding and conclusive on all parties including the Company, Lazard and the Members for the purposes of this Section 10.4.

(ii) In the event that the Initial Valuations of either the Company or Lazard diverge by more than 10% (such entity or entities for which the applicable Initial Valuations diverge by more than 10%, the "Affected Entity or Entities"), the Managing Directors Special Committee and the Board shall negotiate in good faith to set an agreed value for the Affected Entity or Entities. If the Managing Directors Special Committee and the Board agree on a valuation of the Affected Entity or Entities within 10 business days following the receipt of the Initial Valuations from such investment banks, then such valuation of the Affected Entity or Entities will be final, binding and conclusive on all parties including the Company, Lazard and the Members for the purposes of this Agreement.

(iii) If the Managing Directors Special Committee and the Board cannot agree to a valuation for the Affected Entity or Entities within 10 business days following the receipt of the Initial Valuations from such investment banks, the two investment banking firms will jointly choose an unaffiliated third investment banking firm of national reputation which shall determine the fair market value of the Affected Entity or Entities and select one of the applicable Initial Valuations for such Affected Entity or Entities based on which of such Initial Valuations is closer to the valuation arrived at by such third investment banking firm. The value chosen by such third investment banking firm for such Affected Entity or Entities shall be final, binding and conclusive on all parties including the Company, Lazard and the Members.

(b) Following the occurrence of such Lazard Sale Event and determination of the valuation of the Company and Lazard pursuant to Section 10.4(a), the Company shall purchase each Interest held by a Management Unit Holder for the amount and type of consideration such Management Unit Holder would have received pursuant to Section 10.3 in respect of such Interests if there had been a Liquidity Event which gave rise to a Liquidation Value equal to the Deemed Liquidation Value. The "Deemed Liquidation Value" shall mean the product of (i) the proceeds of the Lazard Sale and (ii) a fraction, the numerator of which shall be the fair market value of the Company as determined pursuant to Section 10.4(a) (the "Company Fair Market Value") and the denominator of which shall be the fair market value of Lazard as determined pursuant to Section 10.4(a) (the "Lazard Fair Market Value"). Notwithstanding anything to the contrary in this Agreement, following the purchase of such Interests held by Management Unit Holders pursuant to this Section 10.4, Lazard shall hold all Interests formerly held by such Management Unit Holders, and the Management Unit Holders shall have no further interest in the Company.

Section 10.5 Public Sale. In the event that the Board determines to cause an initial public offering of the Company, and to convert the Company to a corporation in connection

therewith, the Managing Directors Special Committee shall negotiate in good faith with the Board to establish the terms and conditions pursuant to which the Management Unit Holders shall exchange their Interests for shares of or other interests in the corporation being taken public and to establish appropriate arrangements for holders of Phantom Rights and LAML Phantom Rights.

Section 10.6 Merger or Sale of the Company. Upon the consummation of a sale of all of the Interests in the Company to which neither Section 10.3 nor Section 10.4 applies by its terms or a merger, consolidation or other similar business combination of the Company with and/or into another entity that, in each case, results in a Control Event (a "Covered Control Event"), the consideration to be received by the Members for their Interests shall be allocated so that each such Member shall receive an amount in consideration for its Interests equal to the amount that it would be entitled to receive in respect of such Interests if the aggregate proceeds of such sale, merger, consolidation or other business combination were distributed under Section 10.3 appropriately adjusted to take into account any creditors described in Section 10.3(a)(i) which are not required to be paid (it being understood that in accordance with Section 10.3(a) an equal amount of consideration shall be allocated to each Class A Unit and each Class B Unit). If the consideration received in such transaction is not all in the form of cash, the fair market value per unit of any consideration other than cash as determined in good faith by the Board (such determination taking into account the trading price of such consideration on public markets, if any) shall be used in applying Section 10.3 to the allocation of such consideration.

ARTICLE 11

EXCULPATION AND INDEMNIFICATION

Section 11.1 Exculpation. No Indemnified Representative shall be personally liable for any breach of duty in an Indemnified Capacity; provided that the foregoing shall not eliminate or limit the Liability of any Indemnified Representative if a judgment or other final adjudication adverse to such Indemnified Representative establishes (i) that the Indemnified Representative's acts or omissions were in bad faith or involved intentional misconduct, gross negligence or a knowing violation of law, (ii) that the Indemnified Representative in fact personally and improperly gained a financial profit or other advantage to which the Indemnified Representative was not legally entitled or (iii) that, with respect to a distribution subject to Section 508(a) of the Act, the acts of the Indemnified Representative were not performed in accordance with Section 409 of the Act.

Section 11.2 Indemnification.

(a) General Rule. The Company shall, to the fullest extent permitted by the Act, indemnify and hold harmless, and as provided in Section 11.2(c) may advance expenses to, any Indemnified Representative against any Liability incurred in connection with any Proceeding in which the Indemnified Representative may be involved as a party or otherwise by reason of the fact that such Indemnified Representative is or was serving in an Indemnified Capacity, including Liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement or act giving rise to strict or products liability; provided that no indemnification may be made to or on behalf of any Indemnified Representative if (i) a

judgment or other final adjudication adverse to the Indemnified Representative establishes (x) that the acts of the Indemnified Representative were committed in bad faith or were grossly negligent or the result of active and deliberate dishonesty and were material to the cause of action so adjudicated or (y) that the Indemnified Representative personally and improperly gained in fact a financial profit or other advantage to which the Indemnified Representative was not legally entitled or (ii) the Liability for which indemnification is sought arises from a Proceeding by the Company or any of its Affiliates against such Indemnified Representative or by such Indemnified Representative against the Company or any of its Affiliates (other than a Proceeding by such Indemnified Representative against the Company solely to enforce the provisions of this Article XI); provided further that each Indemnified Representative shall give notice to the Company within 15 days of receiving notice of a claim for which such Indemnified Representative may seek indemnification from the Company pursuant to this Article XI (provided that failure to provide notice in such time period shall not affect the Company's obligations under this Section 11.2 except to the extent that Lazard, the Company or any Lazard Affiliate is prejudiced by such failure).

(b) Partial Payment. If an Indemnified Representative is entitled to indemnification in respect of a portion, but not all, of any Liabilities to which such Indemnified Representative may be subject, the Company shall indemnify such Indemnified Representative to the maximum extent legally permissible for such Liabilities.

(c) Advancing Expenses. To the fullest extent permitted by law, the Company may pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an Indemnified Representative in advance of the final disposition of a Proceeding for which indemnification may be sought under Section 11.2(a) upon receipt of an undertaking by or on behalf of the Indemnified Representative to repay the amount if it is ultimately determined that such Indemnified Representative is not entitled to be indemnified by the Company pursuant to this Section 11.2.

(d) Scope of Section. The rights granted by this Section 11.2 shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of members or otherwise, both as to action in an Indemnified Capacity and as to action in any other capacity. The indemnification and advancement of expenses provided by or granted pursuant to this Section 11.2 shall continue as to a Person who has ceased to be an Indemnified Representative in respect of matters arising prior to such time, and shall inure to the benefit of the successors, heirs, executors, administrators and personal representatives of such a Person.

Section 11.3 Exculpation and Indemnification Definitions. As used in this Article XI, the following terms have the meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For purposes of the foregoing sentence, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the direct or indirect possession of the power to direct or cause the direction

of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Indemnified Capacity" means any and all past, present and future service by an Indemnified Representative in one or more capacities as a member, managing member, director, managing director, officer, manager, employee or agent of the Company or any of its Subsidiaries or, at the request of the Company or any of its Subsidiaries, as a member, managing member, director, managing director, officer, manager, employee, agent, fiduciary or trustee of another Person.

"Indemnified Representative" means Lazard, all members of Lazard, all members of the Executive Committee, the Chairman of Lazard, the Head of Lazard and Chairman of the Executive Committee, the Chief Executive Officer of Lazard, the Chairman of the Lazard Board, the Lazard Board, all directors, managing directors, officers and managers of the Company, the Coordination Company and their Affiliates, the Chief Executive Officer of the Coordination Company and any other Person serving at the request of the Company or any of its Affiliates as a member, managing member, director, managing director, officer, employee, agent, fiduciary or trustee of another Person.

"Liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to any employee benefit plan, or cost or expense of any nature (including attorneys' fees and disbursements).

"Proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Company, Lazard or otherwise.

Section 11.4 Survival. This Article XI shall survive any termination of this Agreement.

ARTICLE 12
MISCELLANEOUS

Section 12.1 Use of Firm Name. The use, sale or other disposition of the name of the Company and any of the firm names "Lazard," "Lazard Brothers" or "Lazard Frères," any other firm name which includes the word "Lazard," any service mark or trademark which includes the word "Lazard" or the initials "LF" or any other word or design service mark or trademark which has been used or licensed by any of the Company; Lazard & Co., Holdings Limited; Lazard & Co. Limited; Lazard Brothers & Co., Limited; Lazard & Co., Services Limited; Lazard Frères S.A.S; Maison Lazard S.A.S. or Lazard or has been designated as a "Lazard Mark" by the Head of Lazard and Chairman of the Executive Committee, shall be governed by the terms of the Coordination Agreement.

Section 12.2 Amendments. This Agreement may not be amended except by the Lazard Board pursuant to Section 3.02(c)(ii)(K) of the Lazard Agreement through an instrument in writing signed by a Person duly authorized by the Lazard Board pursuant to Section 3.02(c)(ii)(K) of the Lazard Agreement; provided that the Board may authorize, without the approval of the Lazard Board, (a) any amendment to this Agreement to correct any technicality,

incorrect statement or error apparent on the face hereof in order to further the intent of the parties hereto or (b) correction of any formality or error apparent on the face hereof or incorrect statement or defect in the execution hereof. Notwithstanding the foregoing, no amendment (other than an amendment pursuant to the terms hereof) may be made to this Agreement that would adversely affect the rights of Management Unit Holders in a material manner without the approval of the Managing Directors Special Committee.

Section 12.3 Benefits of Agreement. Except as provided in Article 11, none of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of Lazard. Except as provided in Article 11, nothing in this Agreement shall be deemed to create any right in any Person not a party hereto, and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third person. Without limiting the generality of the foregoing, except as provided in Article 11, no Person not a party hereto shall have any right to compel performance by the Company or Lazard of their respective obligations hereunder.

Section 12.4 Confidentiality. Each Member that is not a Lazard Entity expressly agrees, whether or not at the time a Member of the Company or providing services to the Company and/or any of its Subsidiaries, to maintain the confidentiality of, and not disclose to any Person other than the Company, a Member, a Managing Director or any financial, legal or other advisor to the Company, any information relating to the business, clients, affairs or financial structure, position or results of the Company or its Affiliates or any Dispute that shall not be generally known to the public or the securities industry; provided that such Member may disclose any such information (a) to the extent required by any applicable law, rule or regulation in the opinion of counsel or by the order of any securities exchange, banking supervisory authority or other governmental or self-regulatory organization of competent jurisdiction (provided that such Member notifies the Company of such requirement prior to making such disclosure and cooperates with the Company in seeking to prevent or minimize such disclosure), (b) to his or its legal counsel and financial advisers (who shall agree to abide by the terms of this Section 12.4), or (c) with the prior written consent of the Board.

Section 12.5 Covenants of Management Members; Non-Exclusive Remedy.

(a) Each Management Member hereby expressly agrees (i) not to engage in Soliciting Activities during the Solicitation Period and (ii) not to engage in Competing Activities during the Competition Period, regardless of whether or not he or she is then a Member of, or providing services to, the Company.

(b) Each Management Member (other than, in the case of a breach of Section 12.5(a)(ii), a Management Member with respect to whom the remedies under Section 3.4(c) are the exclusive remedy for such breach as provided in Schedule 3.4) agrees that irreparable damage to the Company would occur in the event that the covenants set forth in Section 12.5(a) were not performed in accordance with their specific terms and accordingly agrees that the Company shall be entitled to specific performance by such Management Member of the terms thereof, regardless of whether or not he or she is then a Member of, or providing services to, the Company, this being in addition to any other remedy to which the Company may be entitled at law or in equity (including under Section 3.4 with respect to the forfeiture of Units).

Section 12.6 No Waiver of Rights. No failure or delay on the part of any Member in the exercise of any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or of any other right or power. The waiver by any Member or manager of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach hereunder. All rights and remedies existing under this Agreement are cumulative and are not exclusive of any rights or remedies otherwise available.

Section 12.7 Power of Attorney. Each Member agrees that, by its execution of this Agreement or any writing evidencing the intent of such Person to become a Member or assignee thereof, such Member irrevocably constitutes and appoints Scott D. Hoffman and Nathan A. Paul, and each acting alone, as its true and lawful attorney-in-fact coupled with an interest, with full power and authority, in its name, place and stead to make, execute, acknowledge and record (a) all certificates, instruments or documents, including fictitious name or assumed name certificates, as may be required by, or may be appropriate under, the laws of any state or jurisdiction in which the Company is doing or intends to do business and (b) all agreements, documents, certificates or other instruments amending this Agreement or the Certificate that may be necessary or appropriate to reflect or accomplish (i) a change in the name or location of the principal place of business of the Company or a change of name or address of a Member, (ii) the disposal or increase by a Member of his or her Interest in the Company or any part thereof, (iii) a distribution and reduction of the capital contribution of a Member or any other changes in the capital of the Company, (iv) the dissolution or termination of the Company, (v) the addition or substitution of a Person becoming a Member and (vi) any amendment to this Agreement, in each case only to the extent expressly authorized and conducted in accordance with this Agreement.

Section 12.8 Entire Agreement. This Agreement, including the exhibits, annexes and schedules hereto and the Members' Acknowledgements, constitutes the entire agreement between the Members with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties, except as otherwise expressly provided herein or therein. No party hereto shall be liable or bound to the other in any manner by any warranties, representations or covenants with respect to the subject matter hereof except as specifically set forth herein.

Section 12.9 Governing Law. This Agreement shall be governed by and construed under the substantive laws of the State of Delaware, without regard to Delaware choice of law provisions.

Section 12.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and shall become effective when there exist copies hereof which, when taken together, bear the authorized signatures of each of the parties hereto. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 12.11 Arbitration.

(a) All disputes, controversies and claims arising out of or relating to this Agreement, the Company's affairs, the rights or interests of the Members or the estate of any deceased Member (to the extent that they are related to any of the foregoing), or any breach or termination or alleged breach or termination of this Agreement ("Disputes"), whether arising during or after the Company's term or liquidation, shall be determined in accordance with this Section 12.11 (except as provided in Section 12.5 above with respect to specific performance).

(b) All Disputes shall first be reviewed by the Board ("Board Review"). Any party to a Dispute may invoke Board Review by written notice to the other party or parties thereto and the Board. As soon as practicable and in any event within 30 days after receipt of notice of a Dispute, the Board shall attempt in good faith to resolve such Dispute. In the event that any Dispute remains unresolved 45 days after notice thereof to the Board, such Dispute shall be finally determined by an arbitral tribunal under the Rules of Arbitration (the "ICC Rules") of the International Chamber of Commerce (the "ICC") and in accordance with Section 12.11(c).

(c) The arbitral tribunal determining any Dispute shall be comprised of three arbitrators. Each party to a Dispute shall designate one arbitrator. If a party fails to designate an arbitrator within a reasonable period, the ICC shall designate an arbitrator for such party, including upon a request by another party. The two arbitrators designated by the parties to a Dispute (or, if applicable, the ICC) shall designate a third arbitrator. In the event that the two arbitrators designated by the parties to a Dispute (or, if applicable, the ICC) are unable to agree upon a third arbitrator within a reasonable period, the third arbitrator shall be selected in accordance with the ICC Rules by the ICC. The language, place and procedures of the arbitration of any Dispute shall be as agreed upon by the parties to such Dispute or, failing such agreement within a reasonable period, as determined in accordance with the ICC Rules in order to ensure a speedy, efficient and just resolution of such Dispute. If neither the parties nor the arbitral tribunal can agree upon procedures, the arbitration shall be conducted in accordance with the ICC's procedures. The hearings and taking of evidence of any Dispute may be conducted at any locations that will, in the judgment of the arbitral tribunal, result in a speedy, efficient and just resolution of such Dispute. The parties to a Dispute shall use their best efforts to cooperate with each other and the arbitral tribunal in order to obtain a resolution as quickly as possible, including by adopting the ICC's "fast-track" procedure (as provided for in Article 32(1) of the ICC Rules) if appropriate. Without limiting the generality of the foregoing, the arbitrators shall have the authority to include as part of any award that they shall make to any Person an amount to reimburse such Person, in whole or in part, for the Person's expenses (including, without limitation, attorney's fees) incurred in such proceeding.

Section 12.12 Corporate Opportunity; Fiduciary Duty.

(a) None of Lazard or any Lazard Affiliate (and none of their respective officers, directors, employees or agents) shall owe any fiduciary duty to, nor shall any of Lazard or any Lazard Affiliate be liable for breach of fiduciary duty to, the Company, any Company Affiliate or any other holder of Interests or Affiliate of such holder (or any of their respective officers, directors, employees or agents); provided, however, that each Director shall owe to the Company the duty to act with the care of a reasonably prudent person in performing his or her duties as a

Director. In taking any action, making any decision or exercising any discretion with respect to the Company, each of Lazard and each Lazard Affiliate shall be entitled to consider such interests and factors as it desires, including its own interests and those of other Lazard Affiliates, and shall have no duty or obligation (1) to give consideration any consideration to the interests of or factors affecting the Company, the holders of Interests or any other Person, or (2) to abstain from participating in any vote or other action of the Company or any affiliate thereof, the Board or any committee or similar body of any of the foregoing. Lazard and any Lazard Affiliates (and their respective officers, directors, employees or agents) shall not violate a duty or obligation to the Company merely because such Person's conduct furthers such Person's own interest, except as specifically set forth in clause (c) of this Section 12.12. Such Persons may lend money to and transact other business with the Company. The rights and obligations of any such Person who lends money to, contracts with, borrows from or transacts business with the Company are the same as those of a Person who is not involved with the Company, subject to other applicable law. No transaction with the Company shall be voidable solely because any such Person has a direct or indirect interest in the transaction. Nothing herein contained shall prevent any such person from conducting any other business, including, without limitation, serving as an officer, director, employee, or stockholder of any corporation, a trustee of any trust, an executor or administrator of any estate, or an administrative official of any other business or not-for-profit entity, or from receiving any compensation in connection therewith.

(b) Except as may be otherwise provided in a written agreement between the Company and Lazard, none of Lazard or any Lazard Affiliate shall owe any duty to refrain from engaging in the same or similar activities or lines of business as the Company. In the event that Lazard or any Lazard Affiliate acquires knowledge of a potential transaction or matter which may be a corporate opportunity for Lazard or any Lazard Affiliate, on the one hand, and the Company, on the other hand, Lazard or such Lazard Affiliate, as the case may be, shall, to the fullest extent permitted by law, have no duty to communicate or offer such corporate opportunity to the Company.

(c) In the event that a Director or officer of the Company who is also a director or officer of Lazard or any Lazard Affiliate acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both the Company, on the one hand, and Lazard or any Lazard Affiliate, as applicable, on the other hand, such Director or officer of the Company shall, to the fullest extent permitted by law, have fully satisfied and fulfilled the fiduciary duty of such Director or officer to the Company and its equityholders with respect to such corporate opportunity, if such director or officer acts in a manner consistent with the following policy:

(i) a corporate opportunity offered to any individual who is an officer of the Company, and who is also a director but not an officer of Lazard or any Lazard Affiliate, shall belong to the Company unless such opportunity is expressly offered to such individual in his or her capacity as a director of Lazard or such Lazard Affiliate (in which case it shall belong to Lazard);

(ii) a corporate opportunity offered to any individual who is a director but not an officer of the Company, and who is also a director or officer of Lazard or any Lazard Affiliate shall belong to Lazard unless such opportunity is expressly offered to such

individual in his or her capacity as a director of the Company (in which case it shall belong to the Company); and

(iii) a corporate opportunity offered to any individual who is an officer of both the Company and Lazard or any Lazard Affiliate shall belong to Lazard or such Lazard Affiliate unless such opportunity is expressly offered to such individual in his or her capacity as an officer of the Company (in which case it shall belong to the Company).

(d) Any Person purchasing or otherwise acquiring any interest in the Units or Capital of the Company shall be deemed to have notice of and to have consented to the provisions of this Section 12.12.

(e) For purposes of this Section 12.12 only, a director of the Company who is chairman of the Board or of a committee thereof shall not be deemed to be an officer of the Company by reason of holding such position, unless such individual is an employee of the Company.

(f) Neither the alteration, amendment, termination, expiration or repeal of this Section 12.12 nor the adoption of any provision of this Agreement inconsistent with this Section 12.12 shall eliminate or reduce the effect of this Section 12.12 in respect of any matter occurring, or any cause of action, suit or claim that, but for this Section 12.12, would accrue or arise, prior to such alteration, amendment, termination, expiration, repeal or adoption.

Section 12.13 Interpretation. The titles of the sections and paragraphs of this Agreement are for convenience only and are not to be considered in construing this Agreement. All pronouns used in this Agreement shall be deemed to include masculine, feminine and neuter forms, the singular number includes the plural and the plural number includes the singular. Unless otherwise specified, references to Sections or Articles are to the Sections or Articles in this Agreement.

Section 12.14 Delaware Limited Liability Company Act Prevails. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Act and the Delaware General Corporation Law shall govern the construction of this Agreement; provided, however, that in the event of any inconsistency between such laws, the provisions of the Act shall prevail.

Section 12.15 Effectiveness. In accordance with Section 18-201(d) of the Act, this Agreement shall be deemed effective for the purposes of the Act as of the date hereof.

Section 12.16 Severability. If one or more provisions of this Agreement are held by a proper court to be unenforceable under applicable law, portions of such provisions, or such provisions in their entirety, to the extent necessary and permitted by law, shall be severed herefrom, and the balance of this Agreement shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the undersigned hereby execute this First Amended and Restated Limited Liability Company Agreement as of the date first set forth above.

LAZARD FRÈRES & CO. LLC

By: /s/ Scott D. Hoffman
Name: Scott D. Hoffman
Title: Managing Director and
General Counsel

Acknowledged and agreed as of the date hereof:

LAZARD LLC

By: /s/ Scott D. Hoffman
Name: Scott D. Hoffman
Title: Authorized Person and
General Counsel

LAM LLC Agreement Signature Page

Exhibit 10.11

MASTER TRANSACTION AND RELATIONSHIP AGREEMENT

BY AND AMONG

BANCA INTESA S.P.A.,

LAZARD LLC

AND

LAZARD & CO. S.R.L.

DATED AS OF MARCH 26, 2003

TABLE OF CONTENTS

		Page
PRELIMINARY STATEMENT		1
ARTICLE I	DEFINITIONS	3
Section 1.1.	Certain Definitions	3
Section 1.2.	Definitions Generally; Interpretation	14
ARTICLE II	FORMATION OF THE JV COMPANY; THE CONTRIBUTIONS	16
Section 2.1.	Formation of the JV Company	16
Section 2.2.	The Lazard Italy Contribution	16
Section 2.3.	The Intesa Contribution	17
Section 2.4.	Alternative Joint Venture	19
ARTICLE III	JOINT VENTURE BUSINESS	19
Section 3.1.	Exclusive Arrangement for Joint Venture Business	19
Section 3.2.	Joint Venture Business	20
Section 3.3.	Exceptions to Joint Venture Business	20
Section 3.4.	Other Business of the JV Company	23
Section 3.5.	Conflicts	24
Section 3.6.	Revenue Sharing	25
Section 3.7.	Payment of Revenue	27
Section 3.8.	Interim Period	27
ARTICLE IV	TERM AND TERMINATION OF JV RELATIONSHIP	28
Section 4.1.	Term	28
Section 4.2.	Termination	28
Section 4.3.	Effect of Termination	33
Section 4.4.	Termination Payment	33
Section 4.5.	Payment of Termination Payment	37
Section 4.6.	Effect on Lazard Note	37
Section 4.7.	Renewal of the Shareholders Agreement	37
ARTICLE V	INVESTMENTS	37
Section 5.1.	Lazard Investment	37
Section 5.2.	Intesa Investment	37
Section 5.3.	The CB Investment	38
Section 5.4.	Joint Venture Credit Agreement	38

ARTICLE VI	OTHER BUSINESS ARRANGEMENTS	38
Section 6.1.	Agreement to Establish Further Business Relationships	38
Section 6.2.	Additional Joint Venture and Business Relationships to be Examined	39
Section 6.3.	Other Business Areas	39
Section 6.4.	Qualification to Reasonable Best Efforts; Termination	39
ARTICLE VII	REPRESENTATIONS AND WARRANTIES	39
Section 7.1.	Representations and Warranties of Lazard and Intesa	39
Section 7.2.	Representations and Warranties of the JV Company	41
Section 7.3.	Additional Representations and Warranties of Lazard	42
ARTICLE VIII	FURTHER AGREEMENTS	43
Section 8.1.	Information	43
Section 8.2.	Confidentiality	44
Section 8.3.	Further Assurances	45
Section 8.4.	Reasonable Best Efforts; Cooperation	45
Section 8.5.	Fees and Expenses	46
Section 8.6.	Taxes	46
Section 8.7.	No Transfer of JV Interests	47
Section 8.8.	Cross-Promotion	48
Section 8.9.	Litigation Indemnification	48
Section 8.10.	Employees	48
Section 8.11.	Other Agreements	49
Section 8.12.	Other Indemnification Matters	50
Section 8.13.	Insurance Matters	51
ARTICLE IX	NON-COMPETITION; NO SOLICITATION	52
Section 9.1.	No Competition by Intesa	52
Section 9.2.	No Competition by Lazard	52
Section 9.3.	Exceptions to No Competition	53
Section 9.4.	No Solicitation	53
ARTICLE X	TERMINATION	55
Section 10.1.	Termination Prior to the Joint Venture Closing	55
Section 10.2.	Termination Subsequent to Joint Venture Closing	55
Section 10.3.	Procedure and Effect of Termination	55
ARTICLE XI	MISCELLANEOUS	56
Section 11.1.	Reliance and Survival of Representations and Warranties	56
Section 11.2.	Severability	56
Section 11.3.	Counterparts	56
Section 11.4.	Governing Law	56

Section 11.5.	Arbitration	56
Section 11.6.	Specific Enforcement	58
Section 11.7.	Entire Agreement	58
Section 11.8.	No Third-Party Beneficiaries	58
Section 11.9.	Notices	58
Section 11.10.	Successors and Assigns	61
Section 11.11.	Headings	61
Section 11.12.	Amendments and Waivers	61

EXHIBITS

Exhibit A	Articles of Incorporation
Exhibit B	Bylaws
Exhibit C	CB Investment Agreement
Exhibit D	Deed of Contribution
Exhibit E	Intesa JV Note
Exhibit F	Joint Venture Credit Agreement
Exhibit G	Lazard License Agreement
Exhibit H	New Bylaws
Exhibit I	Note Purchase Agreement
Exhibit J	Services Agreement
Exhibit K	Shareholders Agreement

SCHEDULES

Schedule 1.1	Excluded Lazard Italy Assets
Schedule 4.2(c)	List of Members of Lazard
Schedule 7.3(c)	Financial Statements of the JV Company

MASTER TRANSACTION AND RELATIONSHIP AGREEMENT (together with the Exhibits hereto, this "Agreement"), dated as of March 26, 2003, by and among Banca Intesa S.p.A., a company organized under the laws of the Republic of Italy ("Intesa"), Lazard LLC, a Delaware limited liability company ("Lazard"), and Lazard & Co. S.r.l., a *Società a responsabilità limitata* organized under the laws of the Republic of Italy (the "JV Company").

PRELIMINARY STATEMENT

WHEREAS, Intesa and Lazard desire, *inter alia*, to establish a joint venture in the merger and acquisition and equity capital market advisory businesses and enhance the cooperation between Intesa and Lazard so that Intesa may benefit from Lazard's leading position in Italy and prominent position worldwide in the mergers and acquisitions and equity capital market advisory businesses and Lazard may benefit from Intesa's leading position among Italian commercial banks, and to explore other joint ventures and business relationships relating to private equity, asset management, private banking, derivatives and other businesses in Italy, each as hereinafter provided; and

WHEREAS, in furtherance thereof, Intesa and Lazard have entered into that certain Master Terms of Agreement dated as of September 9, 2002 (as amended and restated as of November 21, 2002, and including Annex A and Annex B thereto and the September 9, 2002 related cover letter, the "Terms of Agreement") setting forth the material terms of the relationship and cooperation of the parties thereto; and

WHEREAS, effective as of January 1, 2003, pursuant to the Terms of Agreement and the Deed of Contribution (as defined herein) entered into pursuant to the Terms of Agreement, (1) Lazard e C. S.r.l., a *Società a responsabilità limitata* organized under the laws of the Republic of Italy and an indirect, wholly-owned subsidiary of Lazard ("Lazard Italy"), and Lazard Real Estate S.r.l., a *Società a responsabilità limitata* organized under the laws of the Republic of Italy and an indirect, wholly-owned subsidiary of Lazard ("Lazard Real Estate"), contributed to the JV Company the Lazard Italy Operations (as defined herein), and (2) in exchange therefor the JV Company (a) increased its capital stock from €10,000.00 to €9,000,000.00, which increase was entirely subscribed by Lazard Italy and Lazard Real Estate (as a consequence of which Lazard Italy and Lazard Real Estate held collectively interests (*quotas*) in the capital stock of the JV Company (each, a "Quota" and collectively "Quotas") equal to 100% of such capital stock), and (b) assumed certain liabilities of Lazard Italy and Lazard Real Estate pertaining to the Lazard Italy Operations; and

WHEREAS, the Terms of Agreement provides that Intesa and Lazard shall enter into further written instruments to implement the Terms of Agreement, which instruments shall incorporate the terms set forth in the Terms of Agreement and such other terms as may be reasonably and mutually agreed, and in satisfaction of such obligation under the Terms of Agreement, Intesa and Lazard desire to enter into this Agreement to supplant the Terms of Agreement; and

WHEREAS, as contemplated by the Terms of Agreement, this Agreement provides, *inter alia*, that the JV Company shall become the joint venture entity through which Lazard

and Intesa will conduct certain M&A advisory and general corporate advisory business on the terms and subject to the conditions set forth herein; and

WHEREAS, this Agreement provides that, on the terms and subject to the conditions set forth herein, Intesa shall (i) subscribe for a capital increase of the JV Company by contributing in cash an amount of Euro equal to US$100 million (including the surplus reserve (*riserva da sopraprezzo*)) in exchange for a Quota equal to 40% of the capital stock of the JV Company immediately after such capital increase and (ii) purchase for US$50 million in cash the Intesa JV Note (as defined herein); and

WHEREAS, this Agreement further provides that, on the terms and subject to the conditions set forth in the Joint Venture Credit Agreement (as defined herein), the JV Company shall loan to Lazard Frères & Co. LLC, a New York limited liability company ("LFNY"), or to such affiliate of LFNY as LFNY may designate, up to US$150 million; and

WHEREAS, this Agreement further provides that, on the terms and subject to the conditions set forth in the Note Purchase Agreement (as defined herein), on the date hereof, Intesa shall purchase from Lazard Funding Limited LLC, a Delaware limited liability company ("Lazard Funding"), for an aggregate purchase price in cash of US$150,000,000 the $150 Million Lazard Note (as defined herein), and in the event that Lazard elects to make the CB Investment (as defined herein) and deposits the CB Note (as defined herein) in the Escrow Account (as defined herein), immediately after the consummation of the CB Investment and deposit of the CB Note, Intesa shall purchase from Lazard Funding for an aggregate purchase price in cash of US$50,000,000 the $50 Million Lazard Note (as defined herein); and

WHEREAS, this Agreement further provides that, on the terms and subject to the conditions set forth in the CB Investment Agreement (as defined herein), Lazard may (a) purchase for €50 million from Intesa and the Corporate Bank (as hereinafter defined) the CB Note, (b) enter into the CB Option (as defined herein) with Intesa, and (c) become the beneficiary of the CB Profit Right (as defined herein) in exchange for certain know-how and management expertise by entering into a *contratto di cointeressenza agli utili* with the Corporate Bank; and

WHEREAS, for U.S. federal income tax purposes, it is intended that the Lazard Italy Contribution (as defined herein) qualify for non-recognition treatment under Section 721(a) of the U.S. Internal Revenue Code of 1986, as amended; and

WHEREAS, the Board of Directors of each of Intesa and Lazard has determined that this Agreement and the transactions contemplated hereby are in furtherance of and consistent with its business strategies and are in the best interest of its stockholders or members, as applicable, and has approved this Agreement and the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, and for the mutual benefits to be derived from this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (as defined herein), intending to be legally bound hereby, agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Certain Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings specified in this Article I:

"AB" has the meaning set forth in Section 8.9.

"Acquisition Value" has the meaning set forth in Section 4.4(c)(vi).

"Additional Term" has the meaning set forth in Section 4.1.

"Adjusted Equity Contribution" has the meaning set forth in Section 4.4(c)(x).

"Affected Party" has the meaning set forth in Section 4.2(b)(ii)(2).

"Aggregate Base Distributions" has the meaning set forth in Section 4.4(c)(i).

"Aggregate Intesa Contribution Amount" has the meaning set forth in Section 2.3(a)(ii)(2).

"Agreement" has the meaning set forth in the Preamble.

"Alternative Joint Venture" has the meaning set forth in Section 2.4.

"Ancillary Agreements" means the Note Purchase Agreement, the CB Investment Agreement, the JV Governing Documents, the Lazard License Agreement, the Services Agreement, the Joint Venture Credit Agreement, the Intesa JV Note, the Deed of Contribution, the letter agreement regarding certain tax matters among Lazard, Intesa and the JV Company dated as of the date hereof, the letter agreement regarding certain arrangements with respect to AB and GB by and among Lazard, Intesa and the JV Company dated as of the date hereof, the letter agreement regarding selected Existing Mandates of Intesa by and between Lazard and Intesa dated as of the date hereof and the letter agreement regarding certain Intesa Share purchases by and between Lazard and Intesa dated as of the date hereof; provided that as used in Article VII the term "Ancillary Agreements" shall not include the Note Purchase Agreement or the Deed of Contribution.

"Antitrust Laws" means the EC Merger Regulation and all other applicable national, local, foreign and supranational (including European Union) statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

"Appraisal" means the sworn appraisal of the Lazard Italy Operations, dated as of December 18, 2002, prepared and sworn by Mr. Giuseppe Aldè, the expert appointed by the competent Italian court, pursuant to Article 2343 of the Italian Civil Code.

"Articles of Incorporation" means the Articles of Incorporation (*atto costitutivo)* of the JV Company, dated as of October 3, 2000, attached hereto as Exhibit A.

"Asset Management Business" means the business of investment management and investment advisory services.

"Asset Management Products" has the meaning set forth in Section 6.1(b).

"Banking Laws" means the Legislative Decree No. 385 of September 1, 1993, as amended, and the implementing regulation thereof.

"Base Amount" has the meaning set forth in Section 4.4(a)(i).

"Board of Directors" has the meaning set forth in Section 2.3(a)(i).

"Board of Statutory Auditors" has the meaning set forth in Section 2.3(a)(i).

"Board Services Fee" has the meaning set forth in Section 8.11(c).

"BOI Approvals" has the meaning set forth in Section 2.3(d).

"Business Conflict" has the meaning set forth in Section 3.5.

"Business Day" means each day that is not a day on which banking institutions in either New York or Milan are authorized or obligated by law or executive order to close.

"Bylaws" means the Bylaws of the JV Company as in effect as of the date hereof attached hereto as Exhibit B.

"CB Acknowledgement" means an Acknowledgement and Agreement to be executed by the Corporate Bank pursuant to which it shall become a Party.

"CB Control Termination" has the meaning set forth in Section 4.2(a)(iii).

"CB Investment" has the meaning set forth in Section 5.3.

"CB Investment Agreement" means the CB Investment Agreement dated as of the date hereof by and among Intesa, Lazard and, upon the addition of the Corporate Bank as a signatory thereto, the Corporate Bank attached hereto as Exhibit C.

"CB Note" means the €50 Million Subordinated Note of the Corporate Bank in the form attached at Annex A to the CB Investment Agreement.

"CB Option" has the meaning ascribed to such term in the CB Investment Agreement.

"CB Profit Right" has the meaning ascribed to such term in the CB Investment Agreement.

"CEO" has the meaning set forth in Section 3.5.

"Change in Control of Intesa" has the meaning set forth in Section 4.2(c)(ii).

"Change in Control of Lazard" has the meaning set forth in Section 4.2(c)(iii).

"Change in Control of the Corporate Bank" has the meaning set forth in Section 4.2(c)(i).

"Claim" has the meaning set forth in Section 8.9.

"Client" means an actual or potential client of Intesa, Lazard, the JV Company, the Corporate Bank or any of their respective controlled affiliates.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Competing Business" has the meaning set forth in Section 9.3.

"Contributions" has the meaning set forth in Section 2.3(a)(ii)(2).

"Control Party" has the meaning set forth in Section 4.2(b)(ii)(1).

"Control Termination" has the meaning set forth in Section 4.2(a)(ii).

"Control Transaction" has the meaning set forth in Section 4.2(b)(ii).

"Corporate Bank" has the meaning set forth in the CB Investment Agreement.

"Crédit Agricole" means Crédit Agricole S.A., a *société anonyme* organized under the laws of France.

"Credited Base Dividends" has the meaning set forth in Section 4.4(c)(ii).

"Credited Higher Dividends" has the meaning set forth in Section 4.4(c)(iii).

"Deed of Contribution" means the agreement, dated as of December 23, 2002, by and among Lazard Italy, Lazard Real Estate, and the JV Company, attached hereto as Exhibit D, which agreement addresses the terms and conditions of the formal deed of contribution entered into by such parties, on the same date, before an Italian notary public relating to the Lazard Italy Contribution.

"Derivatives Advisory" means the provision of advisory services for a fee or that would normally be for a fee to a Client in respect of derivatives transactions.

"Derivatives Joint Venture" has the meaning set forth in Section 3.4(a)(ii).

"Dividends" has the meaning set forth in Section 4.4(c)(iv).

"EC Merger Regulation" means Council Regulation (EC) No. 4064/89 of December 21, 1989, as amended.

"EM Period" has the meaning set forth in Section 3.3(b).

"Escrow Account" has the meaning set forth in Section 5.1.

"Excluded Assets" means:

(a) all rights, title and interests in and to all cash, reserves, money market instruments, bank accounts, bank deposits, certificates of deposit, lock box receipts, marketable securities, other investment securities and other cash equivalents owned or held by Lazard Italy or Lazard Real Estate as of the LIC Effective Time, except for an amount equal to the Designated Employee Liabilities;

(b) all rights, title and interests in, to and under any accounts or notes receivable, evidences of debt, claims and other deposits and prepaid expenses of Lazard Italy or Lazard Real Estate as of the LIC Effective Time;

(c) all rights, title and interest in, to and under any causes of action, lawsuits, judgments, claims and demands of any nature, whether mature, contingent or otherwise, whether in tort, contract or otherwise, of Lazard Italy or Lazard Real Estate against their respective affiliates (including Lazard);

(d) all rights, title and interests of Lazard Italy or Lazard Real Estate arising on or prior to the Intesa Contribution Date in, to and under this Agreement and the consummation of the transactions contemplated hereby;

(e) all rights, title and interests in, to and under the name and mark "Lazard" and any name or mark derived from or including the foregoing;

(f) all rights, title and interests in, to and under all insurance policies or binders owned or held by Lazard or any of its subsidiaries (the "Lazard Policies", but excluding any such insurance policies or binders owned or held by Lazard Italy or Lazard Real Estate (such excluded policies and binders, the "Lazard Italy Policies")), together with (1) all refunds or adjustments under and proceeds from Lazard Italy Policies to the extent relating to any Excluded Liability or Excluded Asset, (2) all prepaid premiums on the Lazard Italy Policies and (3) all prepaid premiums on, refunds and adjustments under and proceeds from the Lazard Policies;

(g) all rights, title and interests in, to and under the assets listed on Schedule 1.1;

(h) all other rights, title, interests, assets and properties of Lazard Italy or Lazard Real Estate that are not primarily related to the Lazard Italy Business; and

(i) all rights, title and interests in, to and under or arising out of the Excluded Assets or the Excluded Liabilities.

"Excluded Business" has the meaning set forth in Section 3.2(b).

"Excluded Liabilities" means any of the following Liabilities: (i) any Liability of Lazard Italy or Lazard Real Estate other than the Lazard Italy Liabilities, (ii) any trade payables or employee compensation costs (other than (A) TFR or (B) "*ferie non godute*", "*extra mensilità*", "*rate per polizze assicurative*", "*note spese mensili*" and similar liabilities relating to Transferred Employees (the amount of such liabilities in this clause (B) as of December 31, 2002, the "Designated Employee Liabilities")) of Lazard Italy and Lazard Real Estate relating to the costs of the Lazard Italy Business as of December 31, 2002, (iii) any Liability to the extent related to the Excluded Assets, (iv) any Liability to the extent related to Lazard Italy's or Lazard Real Estate's fixed income capital markets, asset management or merchant banking business, and (v) any Liability to the extent related to Lazard Italy's or Lazard Real Estate's sales, trading and research in equities or equity derivatives business.

"Executive Director" means the Executive Director of the JV Company.

"Existing Mandate" has the meaning set forth in Section 3.3(b).

"Fed Letter Attachment" means the Attachment, entitled Intesa's Passivity Commitments, to the letter, dated March 14, 2003, from the Board of Governors of the Federal Reserve System to Intesa.

"Final Investment Amount" has the meaning set forth in Section 4.4(c)(v).

"Fixed Income Capital Markets Business" means fixed income capital markets business.

"FMV Amount" has the meaning set forth in Section 4.4(c)(vi).

"Formation" has the meaning set forth in the CB Investment Agreement.

"GB" has the meaning set forth in Section 8.9.

"Governmental Authority" means any national, local or foreign (including U.S. federal, state or local) or supranational (including European Union) governmental, judicial or regulatory agency, commission, bureau, entity or authority of competent jurisdiction.

"Head of Lazard" has the meaning set forth in Section 3.5.

"Higher Amount" has the meaning set forth in Section 4.4(a)(ii).

"ICC" has the meaning set forth in Section 11.5(a).

"Inflow" has the meaning set forth in Section 4.4(c)(v).

"Initial Term" has the meaning set forth in Section 4.1.

"Intellectual Property" means trade marks, service marks, trade names, logos, patents, inventions, registered and unregistered design rights, copyrights, database rights and all

other similar proprietary rights (including know-how) including, where such rights are obtained or enhanced by registration, any registration of such rights and applications and rights to apply for such registrations.

"Intesa" has the meaning set forth in the Preamble hereto.

"Intesa Business Combination" has the meaning set forth in Section 4.2(c)(ii)(1).

"Intesa Capital Subscription" has the meaning set forth in Section 2.3(a)(ii)(1).

"Intesa Contribution" has the meaning set forth in Section 2.3(a)(ii)(2).

"Intesa Contribution Closing" has the meaning set forth in Section 2.3(e).

"Intesa Contribution Date" has the meaning set forth in Section 2.3(c).

"Intesa Information" has the meaning set forth in Section 8.2(a).

"Intesa JV Debts" has the meaning set forth in Section 4.3.

"Intesa JV Interest" has the meaning set forth in Section 4.3.

"Intesa JV Note" means the US$50 million subordinated promissory note in the form attached hereto as Exhibit E to be issued by the JV Company to Intesa pursuant to the Intesa Contribution.

"Intesa JV Note Purchase" has the meaning set forth in Section 2.3(a)(ii)(2).

"Intesa Parent Entity" has the meaning set forth in Section 4.2(c)(ii)(1).

"Intesa Quota" has the meaning set forth in Section 2.3(a)(ii)(1).

"Intesa Resulting Entity" has the meaning set forth in Section 4.2(c)(ii)(1).

"Intesa Share" means a share of common stock, par value €0.52 per share, of Intesa.

"Intesa Soliciting Activities" has the meaning set forth in Section 9.4(b)(i).

"Intesa Term" has the meaning set forth in Section 4.2(c)(ii)(1).

"Italian Civil Code" means the Italian civil code enacted by Royal Decree No. 262 of March 16, 1942, as amended.

"Italian Entity" means a person (other than a natural person) that has its registered office or principal place of business in Italy (without taking into account the holder(s) of such person's shares or other capital or equity interests).

"Italian Equity Capital Markets Advisory" means the provision of advisory services (not including origination) for a fee or that would normally be for a fee to a Client who is an Italian Party in respect of equity capital markets transactions.

"Italian General Corporate Advisory" means the provision of advisory services for a fee or that would normally be for a fee to a Client who is an Italian Party in respect of (1) restructuring transactions, (2) financing and other equity and debt transactions (other than, for the avoidance of doubt, structuring, syndication and administrative services by Intesa in connection with lending and financing activities by Intesa in a principal capacity), and (3) other general corporate advisory work that was typically conducted by Lazard Italy as of December 31, 2002 (such as, corporate, business, and asset valuation, issuance of fairness opinions, corporate and tax advisory services, advisory services on business strategies, and financial advisory services in the preparation of business plans), in each case to the extent not involving M&A Advisory.

"Italian M&A Advisory" means M&A Advisory in which the Client is an Italian Party.

"Italian M&A Transaction" means any (1) acquisition of an Italian Entity (in each case whether by merger, consolidation, purchase of stock or other equity interests or assets, or otherwise), (2) acquisition of any assets or business of an Italian Entity, (3) acquisition of an equity interest in an Italian Entity (in each case other than for normal financing purposes), (4) recapitalization, reorganization or other restructuring (including by means of a spin-off) of an Italian Entity, or (5) entry into a licensing, partnership, joint venture or operating agreement where the operations or business contemplated by such agreement primarily or exclusively involves Italy.

"Italian Party" means any person that is (1) ultimately controlled by and/or fully consolidated with an Italian Entity, (2) ultimately controlled by one or more natural persons who are residents or citizens of Italy, or (3) neither consolidated with nor controlled by any person (or affiliated group) but has its registered office or principal place of business in Italy.

"Italy" means the Republic of Italy.

"Joint Venture Business" has the meaning set forth in Section 3.2.

"Joint Venture Closing" means the earlier to occur of (a) the Intesa Contribution Closing or (b) the effective time of formation of the Alternative Joint Venture pursuant to Section 2.4.

"Joint Venture Credit Agreement" means the Senior Credit Agreement in the form attached hereto as Exhibit F to be entered into by and between the JV Company and LFNY.

"Just Cause" has the meaning set forth in Section 4.4(c)(vii).

"Just Cause Adjustment" has the meaning set forth in Section 4.4(b)(i).

"JV Agreements" has the meaning set forth in Section 4.4(c)(vii).

"JV Company" has the meaning set forth in the Preamble hereto.

"JV Governing Documents" means (a) the Articles of Incorporation, (b) the Bylaws, (c) the New Bylaws, and (d) the Shareholders Agreement.

"JV Interest" means any capital stock, capital, surplus reserve, quota or similar equity interest in the JV Company.

"JV Party" has the meaning set forth in Section 3.7.

"JV Relationship" has the meaning set forth in Section 4.1.

"JV Term" has the meaning set forth in Section 3.1(a).

"JV Termination Date" has the meaning set forth in Section 4.2(b)(iv).

"Key Employees" has the meaning set forth in Section 9.4(b)(ii).

"Lazard" has the meaning set forth in the Preamble hereto.

"Lazard Business Combination" has the meaning set forth in Section 4.2(c)(iii)(1).

"Lazard Funding" has the meaning set forth in the Preliminary Statement hereto.

"Lazard Information" has the meaning set forth in Section 8.2(b).

"Lazard Interests" means "Interest" as defined in the Lazard Operating Agreement.

"Lazard Investment" has the meaning set forth in Section 5.1.

"Lazard Italy" has the meaning set forth in the Preliminary Statement hereto.

"Lazard Italy Agreements" means all agreements, including mandates and engagement letters, in effect as of December 31, 2002 to which Lazard Italy or Lazard Real Estate was a party as of such date that in each case were primarily related to the Lazard Italy Business contributed to the JV Company; provided that, notwithstanding the foregoing, the Lazard Italy Agreements shall not have included any of the Excluded Assets.

"Lazard Italy Assets" means all of the assets of Lazard Italy and Lazard Real Estate as of December 31, 2002 that in each case were primarily related to the Lazard Italy Business contributed to the JV Company; provided that, notwithstanding the foregoing, the Lazard Italy Assets shall not have included any of the Excluded Assets.

"Lazard Italy Business" means the business of Lazard Italy and Lazard Real Estate that immediately prior to the contribution of the Lazard Italy Operations was Joint Venture Business or Selected Italian Party Business.

"Lazard Italy Contribution" has the meaning set forth in Section 2.2(a).

"Lazard Italy Contribution Date" has the meaning set forth in Section 2.2(a).

"Lazard Italy Employees" means all employees of Lazard Italy and Lazard Real Estate as of December 31, 2002 who in each case pertained to the Lazard Italy Business, which employees were transferred to the JV Company in accordance with the applicable laws as a consequence of the contribution of the Lazard Italy Operations.

"Lazard Italy Holding" means Lazard Investments S.r.l., a *Società a responsabilità limitata* organized under the laws of the Republic of Italy.

"Lazard Italy Liabilities" means all of the Liabilities of each of Lazard Italy and Lazard Real Estate as of December 31, 2002, which were primarily related to the Lazard Italy Business contributed to the JV Company; provided that, notwithstanding the foregoing, the Lazard Italy Liabilities shall not have included any of the Liabilities listed in clauses (ii) – (v) of the definition of Excluded Liabilities.

"Lazard Italy Operations" means the activities that were organized and managed by Lazard Italy and Lazard Real Estate as of December 31, 2002 for the carrying out of the Lazard Italy Business contributed to the JV Company in accordance with the terms and subject to the conditions set forth herein and in the Deed of Contribution, composed solely of (1) the Lazard Italy Assets; (2) the Lazard Italy Employees; (3) the Lazard Italy Liabilities; and (4) the Lazard Italy Agreements.

"Lazard Italy Quota" has the meaning set forth in Section 2.2(a).

"Lazard License Agreement" means the Lazard License Agreement dated as of December 28, 2002, and effective as of January 1, 2003, by and among Lazard Strategic Coordination Company LLC, Lazard & Co., Holdings Limited, Lazard Fréres S.A.S., Lazard Fréres & Co., LLC and the JV Company attached hereto as Exhibit G.

"Lazard Notes" means the $50 Million Lazard Note and the $150 Million Lazard Note.

"Lazard Operating Agreement" means the Third Amended and Restated Operating Agreement of Lazard LLC, dated as of January 1, 2002, as amended as of January 10, 2003, and as such may be further amended or supplemented from time to time.

"Lazard Parent Entity" has the meaning set forth in Section 4.2(c)(iii)(1).

"Lazard Performance Quota" has the meaning set forth in Section 2.2(e).

"Lazard Quota" has the meaning set forth in Section 2.2(a).

"Lazard Quota Transfer" has the meaning set forth in Section 2.2(e).

"Lazard Real Estate" has the meaning set forth in the Preliminary Statement hereto.

"Lazard Resulting Entity" has the meaning set forth in Section 4.2(c)(iii)(1).

"Lazard Soliciting Activities" has the meaning set forth in Section 9.4(b)(iii).

"Lazard Term" has the meaning set forth in Section 4.2(c)(iii)(1).

"LFNY" has the meaning set forth in the Preliminary Statement.

"Liabilities" means all obligations, losses, debts, claims, damages, costs, expenses, demands, judgments, penalties, payments and liabilities of every type or nature, whether civil, criminal or other, whether direct or indirect, fixed, absolute or contingent, asserted or unasserted, due or to become due, known or unknown, material or immaterial, matured or unmatured.

"LIC Effective Time" has the meaning set forth in Section 2.2(a).

"Liens" means any liens, encumbrances, pledges, restrictions upon voting or transfer, security interests, claims, charges, options, or rights of first refusal.

"Loss" has the meaning set forth in Section 8.12(a).

"M&A Advisory" means the provision of advisory services for a fee or that would normally be for a fee to a Client in respect of any actual or potential (1) acquisition of such Client or of any person by such Client (in each case whether by merger, consolidation, purchase of stock or other equity interests or assets, or otherwise), (2) acquisition of any assets or business of such Client or of any person by such Client, (3) acquisition of an equity interest in such Client or in any person by such Client (in each case other than for normal financing purposes), (4) recapitalization, reorganization or other restructuring (including by means of a spin-off) of a Client, or (5) entry into a licensing, partnership, joint venture or operating agreement involving such Client.

"Management Termination" has the meaning set forth in Section 4.2(a)(iv).

"Material Adverse Effect" has the meaning set forth in Section 7.1(a).

"Maximum Amount" has the meaning set forth in Section 4.4(c)(viii).

"Member" means a person who has been admitted to Lazard as a "member" (as defined in the Delaware Limited Liability Company Act, 6 Del. C. §18-101 *et seq.*).

"Merchant Banking Business" means the business of merchant banking, including any such transaction as to which Lazard and Intesa or any of their respective controlled affiliates is a party in a principal capacity.

"New Bylaws" means the Amended and Restated Bylaws of the JV Company substantially in the form attached hereto as Exhibit H and with any adjustments made pursuant to

Section 8.11(b), which bylaws will be approved by the extraordinary quotaholders' meeting of the JV Company on or prior to the Intesa Contribution Date.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of the date hereof by and between Intesa and Lazard attached hereto as Exhibit I.

"Origination Activities" has the meaning set forth in Section 3.4(a).

"Outflow" has the meaning set forth in Section 4.4(c)(v).

"Party" or "Parties" means Intesa, Lazard and the JV Company (or their permitted assigns) and, for the purposes of the Preamble and Sections 5.3, 8.2, 9.4, 11.5 and 11.6, from and after execution of the CB Acknowledgement by the Corporate Bank, the Corporate Bank.

"Payment Period" has the meaning set forth in Section 3.7(d).

"Percentages" has the meaning set forth in Section 2.3(b).

"Period" has the meaning set forth in Section 4.4(c)(ix).

"Private Banking Joint Venture" has the meaning set forth in Section 6.2(a).

"Private Equity Fund" has the meaning set forth in Section 6.1(a).

"Quota" has the meaning set forth in the Preliminary Statement hereto.

"Renewal Date" has the meaning set forth in Section 4.1.

"Renewal Date Termination" has the meaning set forth in Section 4.2(a)(i).

"Representatives" means, with respect to a person, its controlled affiliates and its and its controlled affiliates' directors, officers, employees, representatives (including, without limitation, financial advisors, attorneys and accountants) and agents.

"Representing Party" has the meaning set forth in Section 7.1(a).

"Required Intesa Contribution Time" has the meaning set forth in Section 2.3(c).

"Return" has the meaning set forth in Section 4.4(c)(x).

"Revenue" has the meaning set forth in Section 3.6(b).

"Revised Appraisal" has the meaning set forth in Section 2.2(c).

"Selected Italian Party" has the meaning set forth in Section 3.3(a)(i).

"Selected Italian Party Business" has the meaning set forth in Section 3.3(a)(i).

"Services Agreement" means the Services Agreement, dated as of December 28, 2002, and effective as of January 1, 2003, by and between Lazard Strategic Coordination Company LLC and the JV Company attached hereto as Exhibit J.

"Shared Revenue" has the meaning set forth in Section 3.7.

"Shareholders Agreement" means the Shareholders Agreement of the JV Company to be entered into by and among Lazard, Intesa, Lazard Italy and Lazard Real Estate in the form attached hereto as Exhibit K.

"Solicit" has the meaning set forth in Section 9.4(b)(iv).

"Solicitation Period" has the meaning set forth in Section 9.4(b)(v).

"Survival Period" has the meaning set forth in Section 11.1.

"Tax Claim" has the meaning set forth in Section 8.6(c).

"Terminating Party" has the meaning set forth in Section 4.2(a)(i).

"Termination Notice" means a written notice of termination of the JV Relationship delivered pursuant to Section 4.2(b) that specifies the applicable subparagraph of Section 4.2(a) under which such termination is being made and, if applicable, the date of such termination in accordance with Section 4.2(b)(ii)(2).

"Termination Payment" has the meaning set forth in Section 4.4.

"Terms of Agreement" has the meaning set forth in the Preliminary Statement hereto.

"TFR" means the severance compensation (*trattamento di fine rapporto)* pertaining to the Lazard Italy Employees.

"Transactions" has the meaning set forth in Section 8.4(a).

"Transfer" has the meaning set forth in Section 8.7.

"$50 Million Lazard Note" means the US$50,000,000 subordinated convertible promissory note of Lazard Funding attached as Annex B to the Note Purchase Agreement.

"$150 Million Lazard Note" means the US$150,000,000 subordinated convertible promissory note of Lazard Funding attached as Annex A to the Note Purchase Agreement.

Section 1.2. Definitions Generally; Interpretation. (a) Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. References to the masculine gender include the feminine gender.

(b) Except where the context otherwise requires, references to:

(i) "affiliate" or "affiliates" means, with respect to a person, any other person in which the first such person has a direct or indirect controlling interest or by which the first such person is directly or indirectly controlled or which is under direct or indirect common control with the first such person (for the avoidance of doubt, the JV Company shall not be deemed to be an affiliate of either Intesa or Lazard, and neither Lazard nor Intesa shall be deemed to be an affiliate of the JV Company, under this Agreement unless otherwise indicated);

(ii) "close of business" means 5:00 p.m. in the jurisdiction of the party giving notice.

(iii) "control" with respect to any person means the power to direct the management and policies of such person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other persons; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing;

(iv) "controlled affiliate" means, with respect to a person, any other person in which the first such person has a direct or indirect controlling interest ignoring the concept of "under common control" (for the avoidance of doubt, the JV Company shall not be deemed to be a controlled affiliate of either Intesa or Lazard under this Agreement unless otherwise indicated);

(v) "dollars" or "$" means United States dollars;

(vi) "Euro" or "€" means European Union Euros;

(vii) "person" or "persons" means natural persons, corporations, limited liability companies, S.p.A.'s (*Società per azioni)*, s.r.l.'s (*Società a responsabilità limitata*), trusts, joint ventures, associations, companies, partnerships, governments or agencies or political subdivisions thereof and other political or business entities;

(viii) "subsidiary" or "subsidiaries" means, with respect to any person, any corporation, limited liability company, S.p.A. (*Società per azioni)*, s.r.l. (*Società a responsabilità limitata*), trust, joint venture, association, company, partnership or other legal entity of which a person (either alone or through or together with any other subsidiary of such person) (A) owns, directly or indirectly, a majority of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity, or (B) is otherwise entitled to exercise (1) a majority of the voting power generally in the election of the board of directors or other governing body of such corporation or other legal entity or (2) control of such corporation or other legal entity (for the avoidance of doubt, the JV Company shall not be deemed to be a subsidiary of either Intesa or Lazard under this Agreement unless otherwise indicated).

(c) The words "include" and "including" (and words of similar import) shall be deemed to be followed by the phrase "without limitation."

(d) The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, paragraph, clause or subdivision.

(e) All article, section, paragraph, clause and subdivision references not attributed to a particular document shall be references to such parts of this Agreement, and all exhibit references not attributed to a particular document shall be references to such exhibits to this Agreement.

ARTICLE II

FORMATION OF THE JV COMPANY; THE CONTRIBUTIONS

Section 2.1. Formation of the JV Company. Prior to the date hereof, the JV Company has been established as a *Società a responsabilità limitata* organized under the laws of the Republic of Italy, with an initial capital stock of €10,000.00 which was entirely subscribed to and is entirely owned by subsidiaries of Lazard. An English translation of the Articles of Incorporation and the Bylaws of the JV Company as in effect on the date hereof are attached hereto as Exhibit A and Exhibit B, respectively.

Section 2.2. The Lazard Italy Contribution. (a) Effective as of January 1, 2003, at 00:01, Italian time, (such date, the "Lazard Italy Contribution Date", and such time, the "LIC Effective Time"), pursuant to the Deed of Contribution, Lazard Italy and Lazard Real Estate contributed, conveyed, assigned and transferred to the JV Company the Lazard Italy Operations, and in exchange therefor the JV Company (A) assumed and agreed to perform and in due course pay and discharge all of the Lazard Italy Liabilities effective as of the LIC Effective Time and (B) issued and registered to Lazard Italy a duly authorized and validly issued Quota equal to €7,192,000.00 and to Lazard Real Estate a duly authorized and validly issued Quota equal to €1,798,000.00, representing, collectively, 100% of the capital stock of the JV Company (the Quota held by Lazard Italy and the Quota held by Lazard Real Estate in each case upon completion of the Lazard Italy Contribution, collectively, "Lazard Italy Quota"), effective as of the LIC Effective Time (collectively, the "Lazard Italy Contribution").

(b) On January 8, 2003, the JV Company delivered to Lazard Italy and Lazard Real Estate a copy of the relevant page of the JV Company's quotaholders book attesting that Lazard Italy and Lazard Real Estate are the holders of their respective Quotas of the Lazard Italy Quota free and clear of any Liens except for such Liens arising from this Agreement, the provisions of Article 2343, paragraph 3, of the Italian Civil Code or any JV Governing Document or arising after issuance of such Quota.

(c) The Board of Directors and the Board of Statutory Auditors verified the evaluations contained in the Appraisal on January 27, 2003 and February 5, 2003, respectively, resolving, in accordance with Article 2343, Paragraph 3, of the Italian Civil Code, that there were no reasons to revise the Appraisal.

(d) To the extent that any transfers or assumptions contemplated by Section 2.2(a) in connection with the Lazard Italy Contribution shall not have been consummated

as of the date hereof for any reason outside of Lazard's reasonable control, either by reason of operation of law or by reason of a consent, approval or notice not being obtained or provided: (A) the Parties shall cooperate to obtain at the JV Company's expense any such necessary consents or approvals and to provide any such necessary notices and to effect such transfers as promptly following the date hereof as shall be practicable, and (B) pending such transfers (or if such transfer cannot be made without the incurrence of unreasonable expense) Lazard shall, or shall cause its applicable subsidiary to, thereafter hold such Lazard Italy Asset, Lazard Italy Employee or Lazard Italy Agreement for the use and benefit of the JV Company or retain such Lazard Italy Liability, as the case may be, for the account of the JV Company, and take such other action as may be necessary or reasonably requested by the JV Company in order to place Lazard and its subsidiaries, on the one hand, and the JV Company, on the other hand, insofar as reasonably possible, in the same position (including from an operational and financial point of view) as would have existed had such Lazard Italy Asset, Lazard Italy Employee, Lazard Italy Agreement or Lazard Italy Liability been transferred or assumed as contemplated hereby (including with respect to liabilities), including that if there are additional costs or benefits that would not have been incurred or realized if the contribution had been made but for such operation of law or failure to obtain consent or provide approval or notice, such costs or benefits shall be the responsibility of or for the benefit of Lazard and its subsidiaries, as the case may be.

(e) Prior to the Intesa Contribution, (1) Lazard Italy shall transfer to Lazard a Quota having a par value of Euro 1.00 (the "Lazard Quota Transfer"), and (2) the Bylaws shall in connection therewith be amended to vest in such Quota the rights and powers set forth in Article 5 of the New Bylaws and Section 7.8 of the Shareholders Agreement, pursuant to the combined provisions of Section 2478 and 2435, first and third paragraph, of the Italian Civil Code (such Quota vested with such rights and powers, the "Lazard Performance Quota", and, together with the Quota held by each of Lazard Italy and Lazard Real Estate, the "Lazard Quota").

Section 2.3 The Intesa Contribution. Lazard and Intesa hereby agree and acknowledge that the Intesa Contribution shall be carried out in accordance with the terms and subject to the conditions set forth in this Section 2.3. In particular:

(a) On the terms and subject to the conditions set forth in this Section 2.3:

(i) Lazard shall cause the ordinary and extraordinary quotaholders' meeting of the JV Company to be called, to be duly held and (x) to resolve upon a capital increase of the JV Company from €9,000,000.00 to €15,000,000.00, (y) to approve the New Bylaws and (z) to appoint the three members of the Board of Directors of the JV Company (the "Board of Directors"), and one additional alternate member of the Board of Statutory Auditors of the JV Company (the "Board of Statutory Auditors") to fill the vacancy created by the resignation of an effective member of the Board of Statutory Auditors, in accordance with the terms and subject to the conditions set forth in the Shareholders Agreement and the New Bylaws, in each case conditioned upon and effective as of the Intesa Contribution Closing;

(ii) after the adoption of the above-mentioned resolution by the extraordinary shareholders' meeting of the JV Company, on the Intesa Contribution Date:

(1) Intesa shall contribute an amount of Euro in cash equal to US$100 million (based on the exchange rate in effect at the time of the Intesa Contribution Closing) at the time of the Intesa Contribution Closing by wire transfer of immediately available funds to the bank account(s) designated in writing at least 3 Business Days prior thereto by the JV Company, in subscription for the above-mentioned capital increase of the JV Company from €9,000,000.00 to €15,000,000.00 (plus an amount of surplus reserve (*riserva da sopraprezzo*) in Euro equal to the remainder of the Euro to be contributed by Intesa pursuant to this paragraph), and in exchange therefor, the JV Company shall issue and register to Intesa a Quota (the "Intesa Quota") equal to 40% of the capital stock of the JV Company immediately after such capital increase (the "Intesa Capital Subscription"); and

(2) Intesa shall purchase the Intesa JV Note by transferring to the JV Company an amount in cash equal to US$50 million (such amount, together with the US$100 million amount under clause (1) above, the "Aggregate Intesa Contribution Amount") by wire transfer of immediately available funds to the bank account(s) designated in writing at least 3 Business Days prior thereto by the JV Company, and in exchange therefor the JV Company shall issue the Intesa JV Note to Intesa (the "Intesa JV Note Purchase", together with the Intesa Capital Subscription, the "Intesa Contribution", and together with the Lazard Italy Contribution, the "Contributions").

(b) Immediately after consummation of the Intesa Contribution, the quotaholders of the JV Company shall be: (1) Lazard (through the Lazard Performance Quota), Lazard Italy and Lazard Real Estate, which in accordance with Section 2.2 shall collectively own the Lazard Quota equal to 60% of the capital stock of the JV Company, free and clear of any Lien, except for such Liens arising from this Agreement or any JV Governing Documents or arising after issuance of such Quota, and (2) Intesa, which in accordance with Section 2.3(a)(ii) shall own the Intesa Quota equal to 40% of the capital stock of the JV Company, free and clear of any Lien, except for such Liens arising from this Agreement or any JV Governing Documents or arising after issuance of such Quota (both such percentage amounts, the "Percentages").

(c) The Intesa Contribution shall be consummated as promptly as practicable after receipt of the BOI Approvals (and in no event later than 5 Business Days thereafter) (the date of consummation of the Intesa Contribution, the "Intesa Contribution Date").

(d) The Intesa Contribution shall be conditioned solely upon receipt by Intesa of all approvals of the Bank of Italy that are required to consummate the Intesa Contribution (the "BOI Approvals"). Intesa shall use its reasonable best efforts to obtain the BOI Approvals as promptly as practicable after the date hereof.

(e) The actions contemplated under Section 2.3(a) shall take place at the registered offices of the JV Company (or at such other place in Milan as agreed to by Lazard and Intesa) before an Italian notary public on the Intesa Contribution Date (the "Intesa Contribution Closing"). At the Intesa Contribution Closing, upon the increase of the capital stock of the JV Company in accordance with the terms set forth in Section 2.3(a)(i) and receipt by the JV Company of the Aggregate Intesa Contribution Amount from Intesa, (1) the JV Company shall deliver to Intesa the duly executed Intesa JV Note, and (2) Intesa, Lazard, Lazard Italy and Lazard Real Estate shall enter into the Shareholders Agreement effective as of the time of the Intesa Contribution. Within two Business Days after the Intesa Contribution Closing, the JV Company shall deliver to Intesa a notarized copy of the relevant page of the JV Company's quotaholders book attesting that Intesa is the holder of the Intesa Quota, free and clear of any Liens (other than any Liens arising from this Agreement or any JV Governing Documents or arising after the issuance of such Quota).

(f) In the event that the Intesa Contribution shall be consummated in accordance with the terms hereof prior to January 1, 2004, (1) the Intesa Contribution shall, for purposes of determining Intesa's participation in the profits of the JV Company, be deemed to have been effected on January 1, 2003 (regardless at the actual date of the Lazard Italy Contribution) and (2) Intesa shall pay the JV Company an amount in cash equal to an annual interest rate of (i) 2.5% on the Aggregate Intesa Contribution Amount for the period from the Lazard Italy Contribution Date through May 25, 2003 and (ii) 5% on the Aggregate Intesa Contribution Amount for the period from May 26, 2003 until the Intesa Contribution Date.

Section 2.4 Alternative Joint Venture. In the event that the BOI Approvals shall be denied and such denial shall become final and nonappealable notwithstanding Intesa's compliance with its obligations under Section 2.3(d) and Section 8.4, Intesa and Lazard hereby undertake to negotiate in good faith and to enter into an alternative commercial arrangement with respect to the Lazard Italy Business that is in compliance with applicable laws and that Intesa and Lazard believe would be acceptable to the Bank of Italy with financial and commercial terms that are as substantially similar, to the extent possible, to those applicable to the JV Company in this Agreement (the "Alternative Joint Venture").

ARTICLE III

JOINT VENTURE BUSINESS

Section 3.1. Exclusive Arrangement for Joint Venture Business. (a) Effective immediately upon the date hereof and until the termination of this Agreement (the "JV Term"), the Parties and their respective controlled affiliates shall conduct any Joint Venture Business only in accordance with this Article III (including, without limitation, the provisions regarding Revenue set forth in Section 3.6).

(b) In furtherance thereof, except as provided in Sections 3.3(b) and 3.4(a), (1) Intesa hereby agrees and covenants that, during the JV Term and except as expressly provided in this Article III, (A) any and all business opportunities and engagements of Intesa and its

controlled affiliates that are Joint Venture Business shall be referred to the JV Company, and (B) Intesa and its controlled affiliates shall not engage in any Joint Venture Business (except as permitted in Section 9.3), and (2) Lazard hereby agrees and covenants that, during the JV Term and except as expressly provided in this Article III, (A) any and all business opportunities and engagements of Lazard and its controlled affiliates that are Joint Venture Business shall be referred to the JV Company, and (B) Lazard and its controlled affiliates shall not engage in any Joint Venture Business (except as permitted in Section 9.3). In furtherance thereof, in the event that the JV Company shall decline to undertake any Joint Venture Business, Intesa may not undertake such business in its own capacity or refer it to a third party.

Section 3.2 Joint Venture Business. For the purposes of this Agreement, "Joint Venture Business" has the meaning set forth in this Section 3.2.

(a) Joint Venture Business shall mean each of the following lines of business:

(i) Italian M&A Advisory;

(ii) M&A Advisory to the extent involving an Italian M&A Transaction;

(iii) Italian General Corporate Advisory;

(iv) Italian Equity Capital Markets Advisory; and

(v) Derivatives Advisory to the extent arising from an engagement under clauses (i) through (iv) of this Section 3.2(a).

(b) Joint Venture Business shall exclude every line of business, including in particular the following lines of business, other than those set forth above ("Excluded Business"):

(i) Fixed Income Capital Markets Business;

(ii) sales, trading, underwriting and research in equities, debt securities and derivatives;

(iii) Asset Management Business; and

(iv) Merchant Banking Business.

(c) In the event that the scope of the Joint Venture Business, as defined in this Section 3.2, shall be in its application to a particular engagement impractical or inconsistent in light of Client needs and/or the business situation, Intesa and Lazard shall promptly consult in good faith to resolve such matter in a manner consistent with the intent of this Agreement.

Section 3.3 Exceptions to Joint Venture Business. (a) Selected Italian Party Business. (i) Notwithstanding the provisions of Section 3.1 and Section 3.2, during the JV Term, any Italian M&A Advisory, M&A Advisory to the extent involving an Italian M&A Transaction

or Italian General Corporate Advisory, Italian Equity Capital Markets Advisory or Derivatives Advisory in each case in which the Client is a Selected Italian Party ("Selected Italian Party Business") shall be the exclusive business of Intesa as such exclusivity is effected pursuant to and subject to the terms of this Agreement (and except as otherwise permitted by this Article III and by Section 9.3) and shall not be deemed to be "Joint Venture Business" for all purposes of this Agreement. In furtherance thereof, (1) the JV Company hereby agrees and covenants that, during the JV Term and except as expressly provided in this Article III, (A) all business opportunities and engagements of the JV Company and its controlled affiliates that are Selected Italian Party Business arising during the JV Term shall be treated in accordance with Section 3.3(a)(iii) below, and (B) the JV Company and its controlled affiliates shall not engage in any Selected Italian Party Business, and (2) Lazard hereby agrees and covenants that, during the JV Term and except as expressly provided in this Article III and as permitted by Section 9.3, (A) all business opportunities and engagements of Lazard and its controlled affiliates that are Selected Italian Party Business arising during the JV Term shall be treated in accordance with Section 3.3(a)(ii)(2) below, and (B) Lazard and its controlled affiliates shall not engage in any Selected Italian Party Business. For the purposes of this Agreement, "Selected Italian Party" means any Client that is an Italian Party with consolidated annual gross revenues of less than €450 million (determined based on the most recently available audited consolidated financial statements of such Italian Party or, if such Italian Party is consolidated with or controlled by an Italian Entity as provided under clause (1) of the definition of "Italian Party", of the Italian Entity into which such Italian Party is consolidated or that controls such Italian Party); provided that (x) if such Client is a banking or a financial institution, it shall be considered a Selected Italian Party only if the book value of 10% of its assets as determined based upon such most recently available audited consolidated financial statements is less than €225 million, (y) if such Client is an insurance company, it shall be considered a Selected Italian Party only if the total gross premiums as determined based upon such most recently available audited consolidated financial statements are less than €450 million and (z) if such Client is a real estate company, it shall be considered a Selected Italian Party only if its net assets are less than €150 million in the aggregate as determined based upon such most recently available audited consolidated financial statements.

(ii) In the event that (1) Intesa shall originate any such Selected Italian Party Business during the JV Term, Intesa shall decide, in its sole discretion, whether to undertake such business or refer it to the JV Company (it being understood that the JV Company shall not be obligated to undertake such business if so offered) or (2) Lazard shall originate any Selected Italian Party Business during the JV Term, subject to the Client's consent, Lazard shall notify the JV Company of any such business it originates, the JV Company shall consult with Intesa and, at Intesa's direction, either (A) Lazard shall refer such business to Intesa (subject to the Client's consent) or (B) Lazard shall offer the JV Company the opportunity to undertake such business (it being understood that the JV Company shall not be obligated to undertake such business).

(iii) In the event that the JV Company shall originate any such Selected Italian Party Business during the JV Term, subject to the Client's consent, the JV Company shall consult with Intesa and, at Intesa's direction, either (A) the JV Company shall refer such business to Intesa (subject to the Client's consent) or (B) Intesa shall offer the

JV Company the opportunity to undertake such business (it being understood that the JV Company shall not be obligated to undertake such business).

(iv) In the event that the JV Company declines to undertake any Selected Italian Party Business that Intesa refers to the JV Company as described in Section 3.3(a)(ii) or (iii), Intesa may thereafter undertake such Selected Italian Party Business or refer such Selected Italian Party Business to third parties.

(b) Existing Mandates. Notwithstanding the provisions of Section 3.1 or Section 3.3(a), in the event that on the first date of the JV Term either the JV Company shall have any Existing Mandate for Selected Italian Party Business or Intesa shall have any Existing Mandate for Joint Venture Business, the JV Company or Intesa, as the case may be, may perform its obligations under such Existing Mandate during the JV Term, in each case for a period not to exceed the later of (A) September 9, 2003 or (B) the Intesa Contribution Date (such period, the "EM Period"), and retain all Revenues from its Existing Mandates to the extent associated with services performed during or prior to such EM Period. Immediately after the end of such period, all engagements under Existing Mandates then in effect (A) of the JV Company for Selected Italian Party Business shall be referred to Intesa, subject to the Client's consent, and (B) of Intesa for Joint Venture Business shall be referred to the JV Company, subject to the Client's consent; provided, that in the event that the Client shall not consent to any such referral, the JV Company or Intesa, as applicable, may continue to perform under such Existing Mandate (provided that such Party shall divide all Revenue that relates to services performed or to be performed by it after the end of the EM Period in connection with such Existing Mandate (net of expenses incurred by such Party, including any general compensation expenses, to the extent such expenses relate to such services) and that is paid by such Client or other third parties to such Party or its controlled affiliates, in accordance with Section 3.6 below, which amounts shall be paid in accordance with Section 3.7 below); and provided further that in the case of three selected Existing Mandates of Intesa, Intesa may perform its obligations thereunder after such EM Period (provided that Intesa shall pay one-half of all Revenue that relates to services performed or to be performed by it after the end of the EM Period in connection with such Existing Mandate (net of expenses incurred by Intesa, including any general compensation expenses, to the extent such expenses relate to such services) and that is paid by such Client or other third parties to Intesa or its controlled affiliates, to the JV Company, which amounts shall be paid in accordance with Section 3.7 below). For the purposes of this Agreement, an "Existing Mandate" means a written contract for the provision of advisory services that was entered into on or prior to September 9, 2002 and not extended on or after such date. The provisions of this Section 3.3(b) shall apply during the JV Term.

(c) Referrals and Engagements Generally. Notwithstanding anything herein to the contrary, any referrals or transfers of Clients to be made, or advisory work to be engaged in, pursuant to this Agreement shall be subject to the applicable Client's consent. Each of Intesa and Lazard agrees that it shall use its reasonable best efforts to obtain the consent of its, or, if applicable, its controlled affiliate's Client, if and when required.

(d) Assistance of Lazard. Notwithstanding anything herein to the contrary, if necessary or requested by the Chairman or CEO of the JV Company, Lazard and its controlled affiliates may assist the JV Company with any engagements, including engagements involving

Joint Venture Business (it being understood that the costs and expenses of Lazard or any such controlled affiliate of Lazard incurred in providing any such assistance shall be the responsibility of Lazard or the applicable controlled affiliate incurring such expenses (it being further understood that such expenses may be reimbursed by the Client if so agreed by the Client)).

Section 3.4 Other Business of the JV Company. (a) Origination. Notwithstanding any provision to the contrary in this Article III, the JV Company may engage in the origination of any new business, including by soliciting or otherwise seeking new Clients or engagements, in or with respect to Italy or with Italian Parties regardless of whether or not such new business is Joint Venture Business, Selected Italian Party Business or Excluded Business ("Origination Activities"). The right of the JV Company to engage in such Origination Activities shall not limit the right of either Intesa or Lazard to engage in such Origination Activities.

(i) During the JV Term, in the event that the JV Company shall originate any sales, trading or underwriting business, the JV Company will cooperate in good faith with Lazard and Intesa to arrange for the execution of such sales, trading or underwriting business through Intesa's and Lazard's sales and trading operations and divide Revenues in connection therewith as provided in Section 3.6. In the event that the JV Company shall originate any underwriting business, Lazard shall have the right, at its election, to underwrite up to 50% of any amount underwritten by Intesa.

(ii) During the JV Term, in the event that the joint venture to be formed to undertake derivative transactions pursuant to Section 6.2(b) (the "Derivatives Joint Venture") shall have been formed, any derivatives trading business originated by the JV Company shall be referred for execution to the Derivatives Joint Venture. The JV Company may otherwise refer any other business arising from such Origination Activities as Lazard and the Intesa shall determine.

(b) Prohibited Business. During the JV Term, the JV Company shall not (1) maintain operations for the execution of, or execute, sales, trading or underwriting transactions and will not engage in any business that is not Joint Venture Business outside of Italy, except as otherwise contemplated by this Agreement, or (2) provide M&A Advisory on behalf of a Client that has publicly announced (and not withdrawn) its intention to acquire voting securities of Intesa or Crédit Agricole if after the consummation of such acquisition the Client would control Intesa or Crédit Agricole, as applicable, and the board of directors of Intesa or Crédit Agricole, as applicable, shall have publicly announced its opposition to such proposed acquisition (in which case the JV Company shall, to the extent practicable, thereafter terminate the portion of the applicable engagement to the extent relating to such hostile transaction against Intesa or Crédit Agricole, as applicable).

(c) Intesa Principal Activity and Engagements. Intesa may from time to time during the JV Term give both the Chairman and the CEO of the JV Company written notice (such notice to be treated as confidential) that specifically identifies a person or persons that Intesa in good faith intends to acquire control of within the next three months (each such person, an "Anticipated Target"). In the event that Intesa shall deliver such written notice in accordance with the foregoing sentence, the JV Company shall not enter into (1) any new mandate or engagement letter for M&A Advisory with such Anticipated Target as the Client or (2) any new

mandate or engagement letter for M&A Advisory with any Controlling Entity of such Anticipated Target as the Client for the disposition of such Controlling Entity's controlling interest in the Anticipated Target, in each case during the three-month period beginning on the date on which the applicable notice was given by Intesa; provided that Intesa shall offer to the JV Company the opportunity to undertake M&A Advisory with Intesa or any of its controlled affiliates as the Client for the acquisition of such Anticipated Target (such engagement to be on terms no less favorable to the JV Company than those offered to any other advisor in connection therewith and as otherwise agreed by the parties). For the purposes of this Section 3.4, "Controlling Entity" means, with respect to any Anticipated Target, a person that, directly or indirectly through a subsidiary of which such person is the Controlling Entity, has beneficial ownership of a majority of the stock or other equity interests the holders of which are entitled to vote generally in the election of the board of directors or equivalent governing body of such Anticipated Target.

Section 3.5 Conflicts. (a) The Parties shall use their respective reasonable best efforts to establish conflict verification processes during the JV Term that comply with the following terms. Before undertaking any engagement, the JV Company shall clear such engagement through the conflict clearance system of Lazard then in effect.

(b) For so long as GB is the Chairman of the JV Company and AB is the Chief Executive Officer ("CEO") of the JV Company: (1) in the event that any Business Conflict arises between the JV Company and Lazard, all resolutions of such Business Conflicts shall be determined by Lazard in its sole discretion and in the exercise of its business judgment, and (2) in the event that any Business Conflict arises between the JV Company and Intesa, all resolutions of such Business Conflicts shall be determined by Intesa in its sole discretion and in the exercise of its business judgment. For the purposes of this Agreement, "Business Conflict" means, with respect to Lazard or Intesa, as applicable, a direct conflict between any Joint Venture Business conducted by the JV Company and any substantially similar business conducted by Lazard or Intesa, as applicable, with respect to a particular engagement.

(c) From and after such time as either GB or AB ceases to be the Chairman or CEO, respectively, of the JV Company: (1) in the event that any Business Conflict arises between the JV Company and Lazard, representatives of Lazard and the JV Company responsible for conflict issues shall consult with a representative of Intesa responsible for conflict issues; provided that such representatives of Lazard and the JV Company shall not be obligated to consult with such representative of Intesa if the disclosure of such Client or Business Conflict would be prohibited by any applicable confidentiality obligations, and provided further all resolutions of such Business Conflicts shall be determined by Lazard in its sole discretion and in the exercise of its business judgment, with such determination to be made following consultation by the Head of Lazard and Chairman of the Executive Committee ("Head of Lazard") with the CEO of Intesa (such consultation to be on a confidential basis) unless prohibited by such confidentiality obligations, and (2) in the event that any Business Conflict arises between the JV Company and Intesa, a representative of Intesa responsible for conflict issues shall consult with representatives of Lazard and the JV Company responsible for conflict issues; provided that such representative of Intesa shall not be obligated to consult with such representatives of Lazard and the JV Company if the disclosure of such Client or Business Conflict would be prohibited by any applicable confidentiality obligations, and provided further that all resolutions of such Business Conflicts shall be determined by Intesa in its sole discretion and in the exercise of its business judgment, with

such determination to be made following consultation by the CEO of Intesa with the Head of Lazard (such consultation to be on a confidential basis) unless prohibited by such confidentiality obligations.

Section 3.6 Revenue Sharing. (a) Except as provided in Section 3.3(b) with respect to Existing Mandates and Section 3.8(b), the Parties agree that Revenue paid in connection with the matters described below during the JV Term shall be allocated as provided in this Section 3.6(a) (as such allocations may be adjusted pursuant to Section 3.6(c) below) and shall be paid in accordance with Section 3.7 hereof.

(i) All Revenue paid by Clients (other than Selected Italian Parties) or other third parties to the Parties or their respective controlled affiliates in connection with any (1) Italian M&A Advisory on an Italian M&A Transaction, (2) Italian General Corporate Advisory, (3) Italian Equity Capital Markets Advisory or (4) Derivatives Advisory to the extent arising from other Joint Venture Business, shall be for the JV Company.

(ii) Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with (1) any Italian M&A Advisory not on an Italian M&A Transaction or (2) any M&A Advisory on an Italian M&A Transaction in which the Client is not an Italian Party shall be shared by the JV Company and Lazard as Lazard and Intesa shall negotiate in good faith taking into account the specific characteristics of the applicable transaction; provided that if Lazard and Intesa shall not agree, 50% of all such Revenue will be for the JV Company and 50% of all such Revenue will be for Lazard.

(iii) Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with the execution of any sales, trading or underwriting business originated by the JV Company as contemplated by Section 3.4(a)(i) shall be divided as follows: (i) selling concessions shall be for the actual selling person; (ii) underwriting fees shall be for the person or persons bearing the underwriting risk (on a pro rata basis based on the relative underwriting risk borne by the applicable person); and (iii) management fees shall be shared by the JV Company and Intesa as Lazard and Intesa shall negotiate in good faith taking into account the specific characteristics of the applicable business; provided that if Lazard and Intesa shall not agree, 50% of all such Revenue will be for the JV Company and 50% of all such Revenue will be for Intesa.

(iv) Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with the execution of derivatives transactions originated by the JV Company and executed through the Derivatives Joint Venture as contemplated by Section 3.4(a)(i) will be shared by the JV Company and the Derivatives Joint Venture as Intesa and Lazard shall reasonably agree. Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with the execution of derivative transactions originated by the JV Company prior to the formation of the Derivatives Joint Venture and executed through Intesa will be shared by the JV Company and Intesa as Intesa and Lazard shall reasonably agree.

(v) Revenue paid by Clients or other third parties to the JV Company or Intesa or their respective controlled affiliates in connection with Selected Italian Party Business will be divided as follows: (1) all Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with Selected Italian Party Business undertaken by the JV Company will be solely for the JV Company, and (2) all Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with Selected Italian Party Business undertaken by Intesa or its controlled affiliates will be solely for Intesa; provided, however, that, in the case of clause (2), in the event that Lazard referred such Selected Italian Party Business to Intesa or its controlled affiliates as contemplated by Section 3.3(a)(ii), Lazard shall be entitled to an introduction fee as shall be reasonably agreed by Lazard and Intesa.

(vi) Except as otherwise provided in this Section 3.6, all Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with (1) Italian General Corporate Advisory not consistent with Lazard's current general corporate advisory activities that the JV Company shall refer to Intesa will be shared by the JV Company and Intesa as Intesa and Lazard shall reasonably agree and (2) any business that the JV Company shall refer to Intesa will be shared by the JV Company and Intesa as Intesa and Lazard shall reasonably agree.

(vii) All other Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates in connection with Joint Venture Business not otherwise addressed in Section 3.3(b) and this Section 3.6 shall be for the JV Company except as Intesa and Lazard may otherwise agree.

(viii) All other Revenue paid by Clients or other third parties to the Parties or their respective controlled affiliates will be for the Party receiving such Revenue.

(b) For the purposes of this Agreement, "Revenue" shall mean all fees, compensation, commissions and similar payments, including, without limitation, engagement fees, transaction and "success" fees, "break up" fees, referral fees, commitment fees, management fees, underwriting fees, selling concessions and other derivative fees; provided that the amount of any such Revenue shall be net of (i) unreimbursed out-of-pocket expenses incurred by the Party in connection with, and directly relating to, the business in question, and (ii) any portion of such Revenue required to be paid to any person which is not a Party or a controlled affiliate of such Party.

(c) Intesa and Lazard shall review in good faith the appropriateness of the allocation of Revenue set forth in this Section 3.6 one year prior to each Renewal Date, in light of fairness, changes in the business environment in which the JV Company operates and the actual performance and development of the JV Company. Upon completion of such review, Intesa and Lazard shall negotiate in good faith any adjustments to the foregoing division of Revenues based on the results of such review.

(d) Without prejudice to any other remedies available under applicable law arising out of or in connection with any breach of Section 3.1(b) or Section 3.3 by Lazard, Intesa and the JV Company will be entitled to receive the portion of any Revenues paid by Clients or

other third parties to Lazard or its controlled affiliates in connection with the Joint Venture Business or Selected Italian Party Business that was undertaken by Lazard or its controlled affiliates in breach of such Section 3.1(b) or Section 3.3 which Intesa and the JV Company, as applicable, would have received pursuant to this Section 3.6 and Section 3.7 but for such breach. Without prejudice to any other remedies available under applicable law arising out of or in connection with any breach of Section 3.1(b) or Section 3.3 by Intesa, Lazard and the JV Company will be entitled to receive the portion of any Revenues paid by Clients or other third parties to Intesa or its controlled affiliates in connection with the Joint Venture Business that was undertaken by Intesa or its controlled affiliates in breach of such Section 3.1(b) or Section 3.3 which Lazard and the JV Company, as applicable, would have received pursuant to this Section 3.6 and Section 3.7 but for such breach. Without prejudice to any other remedies available under applicable law arising out of or in connection with any breach of Section 3.3 by the JV Company or its controlled affiliates, Intesa will be entitled to receive the portion of any Revenues paid by Clients or other third parties to the JV Company or its controlled affiliates in connection with the Selected Italian Party Business that was undertaken by the JV Company or its controlled affiliates in breach of such Section 3.3 which Intesa would have received pursuant to this Section 3.6 and Section 3.7 but for such breach.

Section 3.7 Payment of Revenue. From the date hereof until the end of the JV Term, any Revenue that (1) is paid to any of Intesa, Lazard or the JV Company (each, a "JV Party") or their respective controlled affiliates and (2) is required to be paid or shared with another JV Party pursuant to this Article III (any such Revenue, "Shared Revenue") shall be paid as follows:

(a) Within 15 Business Days after the Joint Venture Closing, each JV Party shall pay any Shared Revenue paid to such JV Party from the date hereof until the date of the Joint Venture Closing to the other JV Party that is entitled to such Shared Revenue under this Article III.

(b) Thereafter, within 15 Business Days after any Payment Period, each JV Party shall pay any Shared Revenue paid to such JV Party during such Payment Period to the other JV Party that is entitled to such Shared Revenue pursuant to this Article III.

(c) Any amounts paid hereunder shall be in cash and shall be payable by wire transfer of immediately available funds to an account specified by the JV Party entitled to receive such payment in writing at least 3 Business Days in advance of such payment.

(d) For the purposes of this Agreement, "Payment Period" means the period starting on the Joint Venture Closing and ending on December 31 of the year in which the Joint Venture Closing occurred, the 12-month period starting on January 1 of the next year and ending on December 31 of such year, and each 12-month period thereafter ending on December 31, until the end of the JV Term; provided that in the event that the JV Term ends on a date other than December 31, the term "Payment Period" shall include the period starting from January 1 of the year in which the JV Term ends and ending on the last day of the JV Term.

Section 3.8 Interim Period. (a) Each of Intesa and Lazard agrees that all Revenues paid to Intesa, Lazard or their respective controlled affiliates after December 31, 2002 and prior

to the date hereof by Clients or other third parties in connection with either (1) any new opportunity for Selected Italian Party Business that arose on or after September 9, 2002 and prior to the date hereof or (2) any new opportunity for Joint Venture Business that arose on or after September 9, 2002 and prior to the date hereof, shall, subject to Section 3.8(b) and to the extent not previously divided between Intesa and Lazard pursuant to the Terms of Agreement prior to the date hereof, be divided between Intesa and Lazard in accordance with the allocation provisions of Section 3.6 as if the Lazard Italy Contribution and the Intesa Contribution were consummated and the JV Term had commenced as of September 9, 2002 (regardless of whether or not such business was actually referred due to a Client's objection) (it being understood that any such Revenues shall be (A) net of unreimbursed expenses incurred by such Party, including any general compensation expenses, to the extent such expenses relate to such new opportunity, and (B) paid in accordance with Section 3.7).

(b) Notwithstanding anything in this Article III to the contrary, the payment of any amounts pursuant to Section 3.3(b), Section 3.6 or Section 3.8(a) in respect of any Revenue arising on or prior to the date hereof through the date of the Joint Venture Closing shall be conditioned upon, and shall not occur unless and until the consummation of, the Joint Venture Closing.

ARTICLE IV

TERM AND TERMINATION OF JV RELATIONSHIP

Section 4.1. Term. The initial term (the "Initial Term") of Intesa's and Lazard's co-participation in the JV Company set forth in this Agreement and the Shareholders Agreement (the "JV Relationship") shall commence at the Intesa Contribution Closing and end on December 31, 2007 unless terminated earlier under Section 4.2. Subject to the provisions of Section 4.2(a), the JV Relationship shall automatically extend for an additional five-year term (an "Additional Term") at the end of the Initial Term and at the end of each Additional Term (the last day of the Term and any Additional Term, as applicable, the "Renewal Date").

Section 4.2. Termination. (a) Notwithstanding anything to the contrary in Section 4.1, the JV Relationship may be terminated:

(i) by either Intesa or Lazard in connection with a Renewal Date (a "Renewal Date Termination"); provided that the party seeking to terminate the JV Relationship (the first such party to give notice in accordance with Section 4.2(b) below (the "Terminating Party")) complies with the notice provisions set forth in Section 4.2(b)(i) below;

(ii) by Intesa or Lazard in the event of either a Change in Control of Lazard or a Change in Control of Intesa (a "Control Termination"); provided, however, that Intesa shall not have the right to terminate the JV Relationship in the event of a Change in Control of Intesa under clause (3) of Section 4.2(c)(ii), and Lazard shall not have the right to terminate the JV Relationship in the event of a Change in Control of Lazard under clause (4) of Section 4.2(c)(iii); and provided, further, that the Terminating Party complies with the notice provisions set forth in Section 4.2(b)(ii) below;

(iii) by Lazard in the event of a Change in Control of the Corporate Bank (a "CB Control Termination"); provided that Lazard complies with the notice provisions set forth in Section 4.2(b)(ii) below; or

(iv) by Intesa in the event that the Chairman of the JV Company is removed from such position by the Head of Lazard pursuant to Section 7.12 of the Shareholders Agreement, notwithstanding the written dissent of the CEO of Intesa to such removal delivered to Lazard in compliance with Section 7.12 of the Shareholders Agreement (a "Management Termination"); provided that Intesa complies with the notice provisions set forth in Section 4.2(b)(iii) below.

(b) Procedures; Effective Time of Termination.

(i) In the event that the Terminating Party is seeking to terminate the JV Relationship pursuant to a Renewal Date Termination, such Terminating Party shall provide the other Parties with a Termination Notice not later than the close of business on the 90th day before the next applicable Renewal Date. The effective time of the termination of the JV Relationship pursuant to this Section 4.2(b)(i) shall be 5:00 p.m., Milan time, on the first Business Day immediately following such Renewal Date.

(ii) In the event that the Terminating Party is seeking to terminate the JV Relationship pursuant to a Control Termination or a CB Control Termination, such Terminating Party shall provide the other Parties with a Termination Notice by the close of business on or before the 90th day after the earlier of (x) the first public announcement of, or (y) the date on which notice is given pursuant to Section 8.1(b) of the entering into of the definitive agreement providing for, the applicable transaction by Lazard, Intesa or the Corporate Bank, as applicable, that shall result in the Change in Control of Lazard, the Change in Control of Intesa or the Change in Control of the Corporate Bank, as applicable, that gives rise to the right of the Terminating Party to terminate the JV Relationship (the "Control Transaction").

(1) If such Terminating Party is the party engaging in the applicable Control Transaction (such party, the "Control Party"), then such termination of the JV Relationship by the Control Party shall be conditioned upon the consummation of the applicable Control Transaction. The effective time of the termination of the JV Relationship pursuant to this Section 4.2(b)(ii)(1) shall be the effective time of consummation of the applicable Control Transaction.

(2) If such Terminating Party is not the Control Party (such party, the "Affected Party"), such termination of the JV Relationship shall be effective, at the Affected Party's option, either (A) on the date that is 60 days after the date on which the Termination Notice is given (regardless of whether or not the Control Party shall have exercised or thereafter exercise its right to terminate the JV Relationship under Section 4.2(b)(ii)(1) and regardless of whether or not the applicable Control Transaction shall be consummated), or (B) upon the effective time of consummation of the applicable Control Transaction (it being understood that termination of the JV Relationship under this clause (B) shall be conditioned, and

shall become effective only, upon the consummation of the applicable Control Transaction). The effective time of the termination of the JV Relationship pursuant to clause (A) of the foregoing sentence shall be 5:00 p.m., Milan time, on the date 60 days after the date of the Termination Notice, and the effective time of the termination of the JV Relationship pursuant to clause (B) of the foregoing sentence shall be the effective time of consummation of the applicable Control Transaction. The Affected Party shall specify in its Termination Notice whether such termination of the JV Relationship shall be pursuant to clause (A) or clause (B) of the first sentence of this Section 4.2(b)(ii)(2); provided that if the Affected Party shall not so specify in its Termination Notice, clause (B) of this Section 4.2(b)(ii)(2) shall apply.

(iii) In the event that Intesa is seeking to terminate the JV Relationship pursuant to a Management Termination and shall have given Lazard its written objection to such removal in accordance with Section 4.2(a)(iv), Intesa shall state in such written objection whether or not it will exercise its right to terminate the JV Relationship pursuant to Section 4.2(a)(iv) in the event of the removal of the Chairman, and such written objection shall be deemed to be the Termination Notice for the purposes of this Section 4.2(b)(iii). The effective time of the termination of the JV Relationship pursuant to this Section 4.2(b)(iii) shall be 5:00 p.m., Milan time on the 15th Business Day immediately following the date on which the Termination Notice is given; provided that no termination under Section 4.2(a)(iv) and this Section 4.2(b)(iii) shall be effective unless the Chairman of the JV Company is actually removed from such office and not reinstated prior to such termination date.

(iv) The date on which any termination pursuant to this Section 4.2(b) shall be effective in accordance with the terms of such Sections, the "JV Termination Date."

(c) For the purpose of this Agreement:

(i) a "Change in Control of the Corporate Bank" means (1) a sale of all or substantially all of the assets of the Corporate Bank or (2) any transaction (whether by merger, share issuance, acquisition of shares or otherwise) or the entry into any agreement or arrangement after which Intesa shall directly or indirectly (A) cease to hold or exercise a majority of the equity or voting power of the Corporate Bank or (B) cease to have the ability to appoint or elect a majority of the board of directors (or similar body) of the Corporate Bank.

(ii) a "Change in Control of Intesa" means:

(1) any reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of Intesa or the acquisition of the assets or stock of another entity by Intesa (an "Intesa Business Combination") as a result of which both (A) the holders of outstanding Intesa Shares immediately prior to the earlier of (x) the first public announcement of, or (y) the entering into of the definitive agreement providing for, such Intesa Business Combination would, as a

result of such Intesa Business Combination (assuming such Intesa Business Combination were consummated on the date of first public announcement thereof), own less than 45% of securities representing the equity or voting power of (x) the entity resulting from such Intesa Business Combination (the "Intesa Resulting Entity") or (y) if the consideration paid to holders of Intesa Shares in exchange for their Intesa Shares pursuant to such Intesa Business Combination consists in whole or in part of equity or voting interests in an ultimate parent entity that directly or indirectly has beneficial ownership of 80% or more of the voting securities eligible to elect directors of the Intesa Resulting Entity (the "Intesa Parent Entity"), the Intesa Parent Entity, and (B) (i) none of the Chairman, the Chief Executive Officer or the Chief Operating Officer of Intesa shall have both entered into an employment agreement in connection with such Intesa Business Combination that entitles such person to serve as, and publicly announced his or her intention to serve as, Executive Chairman or Chief Executive Officer of the Intesa Resulting Entity or, if applicable, the Intesa Parent Entity for a term in such office ending no sooner than the earlier of the term set forth under Article 2383, second paragraph, of the Italian Civil Code or the next Renewal Date (the "Intesa Term"), or (ii) if the Chairman, the Chief Executive Officer and/or the Chief Operating Officer of Intesa shall have entered into such an agreement and so announced his or her intention, no such persons shall continue to serve in such position(s) with the Intesa Resulting Entity or, if applicable, the Intesa Parent Entity through the end of such Intesa Term (it being understood that for the purposes of this clause (ii), a Change in Control of Intesa shall be deemed to occur upon such persons ceasing to hold such positions during the Intesa Term (assuming satisfaction of clause (i) above));

(2) any acquisition of Intesa Shares or other equity interests in Intesa (through any form of transaction) as a result of which any person becomes the beneficial owner of more than 50% of either the equity or voting power of Intesa (other than a person who in such acquisition becomes the Intesa Parent Entity pursuant to clause (1) of this Section 4.2(c)(ii) and such acquisition would not result in a Change in Control of Intesa under such clause (1)); or

(3) any Transfer of JV Interests held by Intesa or its permitted transferees under Section 8.7 as a result of which Intesa and such permitted transferees collectively cease to hold a majority of the JV Interests that Intesa shall hold immediately after consummation of the Intesa Contribution.

(iii) a "Change in Control of Lazard" means:

(1) any reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of Lazard or the acquisition of the assets or stock of another entity by Lazard (a "Lazard Business Combination") as a result of which both (A) the holders of Lazard Interests immediately prior to the earlier of (x) the first public announcement of, or (y) the entering into of the definitive agreement providing for, such Lazard Business Combination would, as a result of such Lazard Business Combination (assuming such Business Combination

were consummated on the date of first public announcement thereof), own less than 30% of securities representing the equity or, if applicable, voting power of (x) the entity resulting from such Lazard Business Combination (the "Lazard Resulting Entity") or (y) if the consideration paid to holders of Lazard Interests in exchange for their Lazard Interests pursuant to such Lazard Business Combination consists in whole or in part of equity or voting interests in the ultimate parent entity that directly or indirectly has beneficial ownership of 80% or more of the voting securities eligible to elect directors of the Lazard Resulting Entity (the "Lazard Parent Entity"), the Lazard Parent Entity, and (B)(i) none of the Head of Lazard, the President of Lazard or any Deputy Chairman of Lazard shall have both entered into an employment agreement in connection with such Lazard Business Combination that entitles such person to serve as, and publicly announced his or her intention to serve as, Chairman, CEO, President, head of investment banking or Chairman of the Executive Committee of the Lazard Resulting Entity or, if applicable, the Lazard Parent Entity for a term in such office ending no sooner than the next Renewal Date (the "Lazard Term"), or (ii) if any of the Head of Lazard, the President of Lazard or any Deputy Chairman shall have entered into such an agreement and so announced his or her intention, no such persons shall continue to serve in such position(s) with the Lazard Resulting Entity or, if applicable, the Lazard Parent Entity through the end of such Lazard Term (it being understood that for the purposes of this clause (ii), a Change in Control of Lazard shall be deemed to occur upon such persons ceasing to hold such positions during the Lazard Term (assuming satisfaction of clause (i) above));

(2) any acquisition of Lazard Interests or other equity interests in Lazard (through any form of transaction) as a result of which any person other than (A) the Head of Lazard or President as of the date hereof, or any Deputy Chairman as of the date hereof, or any Member of Lazard listed in Schedule 4.2(c) or (B) a person who in such acquisition becomes the Lazard Parent Entity pursuant to clause (1) of this Section 4.2(c)(iii) and such acquisition would not result in a Change in Control of Lazard under such clause (1), becomes the beneficial owner of Lazard Interests representing more than 50% of the equity or, if applicable, voting power of Lazard;

(3) any transaction or series of related transactions as a result of which the entity resulting from such transaction, or, if applicable, the ultimate parent company that controls such resulting entity, is controlled (A) by a single shareholder who was not a Member of Lazard during the six-month period before the first to occur of the announcement of or the entry into the definitive agreement providing for such transaction or (B) by a group of shareholders bound by a shareholders' agreement or acting in concert (x) which group does not include any persons who were Members of Lazard and involved in the management of the business and operations of Lazard during the six-month period before the first to occur of the announcement of or the entry into the definitive agreement providing for such transaction and who have entered into agreements permitting one or more such persons who were Members of Lazard the opportunity to exercise significant

direction over the business and operations of the resulting company or parent company controlling such resulting entity after such transaction and until no earlier than the next Renewal Date, (y) in which group persons who were Members of Lazard during the six-month period before the announcement of such transaction do not beneficially own 30% or more of the equity or, if applicable, voting power of such resulting entity or the ultimate parent company of such resulting company (provided that such parent company directly or indirectly has beneficial ownership of 80% or more of the equity or, if applicable, voting securities eligible to elect directors of such resulting entity), or (z) which group does not consist solely or primarily of persons who were Members of Lazard during the six-month period before the first to occur of the announcement of or the entry into the definitive agreement providing for such transaction ("control" for the purposes of this clause (3) shall mean having powers substantially similar to the powers held by the Head of Lazard and the Board of Lazard); or

(4) any Transfer of JV Interests held by Lazard or its permitted transferees under Section 8.7 as a result of which Lazard and such permitted transferees collectively cease to hold a majority of the JV Interests that Lazard shall hold immediately after consummation of the Intesa Contribution.

Section 4.3. Effect of Termination. In the event of a termination of the JV Relationship pursuant to Section 4.2, effective on the JV Termination Date, Intesa shall transfer or cause to be transferred to Lazard Italy and/or Lazard Real Estate (as designated by Lazard) all JV Interests issued to or held by Intesa as of such termination (collectively, the "Intesa JV Interest") and all indebtedness of the JV Company issued to or held by Intesa as of such termination, including the Intesa JV Note but excluding any such indebtedness that is issued or held by Intesa in relation to the JV Company's ordinary course of business as a result of lending or extending credit (including under any working capital facilities) (collectively, the "Intesa JV Debts"). In exchange therefor, Lazard shall pay to Intesa the Termination Payment as provided in Section 4.4 and Section 4.5.

Section 4.4. Termination Payment. The "Termination Payment" means an amount calculated as follows (Lazard and Intesa having hereby agreed to such amount, *in via di alea*, pursuant to Article 1448, Paragraph 4, of the Italian Civil Code):

(a) Amount of Termination Payment.

(i) In the event of a termination of the JV Relationship either (1) by Intesa pursuant to a Renewal Date Termination, (2) by either Intesa or Lazard pursuant to a Control Termination by reason of a Change in Control of Intesa, or (3) by Lazard pursuant to a CB Control Termination, the Termination Payment shall be an amount equal to the difference between the Final Investment Amount and the Aggregate Base Distributions (such difference, the "Base Amount").

(ii) In the event of a termination of the JV Relationship (1) by Lazard pursuant to a Renewal Date Termination, (2) by either Intesa or Lazard pursuant to a Control Termination by reason of a Change in Control of Lazard, or (3) by Intesa due to a

Management Termination, the Termination Payment shall be an amount (the "Higher Amount") equal to the lesser of (A) the higher of FMV Amount or the Base Amount or (B) the Maximum Amount.

(b) Just Cause Adjustment.

(i) Notwithstanding any provisions of Section 4.4(a)(i) to the contrary, in the event of a termination of the JV Relationship by Intesa pursuant to a Renewal Date Termination which termination Intesa determines in good faith is supported by Just Cause, (1) Intesa shall state in the applicable Termination Notice that it has determined in good faith that the termination is supported by Just Cause, and (2) the Termination Payment shall be the Base Amount. The Parties shall promptly submit the issue of whether Intesa's termination of the JV Relationship was supported by Just Cause to arbitration in accordance with Section 11.5. In the event that it shall be finally determined pursuant to Section 11.5 that such termination was supported by Just Cause, Lazard shall promptly (and in no event later than 10 Business Days after such determination) pay to Intesa, by wire transfer of immediately available funds to a bank account specified by Intesa, an amount in cash equal to the difference between the Higher Amount and the Base Amount previously paid in accordance with this Section 4.4(b)(i) (the "Just Cause Adjustment") and Section 4.5, by way of deemed purchase price adjustment, in full satisfaction of all claims and damages of Intesa arising in connection with such breaches under this Agreement and the Ancillary Agreements (including pursuant to Article 1382 of the Italian Civil Code). In the event that it shall be finally determined pursuant to Section 11.5 that such termination was not supported by Just Cause, the Termination Payment shall remain unchanged.

(ii) Notwithstanding any provisions of Section 4.4(a)(ii) to the contrary, in the event of a termination of the JV Relationship by Lazard pursuant to a Renewal Date Termination which termination Lazard determines in good faith is supported by Just Cause, (1) Lazard shall state in the applicable Termination Notice that it has determined in good faith that the termination is supported by Just Cause, and (2) the Termination Payment shall be the Higher Amount. The Parties shall promptly submit the issue of whether Lazard's termination of the JV Relationship was supported by Just Cause to arbitration in accordance with Section 11.5. In the event that it shall be finally determined pursuant to Section 11.5 that such termination was supported by Just Cause, Intesa shall promptly (and in no event later than 10 Business Days after such determination) pay to Lazard, by wire transfer of immediately available funds to a bank account specified by Lazard, an amount in cash equal to the difference between the Higher Amount and the Base Amount, by way of deemed purchase price adjustment and in full satisfaction of all claims and damages of Lazard arising in connection with or relating to any breaches under this Agreement and the Ancillary Agreements (including pursuant to Article 1382 of the Italian Civil Code). In the event that it shall be finally determined pursuant to Section 11.5 that such termination was not supported by Just Cause, the Termination Payment shall remain unchanged.

(c) As used in this Section 4.4:

(i) "Aggregate Base Distributions" means an amount equal to the sum of (1) all Credited Base Dividends for all Periods through the JV Termination Date, and (2) all payments of interest on the Intesa JV Debts through the JV Termination Date.

(ii) "Credited Base Dividends" means, for each Period, an amount equal to the sum of (1) any Dividends in such Period up to an amount of Dividends that equals a Return of 3% in such Period, (2) any Dividends in such Period in excess of an amount of Dividends that equals a Return of 6% and up to an amount of Dividends that equals a Return of 9% in such Period, and (3) 50% of any Dividends in excess of an amount of Dividends that equals a Return of 9% in such Period.

(iii) "Credited Higher Dividends" means, for each Period, an amount equal to the sum of (1) any Dividends in such Period in excess of an amount of Dividends that equal a Return of 3% and up to an amount of Dividends in such Period that equals a Return of 6% in such Period, and (2) 50% of any Dividends in excess of an amount of dividends that equals a Return of 9% in such Period.

(iv) "Dividends" means all dividends and other distributions (other than distributions of surplus reserve or equity included in "Outflow" below) in respect of equity interests of the JV Company held by Intesa that are paid in the applicable Period (it being understood that the JV Company shall pay all such dividends and other distributions declared by the JV Company in any Period prior to the end of such Period).

(v) "Final Investment Amount" means the cash amount of the initial Intesa Contribution (US$150 million) adjusted from the Intesa Contribution Date to the JV Termination Date as follows. At the end of each Period (as defined below) since the Intesa Contribution Date, the amount of the Intesa Contribution at the beginning of such Period (as adjusted for all prior Periods pursuant to this definition of "Final Investment Amount") shall be (1) increased or decreased, as the case may be, by the difference between (A) all new investments in equity interests, including any investment made with respect to losses of the JV Company, by Intesa and any additional loans to the JV Company by Intesa in such Period that shall be Intesa JV Debts (the "Inflow") less (B) all distributions of surplus reserve and equity of the JV Company to Intesa and all payments in respect of any Intesa JV Debts (other than interest) in such Period (the "Outflow") and (2) increased by an amount equal to the sum of (x) an implied annual interest rate of 3% on the Inflow (accruing from the date that the Inflow (or, if applicable, the applicable portion thereof) is received by the Company until the end of such Period), (y) an implied annual interest rate of 3% on an amount equal to the difference between (1) the Intesa Contribution at the beginning of such Period (as adjusted for all prior Periods pursuant to this Section 4.4(c)(v)) and (2) the Outflow (accruing from the first day of such Period), and (z) an amount equal to an implied annual interest rate of 3% on the Outflow (accruing from first day of such Period until the date on which the Outflow (or, if applicable, the applicable portion thereof) is distributed or paid by the Company).

(vi) "FMV Amount" means the sum of (1) the fair market value of the equity interests of the Intesa JV Interest on the JV Termination Date (such value to be determined by a third party expert to be reasonably agreed upon by Intesa and Lazard (i) based on equity value, (ii) assuming no minority discount, (iii) counting at face value the outstanding Joint Venture Credit Agreement and (iv) assuming that as of the consummation of the Intesa Contribution (A) the outstanding indebtedness of the JV Company includes the Intesa JV Note and US$225 million of indebtedness issued to Lazard and (B) the preferential distribution rights of Lazard set forth in the Shareholders Agreement and New Bylaws shall not be deemed to exist) (the "Acquisition Value") and (2) the outstanding principal amount of the Intesa JV Note, plus accrued and unpaid interest thereon, on the JV Termination Date.

(vii) "Just Cause" means, in the case of Intesa, material breaches by Lazard or its controlled affiliates, or, in the case of Lazard, material breaches by Intesa or its controlled affiliates, in each case of the obligations of Lazard, Intesa or such controlled affiliates, as applicable, under this Agreement and the Ancillary Agreements that relate to the JV Company (the "JV Agreements") that are so fundamental to the continued performance of the JV Agreements by the non-breaching party that such material breaches make it impossible to continue the JV Relationship.

(viii) "Maximum Amount" means an amount equal to the sum of (1) the Base Amount (except that (x) for the purpose of calculating the Final Investment Amount under this clause (viii), the figure of 3% in the definition of "Final Investment Amount" in Section 4.4(c)(v) shall be deleted and replaced with a figure of 5%, and (y) the phrase "Credited Base Dividends" in the definition of "Aggregate Base Distributions" in Section 4.4(c)(i) above shall be deleted and replaced with the phrase "Credited Higher Dividends"), and (2) the product of (A) the percentage of the entire Quota represented by the Intesa JV Interest (expressed as a decimal) and (B) the average of the sum of (x) the audited EBITA of the JV Company for the two most recent fiscal years for which audits are then available and (y) the aggregate amount of Fees for Management Services (each as defined in the Services Agreement), Royalty Fees (as defined in the Lazard License Agreement) and Board Services Fees incurred and paid by the JV Company to Lazard and its controlled affiliates during such two-year period.

(ix) "Period" means the period starting on the Intesa Contribution Date and ending on December 31 of the year in which the Intesa Contribution occurred, the 12-month period starting on January 1 of the next year and ending on December 31 of such year, and each 12-month period thereafter ending on December 31 until the JV Termination Date, provided that in the event that the JV Termination Date is a date other than December 31, the term "Period" shall include the period starting from January 1 of the year in which the JV Termination Date occurs and ending on the JV Termination Date.

(x) "Return" means, with respect to a particular Period, a fraction (expressed as a percentage), the numerator of which is the applicable amount of Dividends and the denominator of which is the Adjusted Equity Contribution applicable to such Period. The "Adjusted Equity Contribution" applicable to a particular Period means an

amount equal to the sum of (1) the amount of the Intesa Capital Subscription ($100 million) and (2) the difference between all new investments in equity interests of the JV Company, including any such investment made with respect to losses of the JV Company included in Inflow above, by Intesa prior to such Period and all distributions of surplus reserve and equity of the JV Company included in "Outflow" above to Intesa prior to such Period.

Section 4.5. Payment of Termination Payment. (a) Lazard shall pay the applicable Termination Payment (other than any Just Cause Adjustment, which shall be payable at the time provided in Section 4.4(b)(i)) to Intesa on or before 30 days following the JV Termination Date (or, if such date is not a Business Date, the next Business Date thereafter).

(b) The Termination Payment shall be payable, at Lazard's discretion, (1) in cash, (2) by transferring the CB Note (or a portion thereof) to Intesa (such CB Note to be valued at an amount equal to the outstanding principal amount plus accrued and unpaid interest thereon as of the JV Termination Date), (3) by transferring the CB Option (or portion thereof) to Intesa to the extent that the CB Option is then exercisable (i.e. an Exercise Event has already occurred) in accordance with the CB Investment Agreement (such CB Option (or such portion thereof) to be valued at an amount equal to the Spread (as defined in the CB Option) as of the JV Termination Date), or (4) with a combination of any of the foregoing.

Section 4.6. Effect on Lazard Note. In the event of the termination of the JV Relationship, the Lazard Notes shall remain unaffected except as otherwise expressly provided in such Lazard Notes.

Section 4.7. Renewal of the Shareholders Agreement. In case of the automatic extension of the JV Relationship pursuant to Section 4.1, the Parties shall renew or enter into a new, and shall cause any of their controlled affiliates who are parties to such Shareholders Agreement to renew or enter into a new, shareholders agreement in the form of the Shareholders Agreement.

ARTICLE V
INVESTMENTS

Section 5.1. Lazard Investment. On the terms and subject to the conditions set forth in the Note Purchase Agreement, (1) Intesa shall purchase from Lazard Funding for an amount in cash equal to US$150 million, and Lazard Funding shall issue and sell to Intesa, the $150 Million Lazard Note, and (2) subject to the condition precedent of the consummation of the CB Investment (as defined below), and of the deposit in an escrow account (the "Escrow Account") of the CB Note, for the purposes of securing the discharge of Lazard's obligation under the Lazard Notes, Intesa shall purchase from Lazard Funding for an amount in cash equal to US$50 million, and Lazard Funding shall issue and sell to Intesa, the $50 Million Lazard Note (together, the "Lazard Investment").

Section 5.2. Intesa Investment. (a) Lazard may in its discretion invest in Intesa common shares through open market purchases and/or derivative transactions as Lazard shall

decide; provided, however, that Lazard shall not, directly or indirectly, purchase more than 5% of the outstanding common shares of Intesa without first obtaining the prior authorization from the Bank of Italy pursuant to the Banking Laws.

(b) In the event that Lazard or any of its subsidiaries shall elect to sell any Intesa Shares in the market, Lazard shall have the option to sell such Intesa Shares through Intesa's brokerage operations on a commission-free, no-fee basis, and Intesa's brokerage operations shall only operate in accordance with prior written instructions of Lazard in respect of such sales.

Section 5.3. The CB Investment. On the terms and subject to the conditions set forth in the CB Investment Agreement, Lazard may in its discretion (a) purchase, for an aggregate amount in cash equal to e50 million, the CB Note, (b) enter into the CB Option with Intesa, and (c) become the beneficiary of the CB Profit Right by entering into a *contratto di cointeressenza agli utili* pursuant to Sections 2554, 2551 and 2552 of the Italian Civil Code, with the Corporate Bank acting as associating party (*associante*) and Lazard acting as associate (*associato*) (the CB Note, CB Option and CB Profit Right, collectively, the "CB Investment").

Section 5.4. Joint Venture Credit Agreement. On the terms and subject to the conditions set forth in the Joint Venture Credit Agreement, the JV Company shall loan to LFNY, or to such affiliate of LFNY as LFNY may designate, up to US$150 million in principal amount. The JV Company shall enter into the Joint Venture Credit Agreement prior to the Intesa Contribution Closing or such other time as Lazard shall direct.

ARTICLE VI

OTHER BUSINESS ARRANGEMENTS

Section 6.1. Agreement to Establish Further Business Relationships. Each of Intesa and Lazard will use its reasonable best efforts to enter into definitive arrangements regarding each of the matters set forth in Section 6.1(a) and Section 6.1(b) incorporating the terms set forth below as well as such other reasonable terms as Intesa and Lazard shall negotiate and agree to in good faith.

(a) Private Equity. Lazard intends to form a pan-European private equity fund (the "Private Equity Fund"). In connection with the formation of the Private Equity Fund, Intesa may commit to invest US$100,000,000 in the Private Equity Fund on terms satisfactory to Lazard and Intesa.

(b) Asset Management. Intesa and Lazard intend to establish an arrangement whereby Lazard will have an option to require Intesa to distribute Lazard Asset Management products (the "Asset Management Products"). The Asset Management Products shall be marketable in Italy, shall be on commercially reasonable terms, and shall be marketed and sold by Intesa in a manner and on terms no less favorable to Lazard than those applicable to providers of similar asset management products distributed by Intesa.

Section 6.2. Additional Joint Venture and Business Relationships to be Examined. Each of Intesa and Lazard shall use its reasonable best efforts to negotiate in good faith, and possibly enter into definitive agreements regarding the following matters:

(a) Private Banking. Intesa and Crédit Agricole intend to establish a joint venture with Lazard in Italy that shall conduct asset management business for private clients (the "Private Banking Joint Venture"). Lazard and Crédit Agricole would hold minority interests and Intesa would hold a majority interest in the Private Banking Joint Venture. In connection with the Private Banking Joint Venture, Lazard will use commercially reasonable efforts to create asset management products to be marketed and sold through the Private Banking Joint Venture to private clients. Intesa and Lazard agree that the Private Banking Joint Venture shall in no way restrict Lazard's ability to conduct its institutional asset management, retail asset management or retail mutual fund businesses in Italy.

(b) Derivatives. Intesa and Crédit Agricole intend to establish a joint venture with Lazard for execution of derivative transactions.

Section 6.3. Other Business Areas. From time to time after the Joint Venture Closing, at the request of Intesa or Lazard, Intesa and Lazard shall examine in good faith other business areas in which they operate, including merchant banking, to identify opportunities to extend their working relationship.

Section 6.4. Qualification to Reasonable Best Efforts; Termination. Intesa and Lazard shall not be obligated to use their reasonable best efforts pursuant to Section 6.1, Section 6.2 or Section 6.3 to the extent that such efforts would violate any undertaking of Intesa set forth on the Fed Letter Attachment (unless such undertaking shall have been terminated or waived). Intesa's and Lazard's obligations under each of Section 6.1, Section 6.2 and Section 6.3 shall terminate on the earlier of (1) December 31, 2003 in the event of termination of the Agreement pursuant to Section 10.1(c) or (2) June 30, 2004 (it being understood that such termination shall not effect any arrangements or understandings that Intesa and Lazard may hereafter separately establish or agree to pursuant to this Article VI).

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.1. Representations and Warranties of Lazard and Intesa. Lazard hereby represents and warrants to Intesa, and Intesa hereby represents and warrants to Lazard, that as of the date of this Agreement:

(a) Corporate Existence. The party making the representation (the "Representing Party") has been duly organized, and is validly existing and in good standing, under the laws of its jurisdiction of incorporation or formation, as applicable, and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so in good standing or to have such power, authority and governmental

approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Representing Party is duly qualified or licensed to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing or good standing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. For purposes of this Agreement, "Material Adverse Effect" means any change affecting, or event or condition having an effect on, the Representing Party or any of its subsidiaries that (i) is materially adverse to the business, operations or financial condition of the JV Company, assuming the consummation of the Contributions, or (ii) materially burdens the ability of the Representing Party to timely perform its obligations under this Agreement or any Ancillary Agreement to which the Representing Party is a party or prevents or materially delays the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement.

(b) Authority. The Representing Party has full corporate or company power and authority (as applicable) to execute and deliver this Agreement and each Ancillary Agreement to which it is a party and to perform its obligations hereunder and thereunder in accordance with their respective terms. This Agreement and the Ancillary Agreements to which such Representing Person is a party have been approved by the Board of Directors of the Representing Party, and no other corporate proceedings on the part of the Representing Party are necessary to authorize the execution and delivery of this Agreement, any of the Ancillary Agreements to which such Representing Person is a party or the consummation by the Representing Party of the transactions contemplated hereby or thereby. Each of this Agreement and the CB Investment Agreement has been duly executed and delivered by the Representing Party, and, assuming the due authorization, execution and delivery hereof by the other party or parties, constitutes a valid and legally binding agreement of the Representing Party, enforceable against the Representing Party in accordance with its terms. Each of the other Ancillary Agreements to which such Representing Party is a party will be duly executed and delivered by the Representing Party, and, upon such execution and delivery and assuming the due authorization, execution and delivery thereof by the other party or parties, will constitute a valid and legally binding agreement of the Representing Party, enforceable against the Representing Party in accordance with its terms.

(c) Consents and Approvals. (i) Except for applicable requirements of the EC Merger Regulation and the Banking Laws, there is no requirement applicable to the Representing Party or its affiliates to make any filing with, or to obtain any permit, authorization, consent or approval of, any Governmental Authority in connection with the execution, delivery and performance by the Representing Party of this Agreement or any Ancillary Agreement to which it is a party or the consummation by the Representing Party of the transactions contemplated hereby or thereby, except for such permits, authorizations, consent or approvals the absence of which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ii) Neither the execution and delivery by the Representing Party of this Agreement or any Ancillary Agreement to which it is a party nor the consummation

by the Representing Party of the transactions contemplated hereby or thereby will (A) violate any provision of the Representing Party's governing agreements (which, in the case of Lazard, shall mean the Lazard Operating Agreement and, in the case of Intesa, shall mean the by-laws), (B) result in a default or breach (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of (1) any material indebtedness of the Representing Party or its subsidiaries or (2) any material arrangement or agreement of the Representing Party with any third party, or (C) assuming satisfaction of applicable requirements of the EC Merger Regulation and the Banking Laws, violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Representing Party, except for such violations, defaults or breaches (or rights of termination, cancellation or acceleration) (x) which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (y) under or in respect of any engagement letter, mandate or similar agreement identified on the enclosures to the Deed of Contribution or which would have been identified in such enclosures if such engagement letter, mandate or similar agreement were in effect as of the date of such enclosure to the Deed of Contribution.

(d) No Regulatory Impediment; Absence of Impediments. The Representing Party is not aware of any fact relating to its business, operations, financial condition or legal status that might impair its ability to obtain, on a timely basis, all consents, authorizations, orders, approvals and permits from, and make all necessary filings and registrations with and all notices to, Governmental Authorities necessary for the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement to which it is a party other than facts which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. There are no (i) outstanding judgments, orders, injunctions or decrees of any Governmental Authority or arbitration tribunal against the Representing Party or any of its subsidiaries, (ii) lawsuits, actions or proceedings pending or, to the knowledge of the Representing Party, threatened against the Representing Party or any of its subsidiaries, or (iii) investigations by any Governmental Authority which are, to the knowledge of the Representing Party, pending or threatened against the Representing Party or any of its subsidiaries, which, in the case of each of clauses (i), (ii) and (iii), individually or in the aggregate, have or would reasonably be expected to have a Material Adverse Effect.

(e) Brokers. The Representing Party has not employed any broker, finder, consultant or other intermediary in connection with the transactions contemplated by this Agreement or the Ancillary Agreements who would have a valid claim for a fee or commission from the other Parties or the JV Company in connection with such transactions.

Section 7.2. Representations and Warranties of the JV Company. The JV Company hereby represents and warrants to Intesa and Lazard that as of the date of this Agreement:

(a) Corporate Existence. The JV Company has been duly organized, and is validly existing and in good standing, under the laws of its jurisdiction of incorporation or formation, as applicable, and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business

as it is now being conducted, except where the failure to be so in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The JV Company is duly qualified or licensed to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing or good standing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Authority. The JV Company has full corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is a party and to perform its obligations hereunder and thereunder in accordance with their respective terms. This Agreement and the Ancillary Agreements to which the JV Company is a party have been approved by the Board of Directors of the JV Company, and no other corporate proceedings on the part of the JV Company are necessary to authorize the execution and delivery of this Agreement, any of the Ancillary Agreements to which such JV Company is a party or the consummation by the JV Company of the transactions contemplated hereby or thereby, except as set forth in Article II and in the Shareholders Agreement. This Agreement has been duly executed and delivered by the JV Company, and, assuming the due authorization, execution and delivery hereof by the other party or parties, constitutes a valid and legally binding agreement of the JV Company, enforceable against the JV Company in accordance with its terms. Each of the Deed of Contribution, the Lazard License Agreement and the Services Agreement was duly executed and delivered by the JV Company and constitutes a valid and legally binding agreement of the JV Company, enforceable against the JV Company in accordance with its terms. Each of the other Ancillary Agreements to which such JV Company is a party will be duly executed and delivered by the JV Company, and upon execution and delivery thereof will constitute a valid and legally binding agreement of the JV Company, enforceable against the JV Company in accordance with its terms.

Section 7.3. Additional Representations and Warranties of Lazard. Lazard hereby represents and warrants to Intesa:

(a) Corporate Existence of Lazard Italy and Lazard Real Estate. Each of Lazard Italy and Lazard Real Estate has been duly organized, and is validly existing and in good standing, under the laws of its jurisdiction of incorporation or formation, as applicable, and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of Lazard Italy and Lazard Real Estate is duly qualified or licensed to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing or good standing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Authority of Lazard Italy and Lazard Real Estate. Each of Lazard Italy and Lazard Real Estate had full corporate or company power and authority (as applicable) to execute and deliver the Deed of Contribution and to perform its obligations thereunder in accordance with its terms as of the date of such Deed of Contribution. The Deed of Contribution was approved by the Board of Directors and the quotaholders' meeting of each of Lazard Italy and Lazard Real Estate on or before the date of such Deed of Contribution, and except as set forth in Section 2.2 hereof and in the Shareholders Agreement, no other corporate proceedings on the part of either Lazard Italy or Lazard Real Estate are necessary to authorize the execution and delivery of the Deed of Contribution or the consummation by Lazard Italy or Lazard Real Estate, as applicable, of the transactions contemplated thereby. The Deed of Contribution was duly executed and delivered by each of Lazard Italy and Lazard Real Estate, and assuming the due authorization, execution and delivery thereof by the JV Company, constitutes a valid and legally binding agreement of each of Lazard Italy and Lazard Real Estate, enforceable against it in accordance with its terms.

(c) JV Company. All of the outstanding capital stock of the JV Company is owned directly by subsidiaries of Lazard. Except in connection with its incorporation or organization or as contemplated by this Agreement, the JV Company did not engage in any business activities of any type whatsoever or incur any Liabilities from its formation until immediately prior to the LIC Effective Time other than the Liabilities set forth in the financial statements of the JV Company as of October 31, 2002 attached hereto as Schedule 7.3(c) and any liabilities incurred in the ordinary course of operation of the JV Company from the date of such financial statements until the LIC Effective Time and except as contemplated by this Agreement.

As used in this Article VII, the term Ancillary Agreement shall not be deemed to refer to the Note Purchase Agreement or the Deed of Contribution, each of which sets forth therein all of the representations and warranties of the Parties with respect thereto.

ARTICLE VIII

FURTHER AGREEMENTS

Section 8.1. Information. (a) From and after the date hereof, Intesa shall provide Lazard, on a prompt and regular basis, with information in reasonable detail regarding the Formation process including (1) a copy of each proposed business plan and the final business plan of the Corporate Bank, (2) the appraisal of the Corporate Bank prepared by the court-appointed appraiser under Article 2343 of the Italian Civil Code and (3) the opening balance sheet of the Corporate Bank. After the Formation, and subject to Lazard's determination to make the CB Investment, Intesa shall provide Lazard on a prompt basis with unaudited quarterly accounts and audited semi-annual and annual accounts of the Corporate Bank duly approved by the Board of Directors, and, subject to the provisions of the Banking Laws and the implementing regulations thereof, with any and all amendments of the business plan of the Corporate Bank.

(b) Lazard shall give Intesa prompt written notice of any proposed Control Transaction involving a Change in Control of Lazard immediately after Lazard has signed a

binding agreement setting forth such proposed Control Transaction and at least fifteen (15) Business Days in advance of the proposed consummation of such Control Transaction. Intesa shall give Lazard prompt written notice of any proposed Control Transaction involving a Change in Control of Intesa or a Change in Control of the Corporate Bank immediately after Intesa or the Corporate Bank, as applicable, has signed a binding agreement setting forth such proposed Control Transaction and at least fifteen (15) Business Days in advance of the proposed consummation of such Control Transaction.

Section 8.2. Confidentiality. (a) All information (whether written or oral) furnished (whether before, on or after the date hereof) by Intesa or its Representatives regarding Intesa, the Corporate Bank or their respective affiliates in connection with this Agreement or any Ancillary Agreement and all analyses, compilations, forecasts, studies or other documents prepared by Lazard or its Representatives which contain or reflect or are generated from any such information, including that stored on any computer, word processor or other similar device, is hereinafter referred to as the "Intesa Information". The term Intesa Information will not, however, include information which (1) is or becomes publicly available other than as a result of a disclosure by Lazard or its Representatives or (2) is or becomes available to Lazard on a nonconfidential basis from a source (other than Intesa or its Representatives) which, to the best of Lazard's knowledge after due inquiry, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation to Intesa.

(b) All information (whether written or oral) furnished (whether before, on or after the date hereof) by Lazard, Lazard Italy, Lazard Real Estate, the JV Company or their respective Representatives regarding Lazard, Lazard Italy, Lazard Real Estate, the JV Company or their respective affiliates in connection with this Agreement or any Ancillary Agreement and all analyses, compilations, forecasts, studies or other documents prepared by Intesa or its Representatives which contain or reflect or are generated from any such information, including that stored on any computer, word processor or other similar device, is hereinafter referred to as the "Lazard Information". The term Lazard Information will not, however, include information which (1) is or becomes publicly available other than as a result of a disclosure by Intesa or its Representatives or (2) is or becomes available to Intesa or its Representatives on a nonconfidential basis from a source (other than Lazard or its Representatives) which, to the best of Intesa's knowledge after due inquiry, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation to Lazard or the JV Company.

(c) Lazard shall keep all Intesa Information, and Intesa shall keep all Lazard Information, confidential and will not (except as required by applicable law, regulation or legal process, and only after compliance with Section 8.2(d)), without prior written consent of the other, (1) disclose any such Intesa Information or Lazard Information, respectively, in any manner whatsoever, and (2) use any such Information other than solely for the purposes contemplated by this Agreement; provided, however, that each of Intesa and Lazard may reveal such Intesa Information or Lazard Information, respectively, to its Representatives (i) who are informed of the confidential nature of such Information and (ii) who agree to be bound by this Section as if they were parties hereto. Each of Lazard and Intesa will cause its Representatives to observe the terms of this Section, and each of Lazard and Intesa will be responsible for any breach of this Section by its Representatives. The JV Company will abide by the terms of this

Section 8.2 as if it were a controlled affiliate of Lazard. The Corporate Bank will abide by the terms of this Section 8.2 as if it were a controlled affiliate of Intesa.

(d) In the event that either (1) Lazard or its Representatives are requested pursuant to, or required by, applicable law, regulation or legal process to disclose any of the Intesa Information, or (2) Intesa or its Representatives are requested pursuant to, or required by, applicable law, regulation or legal process to disclose any of the Lazard Information, the party so requested or required will notify the other party promptly so that the other party may seek a protective order or other appropriate remedy or, in such party's sole discretion, waive compliance with the terms of this Section. In the event that no such protective order or other remedy is obtained, or that the other party does not waive compliance with the terms of this Section, the party so requested or required will furnish only that portion of the Intesa Information or Lazard Information, as applicable, which it is advised by counsel is legally required and will exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such Intesa Information or Lazard Information, as applicable.

Section 8.3. Further Assurances. Lazard, Intesa and the JV Company agree that, from time to time, whether before, at or after the Joint Venture Closing, each of them, as applicable, will, and will cause their respective affiliates to, execute and deliver such further instruments of conveyance and transfer and take such other action as may be necessary to carry out the purposes and intents of this Agreement. Lazard, Intesa and the JV Company further agree not to, and to cause their respective affiliates not to, enter into any transaction or agreement that could reasonably be expected to frustrate the purposes of this Agreement or the benefits to be derived herefrom by the other parties.

Section 8.4. Reasonable Best Efforts; Cooperation. (a) Each of Lazard and Intesa shall use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable each of the Lazard Italy Contribution, the Intesa Contribution, the Lazard Investment and the CB Investment and the other transactions contemplated hereby (collectively, the "Transactions") and to cooperate with the other in connection with the foregoing. In furtherance of the foregoing sentence, Intesa and Lazard shall use their reasonable best efforts to obtain or cause to be obtained all necessary consents and approvals for each of the Transactions, including, but not limited to, under the (1) EC Merger Regulation with the applicable Governmental Authority (to the extent that any consent other than that referred to in the last sentence of this Section 8.4(a) below is required under the EC Merger Regulation), (2) the Banking Laws with the Bank of Italy, and (3) any other applicable Antitrust Laws or Banking Laws with the applicable Governmental Authority. Each of Intesa and Lazard acknowledges that by a decision adopted on February 4, 2003 pursuant to Article 6(1)(b) of the EC Merger Regulation, the European Commission granted approval in respect of the Intesa Contribution and JV Relationship pursuant to the EC Merger Regulation.

(b) Intesa and Lazard, as applicable, will promptly file or cause to be filed with (1) the European Commission Competition Directorate General pursuant to the EC Merger Regulation, (2) the Bank of Italy pursuant to the Banking Laws and (3) any other applicable Governmental Authority pursuant to the applicable Antitrust Laws or Banking Laws all requisite documents and notifications in connection with the Transactions. Intesa on the one hand and

Lazard on the other hand shall promptly inform the other of any communication from the European Commission's Competition Directorate General, the Bank of Italy or any other Governmental Authority regarding the Transactions. Neither Intesa nor Lazard shall agree to participate, or permit its affiliates or their respective Representatives, to participate, in any substantive meeting or discussion with any Governmental Authority in respect of any filings, investigation or inquiry concerning the Transactions unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend and participate therein. Intesa and Lazard shall furnish each other with copies of all correspondence, filings, and communications (and memoranda setting forth the substance thereof) between them and their affiliates and their respective representatives on the one hand, and any Governmental Authority or members of their respective staffs on the other hand, with respect to any of the Transactions (except that neither Intesa nor Lazard shall be under an obligation of any kind to provide any other party documents, material or other information relating to the valuation of Intesa, Lazard, or any of their respective affiliates). If either Intesa or Lazard or any affiliate of Intesa or Lazard receives a request for additional information or documentary material from any such Governmental Authority with respect to any of the Transactions, then such party will endeavor in good faith to make, or cause to be made, as soon as reasonably practicable and after consultation with the other party, an appropriate response in compliance with such request (it being understood that this provision and Lazard's general obligation to use its reasonable best efforts shall not compel Lazard to provide information to the Bank of Italy Lazard otherwise would not be required to disclose). In furtherance of and pursuant to each of Intesa's and Lazard's obligation to use its respective reasonable best efforts under clause (a) above, Intesa and Lazard shall make all undertakings necessary to obtain all relevant approvals from any applicable Governmental Authority so long as such undertakings would neither have any material adverse effect on any of the Lazard Italy Business, Lazard or Intesa nor materially impair or prevent the consummation of any of the Transactions.

Section 8.5. Fees and Expenses. Whether or not the transactions contemplated hereby are consummated or this Agreement is terminated pursuant to Section 10.1 or Section 10.2 hereof, and except as may otherwise be specifically provided in this Agreement or any Ancillary Agreement, each party shall pay the fees and expenses of its counsel, accountants and other experts and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby. Any sales, use, transfer, stamp, value added or capital tax resulting from the Contributions shall be borne and paid by the JV Company.

Section 8.6. Taxes.

(a) Lazard Italy shall be the "tax matters partner" of the JV Company within the meaning of Section 6231(a)(7) of the Code and shall have authority to make or revoke any election for U.S. federal, state or local income tax purposes on behalf of the JV Company, including an election under Section 754 of the Code. Lazard Italy shall promptly provide Intesa with copies of all such elections or revocations and of any tax returns filed with respect to the JV Company with the Internal Revenue Service or provided to any of Lazard Italy, Lazard Real Estate, Lazard Italy Holdings (UK) or any affiliate thereof.

(b) Tax Forms. Intesa shall deliver to the JV Company a United States Internal Revenue Service Form W-8BEN (or the appropriate successor form), duly executed and completed, certifying that it is a foreign person for United States federal income tax purposes and, if applicable, entitled to the benefits of the income tax treaty between Italy and the United States, and Lazard or an appropriate affiliate of Lazard shall deliver to the JV Company an appropriate United States Internal Revenue Service Form W-8 or W-9 (or an appropriate successor form), duly executed and completed. With respect to any payment by Lazard or any of its affiliates to the JV Company from sources within the United States, as determined for United States federal income tax purposes, and as otherwise reasonably requested, the JV Company shall promptly furnish to the payor or the payor's withholding agent an appropriate United States Internal Revenue Service Form W-8IMY (or the appropriate successor form) of the JV Company, duly executed and completed and with any additional withholding statements of each of Intesa and Lazard or the appropriate affiliate of Lazard attached, certifying that the JV Company is a nonwithholding foreign partnership for United States federal income tax purposes.

(c) In the event of any audit, examination, dispute, litigation or claim relating to taxes of the JV Company (a "Tax Claim"), the JV Company shall promptly inform Lazard after the JV Company's receipt of notice of a Tax Claim (and in any event no more than 10 Business Days thereafter) in order to allow Lazard's lawyers or other representatives to participate in such proceeding. Upon receipt by Lazard of notice of the assertion of a Tax Claim, Lazard shall have the right to reasonably promptly assume the defense of the Tax Claim at its own expense; provided, however, that Lazard shall not enter into any settlement of such a Tax Claim that includes any term other than just a payment of money, nor any settlement of such a Tax Claim that does not include as an unconditional term thereof the giving by the claimant or plaintiff to the JV Company a full release from all liability with respect to such Tax Claim, in each case, without the prior written consent of the JV Company. In the event that Lazard elects to assume the defense of such Tax Claim in accordance with the foregoing sentence, the JV Company shall provide all reasonable cooperation and assistance, at Lazard's expense, in the defense of the Tax Claim, including by furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials and appeals as may reasonably be requested by Lazard.

Section 8.7. No Transfer of JV Interests. Except with the prior written consent of the other party or in connection with the Lazard Quota Transfer pursuant to Section 2.2(e), neither Intesa nor Lazard may sell, dispose, assign, mortgage, pledge, hypothecate or otherwise transfer or encumber, directly or indirectly (any such action, a "Transfer"), any JV Interests that such party may hold or otherwise be issued or acquire from time to time; provided that (a) Intesa may transfer its JV Interests to Lazard pursuant to Section 4.3 of this Agreement, (b) either Lazard or Intesa may transfer such JV Interests to a wholly owned and controlled affiliate of such party (provided that, without release of the transferring Party, such wholly-owned and controlled affiliate shall agree to abide by the terms of this Agreement with respect to such JV Interests and to immediately return such JV Interests to Lazard or Intesa, as applicable, in the event that it shall cease to be a wholly-owned and controlled affiliate of such party), and (c) any JV Interests held by wholly-owned and controlled affiliates (or persons who ceased to be so wholly-owned and controlled as contemplated by clause (b) hereof) of Lazard or Intesa may be transferred to Lazard or Intesa, respectively. Any purported sale, assignment, mortgage, pledge, hypothecation or other transfer or encumbrance by either Intesa or Lazard of any or all of such party's JV Interests

in violation of the provisions of this Section shall be void and of no effect. Notwithstanding the foregoing provisions of this Section 8.7, the following shall not be deemed to be a Transfer of JV Interests for the purposes of this Agreement (including Section 4.2(c)): any sale, disposition, assignment, mortgage, pledge, hypothecation or other transfer or encumbrance, directly or indirectly, through any form of transaction, of Lazard Interests or Intesa Shares or any sale or other disposition of all or substantially all of the assets of Lazard or Intesa.

Section 8.8. Cross-Promotion. In the event that after the Formation Lazard shall become aware of any potential corporate banking business opportunity in Italy, Lazard shall, when in Lazard's judgment such efforts are appropriate and are not detrimental to the business of Lazard or its clients, use commercially reasonable efforts to promote the services of the Corporate Bank in respect of such opportunity, and in the event that the JV Company or Intesa shall become aware of any potential M&A advisory or general corporate advisory business opportunity outside of Italy that is neither Joint Venture Business nor Selected Italian Party Business, the JV Company or Intesa, as applicable, shall, when in Intesa's or the JV Company's judgment, as applicable, such efforts are appropriate and are not detrimental to the business of Intesa or its clients or the JV Company or its clients, as applicable, use commercially reasonable efforts to promote the services of Lazard in respect of such opportunity.

Section 8.9. Litigation Indemnification. Intesa shall indemnify and hold harmless Lazard for any and all costs and expenses incurred and paid by Lazard, including reasonable legal expenses, as a result of a final decision rendered by a competent court against Lazard or any of its controlled affiliates with respect to the services rendered by Gerardo Braggiotti ("GB") or Arnaldo Borghesi ("AB") to the Corporate Bank, provided that such decision finds GB and AB liable on the grounds that they are agents of Lazard. In such event Lazard shall promptly inform Intesa after its receipt of notice of a claim for which indemnification shall be available under this Section 8.9 (a "Claim") (and in any event, no more than 10 Business Days thereafter) in order to allow Intesa's lawyers to participate in such proceeding. The failure by Lazard to give notice by the end of such 10 Business Day period provided above shall not relieve Intesa of its obligations under this Section 8.9, except to the extent that Intesa's rights are actually prejudiced as a result of such failure to give notice. Upon receipt of notice of the assertion of a Claim, Intesa shall have the right to reasonably promptly assume the defense of the Claim at its own expense; provided, however, that Intesa shall not enter into any settlement of a Claim that includes any term other than just a payment of money, nor any settlement of a Claim that does not include as an unconditional term thereof the giving by the claimant or plaintiff to Lazard a full release from all liability with respect to the Claim, in each case, without the prior written consent of Lazard. In the event that Intesa elects to assume the defense of such claim in accordance with the foregoing sentence, Lazard shall provide all reasonable cooperation and assistance, at Intesa's expense, in the defense of the Claim, including by furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials and appeals as may reasonably be requested by Intesa.

Section 8.10. Employees. (a) Lazard Italy Employees (1) who held the title of Managing Director of Lazard Italy or Lazard Real Estate as of the Lazard Italy Contribution Closing will be permitted to remain Members of Lazard and to retain their Goodwill Interests (as defined in the Lazard Operating Agreement) and capital in Lazard, subject to final vesting and continued adherence to the negative covenants set forth in the Lazard Operating Agreement or in

any other applicable agreements setting forth such vesting or negative covenants relating to such Goodwill Interests (it being understood that the existence of any such other applicable agreements shall not be deemed to modify the representations and warranties set forth in the Note Purchase Agreement with respect to the Goodwill Rights), in each case in accordance with and subject to the Lazard Operating Agreement, and (2) who are promoted after the Lazard Italy Contribution Closing to the position of managing director of the JV Company will be permitted to become Members of Lazard and to receive membership interests in Lazard (to the extent Lazard grants such persons such interests) and to contribute capital to Lazard, in each case in accordance with and subject to the Lazard Operating Agreement.

(b) Each Lazard Italy Employee who held the title of Managing Director of Lazard Italy or Lazard Real Estate as of the Lazard Italy Contribution Closing and was the beneficiary of a compensation guarantee from Lazard or a controlled affiliate of Lazard as of such date has been or will be offered appropriate incentive and retention arrangements from the JV Company, which arrangements were or will be conditioned upon cancellation of, and have superceded and replaced or shall supercede and replace, such guarantees from Lazard or its applicable controlled affiliate. Total compensation of such Lazard Italy Employees, including deferrals and incentive plans, shall be borne and paid by the JV Company.

Section 8.11. Other Agreements. (a) At or prior to the Intesa Contribution Closing, the Parties shall execute and deliver and/or cause their respective subsidiaries who are parties to such agreements to enter into and deliver, each of the New Bylaws, the Shareholders Agreement, the Intesa JV Note and the Joint Venture Credit Agreement. Intesa shall cause the Corporate Bank to enter into the CB Acknowledgement promptly after the Formation.

(b) In the event that the Italian notary public administering the Intesa Contribution shall require any changes to the New Bylaws, the Parties hereto shall negotiate in good faith to adjust the New Bylaws so as to comply with the legal requirements specified by such Italian notary public and to effect the original intent of the Parties as closely as possible to the end that the corporate governance structure contemplated by the New Bylaws prior to such adjustment is effected to the maximum extent possible.

(c) The JV Company shall pay a service fee of U.S. $2,600,000.00 per annum (the "Board Services Fee") in accordance with this Section 8.11(c) in respect of the services of two or more persons who currently serve or will agree to serve as members of the Board of Directors of the JV Company, including in the capacity as the Performance Director when such position is created, and any service on committees thereof, as applicable, which persons are or will be selected by Lazard or its affiliates from employees or directors of Lazard or its affiliates. The Board Services Fee shall be payable in cash in equal quarterly installments no later than ten Business Days after the end of each fiscal quarter of the JV Company commencing on June 30, 2003 (provided that the initial payment of the Board Services Fee on June 30, 2003 shall be in an amount equal to U.S. $1,300,000.00) to, at Lazard's election, (1) such board members who were selected by Lazard or its affiliates (the split of such Board Service Fee among such persons shall be as determined by Lazard), (2) an affiliate of Lazard to be formed after the date hereof pursuant to a board services agreement between such affiliate and the JV Company to be agreed to in good faith by the Parties after the date hereof and in any event prior to the Intesa Contribution Date, or (3) a combination of the foregoing.

Section 8.12. Other Indemnification Matters.

(a) Effective from and after the consummation of the Lazard Italy Contribution: (1) the JV Company hereby agrees to indemnify Lazard and its Representatives against, and hold Lazard and its Representatives harmless from, any and all Losses incurred by Lazard and its Representatives to the extent arising out of or resulting from the Lazard Italy Liabilities, and (2) Lazard hereby agrees to indemnify the JV Company and its Representatives against, and hold the JV Company and its Representatives harmless from, any and all Losses incurred by the JV Company and its Representatives to the extent arising out of or resulting from the Excluded Liabilities. For the purposes of this Section 8.12, "Loss" means any claim, damage, cost, expense (including reasonable legal fees), penalty, fine, interest charge, payment, obligation or other liability, net of (A) all reductions in net tax liabilities arising from the Loss realized by the Party entitled to indemnification under this Section 8.12(a) and its Representatives (it being assumed that tax liabilities are reduced for the year in which the reduction is realized, irrespective of whether any cash liability is affected), (B) all amounts recovered under insurance policies with respect to such Loss by the Party entitled to indemnification under this Section 8.12(a) and its Representatives, and (C) all amounts recovered by the Party entitled to indemnification under this Section 8.12(a) and its Representatives in respect of such Excluded Liabilities or Lazard Italy Liabilities, respectively, pursuant to the Deed of Contribution; provided that in any event "Loss" shall not include any lost profit or any exemplary, punitive, consequential or other similar damages and shall not be determined through any multiple of earnings approach or variant thereof.

(b) Lazard hereby agrees, in its capacity as the indirect controlling person of Lazard Real Estate and Lazard Italy, that in the event that (i) Lazard Real Estate and Lazard Italy shall be obliged to indemnify the JV Company pursuant to Article 4 of the Deed of Contribution and (ii) Lazard Italy and Lazard Real Estate shall fail to pay any amount to the JV Company that such persons are required to pay pursuant to respective indemnity obligations under Article 4 of the Deed of Contribution (the amount that Lazard Real Estate and Lazard Italy shall be obligated to pay to the JV Company pursuant to and calculated in accordance with Lazard Real Estate's and Lazard Italy's indemnity obligations set forth in such Article 4 of the Deed of Contribution, less amounts paid to the JV Company by or on behalf of Lazard Italy or Lazard Real Estate in respect of such indemnity obligation, the "Indemnity Shortfall"), Lazard shall indemnify the JV Company against, and pay to the JV Company in a prompt and timely manner, an amount equal to the Indemnity Shortfall.

(c) Indemnification Procedures. (i) In the event that a claim by a third party is made against any person entitled to indemnification pursuant to this Section 8.12 or Article 4 of the Deed of Contribution (such Section 8.12 and Article 4, the "Applicable Provisions", and any such person, an "Indemnified Party"), the Indemnified Party shall, with respect to any claim made against such Indemnified Party for which indemnification is available under the Applicable Provisions, notify in writing the party obligated to indemnify such Indemnified Party under such Applicable Provisions (the "Indemnifying Party") of the nature of the claim as soon as practicable (acting in good faith) after such Indemnified Party receives notice of the assertion of the claim. The failure by such Indemnified Party to give such notice or any delay in providing such notice shall not relieve the Indemnifying Party of its obligations under the Applicable Provisions, except to the extent that such failure or delay results in the failure of actual notice and such Indemnifying Party is actually damaged as a result of such failure to give or delay in giving notice,

in which case the amount of the Loss incurred by such Indemnifying Party resulting from such actual damage shall be offset against the amount against which such Indemnifying Party is required to indemnify such Indemnified Party pursuant to the Applicable Provisions.

(ii) Upon receipt of notice of the assertion of such a claim, the Indemnifying Party shall reasonably promptly assume the defense of such claim at its own expense; provided that Lazard shall have the right to assume control of the defense of any such claim in its sole discretion. The Indemnified Party shall have the right to employ separate counsel and to participate in (but not control, in the event Lazard is not the Indemnified Party) any such action, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party. If the Indemnifying Party does not reasonably promptly assume the defense in breach of the foregoing and Lazard does not assume the defense thereof as permitted by the foregoing, the Indemnified Party shall have the right to employ counsel and to control the defense against the claim (subject to Lazard's right to assume control of such defense), and the reasonable fees and expenses of such counsel shall be at the expense of the Indemnifying Party. The Indemnifying Party or Lazard, as applicable, shall not enter into any settlement of a claim that includes any term other than just a payment of money, nor any settlement of a claim that does not include as an unconditional term thereof the giving by the claimant or plaintiff to the Indemnified Party a full release from all liability with respect to the claim, in each case, without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed); provided, however, that in the event that Lazard is the Indemnified Party and has assumed control of the defense of such claim in accordance with this Section 8.12(c)(ii), Lazard shall also obtain the prior written consent of the Indemnifying Party prior to entering into any settlement of such claim involving the payment of money (which consent shall not be unreasonably withheld or delayed). The Indemnified Party shall provide all reasonable cooperation and assistance to the person controlling such proceeding, at the Indemnifying Party's expense, in the defense of any claim for which indemnification is available and shall furnish such records, information, testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may reasonably be requested.

Section 8.13. Insurance Matters. The JV Company shall promptly pay to Lazard any refunds or adjustments under and proceeds from (1) any Lazard Italy Policies to the extent relating to any Excluded Liability or Excluded Asset and (2) any Lazard Policy, in each case received by the JV Company. Lazard shall be entitled to control any claim under any Lazard Italy Policies that relates to any Excluded Liability or Excluded Asset.

ARTICLE IX

NON-COMPETITION; NO SOLICITATION

Section 9.1. No Competition by Intesa. In consideration of the transactions contemplated by this Agreement and the Ancillary Agreements and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Intesa hereby covenants and agrees that it shall not, and shall cause its controlled affiliates not to, directly or indirectly, from the date hereof until the end of the JV Term:

(i) acquire any interest in any person (other than Lazard, the JV Company and their respective controlled affiliates as provided herein), which person is or, after giving effect to such acquisition, will be during such period directly or indirectly engaged in any activity that is Joint Venture Business, or

(ii) enter into any relationship or affiliation or otherwise undertake a joint venture or similar arrangement, whether as an individual, partner, owner, member, shareholder, director, officer, principal, agent, employee, trustee, or consultant, with, or enter into any agreement, including any license agreement with respect to the use of its name or agreement in principle or letter of intent, with respect to any activity that is Joint Venture Business with any person (other than Lazard, the JV Company and their respective controlled affiliates as provided herein).

Section 9.2. No Competition by Lazard. (a) In consideration of the transactions contemplated by this Agreement and the Ancillary Agreements and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lazard hereby covenants and agrees that it shall not, and shall cause its controlled affiliates not to, directly or indirectly, from the date hereof until the end of the JV Term:

(i) acquire any interest in any person (other than Intesa, the JV Company and their respective controlled affiliates as provided herein), which person is or, after giving effect to such acquisition, will be during such period directly or indirectly engaged in any activity that is Joint Venture Business or Selected Italian Party Business, or

(ii) enter into any relationship or affiliation or otherwise undertake a joint venture or similar arrangement, whether as an individual, partner, owner, member, shareholder, director, officer, principal, agent, employee, trustee, or consultant, with, or enter into any agreement, including any license agreement with respect to the use of its name or agreement in principle or letter of intent, with respect to any activity that is Joint Venture Business or Selected Italian Party Business with any person (other than Intesa, the JV Company and their respective controlled affiliates as provided herein).

(b) Notwithstanding anything in this Agreement to the contrary, (1) in the event that Lazard undertakes any joint venture, affiliation, partnership or transaction that does not have as a principal purpose the regular provision of advisory services that are Joint Venture Business or Selected Italian Party Business (such as, for example, and without limitation, a European joint venture principally outside Italy), Lazard shall be permitted through such joint venture, affiliation, partnership or transaction to engage in Joint Venture Business other than for Italian Parties; provided that the profits of Lazard attributable to such Joint Venture Business (other than for Italian Parties) shall be contributed by Lazard to the JV Company and allocated in accordance with Section 3.6, or (2) in the event that Intesa undertakes any joint venture, affiliation, partnership or transaction that does not have as a principal purpose the regular provision or advisory services that are Joint Venture Business (such as, for example, and without limitation, a European joint venture principally outside Italy), Intesa shall be permitted through such joint venture, affiliation partnership or transaction to engage in Joint Venture Business other than for Italian Parties; provided that the profits of Intesa attributable to such Joint Venture Business

(other than for Italian Parties) shall be contributed by Intesa to the JV Company and allocated in accordance with Section 3.6.

Section 9.3. Exceptions to No Competition. Notwithstanding anything to the contrary in Section 3.1(b), Section 9.1 and Section 9.2, Intesa, Lazard and their respective controlled affiliates may acquire (1) as a passive investment shares of capital stock of any person carrying on business which competes with, in the case of Intesa, Joint Venture Business, or, in the case of Lazard, Joint Venture Business or Selected Italian Party Business, so long as Intesa and its controlled affiliates or Lazard and its controlled affiliates, as the case may be, collectively do not thereby own, or are not thereby entitled to exercise voting rights in respect of, more than five percent (5%) of the outstanding shares of capital stock of such person after giving effect to the acquisition of such shares, (2) as a passive investment any instrument of indebtedness of any person carrying on business which competes with, in the case of Intesa, Joint Venture Business, or, in the case of Lazard, Joint Venture Business or Selected Italian Party Business, so long as Intesa and its controlled affiliates or Lazard and its controlled affiliates, as the case may be, collectively do not thereby own more than ten percent (10%) of the outstanding indebtedness of such person after giving effect to the acquisition of such indebtedness, or (3) any interest in any business, a portion of which competes with Joint Venture Business or Selected Italian Party Business, in the case of Lazard, or Joint Venture Business, in the case of Intesa, so long as either (I) if the acquiring party requests and the other party consents in writing prior to entry into the definitive agreement providing for such acquisition, such portion of the business that so competes (the "Competing Business") is contributed to the JV Company or (II) (x) the acquiring party causes such acquired business to cease to perform (whether by disposition of such Competing Business or other cessation of the operations of such Competing Business), in the case of Intesa, any and all Joint Venture Business, or, in the case of Lazard, any and all Joint Venture Business and Selected Italian Party Business, within 6 months after the date of consummation of such acquisition (unless such period would extend past the applicable non-competition period, in which case such cessation of business will not be required), (y) during the lesser of such 6 month period or such period that overlaps with the applicable non-competition period, the acquiring party maintains such Competing Business reasonably separate (to the extent practicable) from its other businesses as in operation immediately prior to such acquisition, and (z) the profits attributable to such Competing Business from the consummation of such acquisition of such interest until the date on which such Competing Business ceases (whether due to the disposition of such Competing Business or other cessation of its operations) (including any profits from amounts paid thereafter to the Competing Business but attributable to operations in such period) are contributed to the JV Company and allocated in accordance with Section 3.6 and all conflict clearances and Business Conflicts relating to the Competing Business are handled in accordance with Section 3.5 (with such acquiring party clearing any engagements for Joint Venture Business in accordance with such Section 3.5 as if such acquired business were the JV Company)).

Section 9.4. No Solicitation. (a) Each of Intesa and, from and after execution of the CB Acknowledgement, the Corporate Bank covenants and agrees not to, and to cause its subsidiaries and other controlled affiliates not to, engage in any Lazard Soliciting Activities, for the applicable Solicitation Period. Each of Lazard and the JV Company covenants and agrees not to, and to cause its subsidiaries and other controlled affiliates not to, engage in any Intesa Soliciting Activities, for the applicable Solicitation Period.

(b) For the purpose of this Section 9.4:

(i) "Intesa Soliciting Activities" means activities that in any manner, directly or indirectly, have the purpose or effect of (1) Soliciting any person who is an employee of Intesa, the Corporate Bank or any of their respective subsidiaries or other controlled affiliates (including, for the avoidance of doubt, any Key Employee) to apply for or accept employment with Lazard, the JV Company or any of their respective subsidiaries or other controlled affiliates or resign from any service with Intesa, the Corporate Bank or any of their respective subsidiaries or other controlled affiliates, as applicable, or (2) hiring any person who is a Key Employee of Intesa, the Corporate Bank or any of their respective subsidiaries or other controlled affiliates to work for Lazard, the JV Company or any of their respective subsidiaries or other controlled affiliates.

(ii) "Key Employee" means any officer, managing director, limited managing director, director, vice president, associate, analyst or other professional employee of the applicable company.

(iii) "Lazard Soliciting Activities" means activities that in any manner, directly or indirectly, have the purpose or effect of (1) Soliciting any person who is an employee of Lazard, the JV Company or any of their respective subsidiaries or other controlled affiliates (including, for the avoidance of doubt, any Key Employee) to apply for or accept employment with Intesa, the Corporate Bank or any of their respective subsidiaries or other controlled affiliates or resign from any service with Lazard, the JV Company or any of their respective subsidiaries or other controlled affiliates, as applicable, or (2) hiring any person who is a Key Employee of Lazard, the JV Company or any of their respective subsidiaries or other controlled affiliates to work for Intesa, the Corporate Bank or any of their respective subsidiaries or other controlled affiliates.

(iv) "Solicit" means to make any direct or indirect communication of any kind whatsoever, regardless of by whom initiated, inviting, advising, encouraging or requesting any Person, in any manner, to take or refrain from taking any action.

(v) "Solicitation Period" means the period commencing on the date hereof and ending on (1) in the event that the Joint Venture Closing shall have occurred, (i) 12 months after the termination of this Agreement pursuant to Section 10.2 by reason of the termination of the JV Relationship pursuant to Section 4.2 (A) by Intesa based on any reason or (B) by Lazard based on a Change in Control of Intesa or a Change in Control of the Corporate Bank, or (ii) 3 months after the termination of this Agreement pursuant to Section 10.2 by reason of the termination of the JV Relationship by Lazard (except as provided in clause (i) above) or (2) in the event that this Agreement shall be terminated by either party pursuant to Section 10.1(c), 12 months after the effective date of such termination.

(c) It is the desire and intent of the Parties that the provisions of this Section 9.4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this Section 9.4 shall be adjudicated to be invalid or unenforceable, this Section 9.4 shall be deemed

amended to delete therefrom such provision or portion adjudicated to be invalid or unenforceable, such amendment to apply only with respect to the operation of this Section 9.4 in the particular jurisdiction in which such adjudication is made.

ARTICLE X
TERMINATION

Section 10.1. Termination Prior to the Joint Venture Closing. Subject to the terms of Section 10.3, this Agreement may be terminated at any time prior to the Joint Venture Closing by:

(a) the mutual written consent of Intesa and Lazard;

(b) either Intesa or Lazard if any injunction, restraining order or decree of any nature of any court or governmental agency or body of competent jurisdiction shall restrain, or prohibit the consummation of the transactions contemplated by this Agreement, and such injunction, order or decree shall become final and nonappealable and was not entered into at the request of the terminating party; or

(c) either Intesa or Lazard if the Joint Venture Closing shall not have occurred by December 31, 2003 and if the failure of the Joint Venture Closing to occur on or before such date did not result from the failure by the party seeking termination of this Agreement to fulfill any covenant provided for herein or in any Ancillary Agreement that is required to be fulfilled prior to the Joint Venture Closing.

Section 10.2. Termination Subsequent to Joint Venture Closing. Subject to the terms of Section 10.3, after the Joint Venture Closing, this Agreement shall terminate automatically and immediately upon the termination of the JV Relationship pursuant to Section 4.2.

Section 10.3. Procedure and Effect of Termination. In the event of termination of this Agreement pursuant to Section 10.1 or Section 10.2, this Agreement shall terminate (1) on the date that written notice thereof by the terminating party to the other parties shall be given by such terminating party in accordance with Section 11.9, (2) if termination is based on mutual written consent of Intesa and Lazard pursuant to Section 10.1(a), the date specified in the written consent to such termination signed by each of Intesa and Lazard, or (3) in the case of a termination of this Agreement pursuant to Section 10.2, immediately upon termination of the JV Relationship pursuant to Section 4.2. Upon such termination, this Agreement shall become void and have no effect, the transactions contemplated hereby shall be abandoned without further action by the Parties hereto, and the Parties waive and release any claim or action with respect thereto, except that the provisions of Sections 3.7, 4.3, 4.4, 4.5, 5.1, 8.2, 8.5, 8.9, 9.4, 11.4, 11.5, 11.6, 11.9 and 11.10 shall survive the termination of this Agreement and that, with respect to each of the Ancillary Agreements, the termination of this Agreement shall have only the consequences and effects specified in such Ancillary Agreement; provided, however, that such termination shall not relieve any party hereto of any liability for any willful breach of this Agreement except as otherwise provided in Section 4.4(b) in connection with a Renewal Date Termination supported by Just Cause.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Reliance and Survival of Representations and Warranties. The respective representations and warranties of the Parties contained in Article VII of this Agreement shall (i) be deemed to have been relied upon by each Party to which any such representation or warranty is made, notwithstanding any investigation heretofore or hereafter made by or on behalf of a Party to which any such representation and warranty is made, and (ii) survive the Joint Venture Closing for a period of 18 months (the "Survival Period"). In the event that a representation or warranty set forth in Article VII of this Agreement is breached by the Party making such representation or warranty during the Survival Period and that the Party to whom such breached representation or warranty is made pursuant to such Article VII reasonably makes a good faith claim by giving written notice to such breaching Party prior to the end of the Survival Period which notice sets forth in reasonable detail the claim being made and the applicable representation or warranty which breach gave rise to such claim, such claim, and only such claim, shall survive until such time as such claim is finally resolved notwithstanding the expiration of the Survival Period.

Section 11.2. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

Section 11.3. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

Section 11.4. Governing Law. This Agreement and performance hereunder shall be governed by and construed in accordance with the laws of the Republic of Italy without reference to the choice of law principles thereof (without prejudice to any different choice of law in any Ancillary Agreement).

Section 11.5. Arbitration. (a) Each of the Parties agrees that, except as provided in, and without prejudice to any contrary provision in, Section 11.5(f) or in any Ancillary Agreement, all actions or proceedings arising out of or in connection with this Agreement (including those concerning its validity, interpretation, performance and termination and those regarding the determination of Just Cause under Section 4.4 hereof) shall be settled exclusively and finally by arbitration administered by the International Chamber of Commerce of Paris (the "ICC"). The arbitration proceedings and appointments of arbitrators shall be governed by the Rules of Reconciliation and Arbitration of the ICC in effect at the time of such proceeding,

which the Parties hereby acknowledge they know and accept, or will accept, in their entirety. Any judgment or the award rendered by such arbitrator may be entered in any court having jurisdiction thereof.

(b) Any arbitration proceeding pursuant to this Section shall be conducted in both Italian and English. Notwithstanding the foregoing, either party may submit testimony or documentary evidence in any other language, provided that the party submitting such evidence also furnishes to the other party translations into both Italian and English.

(c) Any arbitration pursuant to this Section shall be conducted by three arbitrators. Each of Intesa and Lazard shall appoint one arbitrator, obtain its appointee's acceptance of such appointment, and deliver written notification of such appointment and acceptance to the other party within thirty days after delivery of a notice requesting arbitration. In the event that Intesa or Lazard fails to appoint an arbitrator or deliver notification of such appointment to the other party within thirty days, upon request of either party, the arbitrator that such party was entitled to appoint shall instead be appointed by the ICC within thirty days of receiving such request. The two arbitrators appointed in accordance with the above provisions shall appoint the third arbitrator, obtain the appointee's acceptance of such appointment and notify the parties in writing of such appointment and acceptance within thirty days of their appointment. If the first two appointed arbitrators fail to appoint a third arbitrator or notify the parties of that appointment within this time period, then, upon request of either party, the third arbitrator shall be appointed by the ICC within thirty days of receiving such request. The third arbitrator shall serve as president of the arbitration. Any arbitrator selected by either party or by the ICC must be fluent in both Italian and English.

(d) Unless Intesa and Lazard otherwise agree to conduct any arbitration proceeding pursuant to this Section at a specific location, such proceeding shall be conducted and any decision shall be rendered in Geneva, Switzerland.

(e) The arbitrators shall decide according to the laws of the Republic of Italy (*arbitrato di diritto*). Any decision or award rendered by the arbitrators shall be rendered in English.

(f) Notwithstanding any other provisions of Section 11.5 or any provision of any Ancillary Agreement to the contrary, each of the Parties agrees that all actions or proceedings arising out of or in connection with the obligations of Intesa relating to (1) the purchase of the Lazard Note or (2) the Intesa Contribution, or for recognition and enforcement of any judgment arising out of or in connection with the foregoing obligations, shall be tried and determined exclusively in the state or federal courts in the State of New York, and each of the Parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect to its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid courts. Each of the Parties hereby expressly waives any right it may have to assert, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any such action or proceeding: (1) any claim that it is not subject to personal jurisdiction in the aforesaid courts for any reason; (2) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts; and (3) any claim that (i) any of the aforesaid courts is an inconvenient or inappropriate forum for such action or proceeding, (ii)

venue is not proper in any of the aforesaid courts and (iii) this Agreement, or the subject matter hereof, may not be enforced in or by any of the aforesaid courts.

Section 11.6. Specific Enforcement. The Parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement or any of the Ancillary Agreements to which it is a party were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and such Ancillary Agreement and to enforce specifically the terms and provisions hereof and thereof (including in connection with any actions or proceedings under Section 11.5(f)), this being in addition to any other remedy to which they may be entitled by law or equity.

Section 11.7. Entire Agreement. This Agreement (together with the Exhibits, Disclosure Schedules and the other documents delivered pursuant hereto) and the Ancillary Agreements constitute the entire agreement of the Parties and supersede all prior agreements and undertakings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof (including the Terms of Agreement). In the event of any inconsistency between the provisions of this Agreement and the provisions of any of the Ancillary Agreements, the provisions of this Agreement shall prevail, and the Parties shall execute or cause to be executed an amendment, if necessary in their good faith judgment, to such Ancillary Agreement to remove such inconsistency.

Section 11.8. No Third-Party Beneficiaries. Except in each case as provided in Section 8.12, this Agreement is for the sole benefit of the Parties and their permitted assigns, and nothing herein expressed or implied shall give or be construed to give to any person, other than the Parties and such assigns, any legal or equitable rights hereunder.

Section 11.9. Notices. All notices, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number or person as a party may designate by notice to the other Parties):

If to Lazard, to:

Lazard LLC
30 Rockefeller Plaza
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: 001-212-332-5972
Telephone: 001-212-632-6000

with a copy (which shall not constitute notice) to each of:

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quattro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: +39-06-4871101
Telephone: +39-06-478751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.
Facsimile: 001-212-403-2000
Telephone: 001-212-403-1000

if to Intesa, to each of:

Banca Intesa S.p.A.
Via Monte di Pietà, 8
20121 Milano
ITALY
Attention: Direzione Partecipazioni
Facsimile: +39-02 8796 2376
Telephone: +39-02 8796 2072

and

Banca Intesa S.p.A.
Via Monte di Pietà, 8
20121 Milano
ITALY
Attention: Direzione Affari Legali
Facsimile: +39-02-8796-2079
Telephone: +39-02-8796-3523

with a copy (which shall not constitute notice) to each of:

Pedersoli Lombardi e Associati
Via Andegari, 4/A
20121 Milano
ITALY
Attention: Antonio Pedersoli, Esq.
Facsimile: +39 02-879191
Telephone: +39 02-87919333

and

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
UNITED STATES OF AMERICA
Attention: George J. Sampas, Esq.
Facsimile: 001-212-558-3588
Telephone: 001-212-558-4000

if to the JV Company, to:

Lazard & Co. S.r.l.
Via dell'Orso, 2
20121 Milano
ITALY
Attention: Mario Sirocchi
Santina Negri
Facsimile: +39 02-72312392
Telephone: +39 02-723121

with a copy (which shall not constitute notice) to:

Lazard LLC
30 Rockefeller Plaza
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: 001-212-332-5972
Telephone: 001-212-632-6000

and

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quattro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: +39-06-4871101
Telephone: +39-06-478751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.
Facsimile: 001-212-403-2000
Telephone: 001-212-403-1000

or at such other address and to the attention of such other person as a Party may designate by written notice to the other Parties.

Section 11.10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns; provided, however, that this Agreement and the rights and obligations hereunder shall not be assignable or transferable by any Party without the prior written consent of Intesa and Lazard.

Section 11.11. Headings. The section and article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement.

Section 11.12. Amendments and Waivers. This Agreement may not be modified or amended or waived in whole or in part except by an instrument or instruments in writing signed by each of Intesa and Lazard and, to the extent that such modification, amendment or waiver adversely affects the rights or obligations of the JV Company set forth in this Agreement, the JV Company. The waiver by such Parties of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

BANCA INTESA S.P.A.

By: /s/ Corrado Passera
Name: Corrado Passera
Title: Managing Director and
Chief Executive Officer

LAZARD LLC

By: /s/ Jeffrey Rosen
Name: Jeffrey Rosen
Title: Attorney-in-Fact

LAZARD & CO. S.R.L.

By: /s/ Mario Sirocchi
Name: Mario Sirocchi
Title: Director

Exhibit 10.12

NOTE PURCHASE AGREEMENT

NOTE PURCHASE AGREEMENT, dated as of March 26, 2003 (this "Agreement"), by and among Lazard Funding Limited LLC, a limited liability company organized under the laws of the State of Delaware ("Issuer"), Lazard LLC, a limited liability company organized under the laws of the State of Delaware ("Guarantor"), and Banca Intesa S.p.A., a company organized under the laws of the Republic of Italy ("Buyer", and, together with Guarantor and Issuer, the "Parties" and each "Party").

WHEREAS, as contemplated by that certain Master Terms of Agreement, dated as of September 9, 2002, between Guarantor and Buyer (as amended and restated as of November 21, 2002, and including Annex A and Annex B thereto and the September 9, 2002 related cover letter), and that certain Master Transaction and Relationship Agreement, dated as of the date hereof, by and among Guarantor, Buyer and Lazard & Co. S.r.l., a *Società a responsabilità limitata* organized under the laws of the Republic of Italy (the "Transaction Agreement"), Buyer shall purchase from Issuer, and Issuer shall issue to Buyer, the US$150,000,000 (One Hundred and Fifty Million US Dollar) subordinated convertible note attached hereto as Exhibit A (the "$150 Million Note") and immediately after the consummation of the CB Investment (as defined in the Transaction Agreement) the US$50,000,000 (Fifty Million US Dollar) subordinated convertible note attached hereto as Exhibit B (the "$50 Million Note," and together with the $150 Million Note, the "Notes" and each a "Note") on the terms and subject to the conditions set forth herein;

WHEREAS, simultaneously with the purchase of the $150 Million Note, Guarantor and Buyer will enter into that certain Guaranty, in the form attached hereto as Exhibit C (the "Guaranty"), whereby Guarantor will guarantee the payment obligations of Issuer under each of the Notes upon issuance of each Note; and

WHEREAS, the Board of Directors of each of Buyer, Issuer and Guarantor has determined that this Agreement and the transactions contemplated hereby are in furtherance of and consistent with its business strategies and are in the best interest of its stockholders or members, as applicable, and has approved this Agreement and the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and undertakings contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the Parties agree as follows:

1. Purchase of $150 Million Note. On the date hereof, (such date, the "Initial Purchase Date"), Buyer shall purchase from Issuer, and Issuer shall issue and sell to Buyer, for an aggregate purchase price in cash of US$150,000,000 (One Hundred and Fifty Million US Dollars) (the "Initial Note Purchase Price"), the $150 Million Note (the "Initial Note Purchase").

2. Purchase of $50 Million Note. In the event that Guarantor elects to make the CB Investment, immediately after the consummation of that certain CB Investment and the deposit in the Escrow Account (as defined herein) of the CB Note (as defined in the Transaction

Agreement) for the purposes of securing the discharge of the Issuer's obligations under each of the Notes (the date of such event, the "Second Purchase Date"), Buyer shall purchase from Issuer, and Issuer shall issue and sell to Buyer, for an aggregate purchase price in cash of US$50,000,000 (Fifty Million US Dollars) (the "Second Note Purchase Price"), the $50 Million Note (the "Second Note Purchase").

3. Initial Closing. The closing of the Initial Note Purchase (the "Initial Closing") shall occur at 10:00 a.m., Milan time, on the Initial Purchase Date at the offices of Pedersoli Lombardi e Associati**,** Milan, Italy, unless otherwise agreed to by the Parties in writing. At the Initial Closing, (x) Buyer will pay an amount in cash equal to the Initial Note Purchase Price to Issuer by wire transfer of immediately available funds to an account designated in writing at least 3 Business Days (as defined in the Transaction Agreement) prior thereto by Issuer, (y) Issuer will issue to Buyer and Buyer will accept the $150 Million Note, in the form of the $150 Million Note attached hereto as Exhibit A, and (z) Guarantor and Buyer shall enter into the Guaranty in the form attached hereto as Exhibit C.

4. Second Closing. The closing of the Second Note Purchase (the "Second Closing") shall occur at 10:00 a.m., Milan time, on the Second Purchase Date at the offices of Pedersoli Lombardi e Associati, Milan, Italy, unless otherwise agreed to by the Parties in writing. At the Second Closing, (y) Buyer will pay an amount in cash equal to the Second Note Purchase Price to Issuer by wire transfer of immediately available funds to an account designated in writing at least 3 Business Days prior thereto by Issuer, and (z) Issuer will issue to Buyer and Buyer will accept the $50 Million Note, in the form of the $50 Million Note attached hereto as Exhibit B.

5. Representations and Warranties of Issuer. Issuer hereby represents and warrants to Buyer, on each of the Initial Purchase Date (with respect to the $150 Million Note only) and the Second Purchase Date (with respect to the $50 Million Note only), that:

(a) Company Authorization. Issuer has all necessary company power and authority to execute and deliver this Agreement and each of the Notes, and to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated herein and therein to be consummated by Issuer. The execution and delivery by Issuer of this Agreement and each of the Notes and the performance of its obligations hereunder and thereunder, and the consummation by Issuer of the transactions contemplated hereby and thereby, have been duly authorized by all necessary company action (including by the Board of Directors of Issuer), and no other corporate approvals, veto or equivalent rights exercisable by "members" of the Issuer (as such term is used in the Delaware Limited Liability Company Act, 6 Del. C. § 18-101 *et seq.*) in their capacity as such are applicable to the authorization and consummation of the transactions contemplated by this Agreement and each of the Notes or, if applicable, such approvals, veto or equivalent rights have been duly waived. This Agreement constitutes a valid and binding agreement of Issuer, enforceable against Issuer in accordance with its terms (assuming that this Agreement is duly executed and delivered by and is valid and binding as against Buyer). As of the Initial Closing, the $150 Million Note, when issued in accordance with the terms of this Agreement, shall constitute a valid and binding obligation of Issuer, enforceable against Issuer in accordance with its terms. As of the Second Closing, the

$50 Million Note, when issued in accordance with the terms of this Agreement, shall constitute a valid and binding obligation of Issuer, enforceable against Issuer in accordance with its terms.

(b) No Conflicts. The execution and delivery of this Agreement by Issuer does not, and the execution and delivery of each Note by Issuer will not when such Note is issued in accordance with the terms of this Agreement, and the performance by Issuer of its obligations under this Agreement and, when issued in accordance with the terms of this Agreement, neither of the Notes will, (i) constitute or give rise to a default under any material financing agreement or instrument existing on the date hereof and binding upon Issuer, or (ii) violate the terms of any other contract or agreement to which Issuer is a party, except for any such default or violation that would not have a material adverse effect on the financial condition or business of Guarantor and its subsidiaries, taken as a whole.

6. Representations and Warranties of Guarantor. Guarantor hereby represents and warrants to Buyer, on each of the Initial Purchase Date (with respect to the $150 Million Note only) and the Second Purchase Date (with respect to the $50 Million Note only), that:

(a) Company Authorization. Guarantor has all necessary company power and authority to execute and deliver this Agreement and Guaranty and to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated herein and therein to be consummated by Guarantor. The execution and delivery by Guarantor of this Agreement and the Guaranty, the performance of its obligations hereunder and thereunder, and the consummation by Guarantor of the transactions contemplated hereby and thereby, have been duly authorized by all necessary company action (including by the Board of Directors of Guarantor), and no other corporate approvals, veto or equivalent rights exercisable by "members" of Guarantor (as such term is defined in the Delaware Limited Liability Company Act, 6 Del. C. § 18-101 *et seq*.) ("Members") under the Third Amended and Restated Operating Agreement of Lazard LLC, dated as of January 1, 2002, as amended as of January 10, 2003 and as may be further amended or supplanted from time to time, the "Operating Agreement") in their capacity as such, are applicable to the authorization and consummation of the transactions contemplated by this Agreement and the Guaranty or, if applicable, such approvals, veto or equivalent rights have been duly waived. This Agreement constitutes a valid and binding agreement of Guarantor, enforceable against Guarantor in accordance with its terms (assuming that this Agreement is duly executed and delivered by and is valid and binding as against Buyer and Issuer). The Guaranty, when entered into in accordance with this Agreement, shall constitute a valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms (assuming that this Agreement is duly executed and delivered by and is valid and binding as against Buyer).

(b) No Conflicts. The execution and delivery of this Agreement by Guarantor does not, and the execution and delivery of the Guaranty by Guarantor will not, and the performance by Guarantor of its obligations under this Agreement and the Guaranty will not, (i) constitute or give rise to a default under any financing agreement or instrument existing on the date hereof and binding upon Guarantor, or (ii) violate the terms of any other contract or agreement to which Guarantor is a party, except for any such default or violation that would not have a material adverse effect on the financial condition or business of Guarantor and its subsidiaries, taken as a whole.

(c) Buyer Not a Member. In the event that Buyer becomes a holder of a Goodwill Right (as defined in the Guaranty) upon conversion in accordance with the terms of such Note, Guarantor will not treat Buyer as a Member and Buyer will not become a Member pursuant to any agreement to which either Guarantor or any of its controlled affiliates is a party.

(d) Protections for Goodwill Rights. The protections applicable to holders of Class A-2(1) Goodwill Interests under the Operating Agreement in respect of Class A-2(1) Goodwill Interests shall, upon conversion of the applicable Note and issuance of the applicable Goodwill Right, be applicable to the holder of such Goodwill Right, except as otherwise provided in the Guaranty, notwithstanding the provision of Section 6(c) above and the fact that a non-Member does not have the rights described in the Operating Agreement and the other Governing Agreements (as defined in the Operating Agreement) of Guarantor. In connection with and upon issuance of such Goodwill Right, no approvals by Guarantor or any Members, in their capacity as such, shall be required for, and no veto or equivalent rights of Guarantor or any Members, in their capacity as such, shall apply to, the calculation of amounts payable under, and the payment of amounts to the holder thereof pursuant to, such Goodwill Rights by Guarantor in accordance with the terms of such Goodwill Right, except for such approvals and veto or equivalent rights that would not adversely affect Guarantor's ability to make such calculations or such payments in any respect.

(e) Regulatory Compliance. Guarantor is in compliance with all governmental regulations applicable to Guarantor, except where the failure to be in such compliance would not (i) have a material adverse effect on the business of Guarantor and its subsidiaries, taken as a whole or (ii) adversely affect the ability of Guarantor to perform its financial obligations under the Guaranty in any material respect.

(f) Continuation of Business. Guarantor (in its own capacity or through its subsidiaries) is in the investment banking business.

7. Representations and Warranties of Buyer. Buyer hereby represents and warrants, on each of the Initial Purchase Date (with respect to the $150 Million Note only) and the Second Purchase Date (with respect to the $50 Million Note only), that:

(a) Corporate Authorization. Buyer has all necessary corporate power and authority to execute and deliver this Agreement, each of the Notes and the Guaranty, and to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated herein and therein to be consummated by Buyer. The execution and delivery of this Agreement, each of the Notes and the Guaranty by Buyer, the performance of its obligations hereunder and thereunder, and the consummation by Buyer of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action (including by the Board of Directors of Buyer), and no other corporate approvals (including shareholder votes) are applicable to the authorization and consummation of the transactions contemplated by the Agreement, each of the Notes and the Guaranty. This Agreement constitutes a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms (assuming this Agreement is duly executed and delivered by and is valid and binding as against Guarantor and Issuer). The $150 Million Note, when issued in accordance with this Agreement, and the $50 Million Note, when issued in accordance with this Agreement, shall constitute valid and binding

obligations of Buyer, enforceable against Buyer in accordance with their respective terms (assuming that each such Note is duly executed and delivered by and is valid and binding as against Issuer). The Guaranty, when entered into in accordance with this Agreement, shall constitute a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms (assuming that the Guaranty is duly executed and delivered by and is valid and binding as against Guarantor).

(b) No Conflicts. The execution and delivery of this Agreement by Buyer does not, the execution and delivery of each of the Notes and the Guaranty by Buyer will not, and the performance by Buyer of its obligations under this Agreement, each of the Notes and the Guaranty will not, (i) constitute or give rise to a default under any financing agreement or instrument existing on the date hereof and binding upon Buyer, or (ii) violate the terms of any other contract or agreement to which Buyer is a party, except for any such default or violation that would not have a material adverse effect on the financial condition or business of Buyer and its subsidiaries, taken as a whole.

8. Escrow.

(a) Immediately prior and as a condition precedent to the Second Closing, Guarantor shall deposit the CB Note into an escrow account (the "Escrow Account") to secure Guarantor's obligations under the Guaranty pursuant to an escrow agreement to be entered into by and between Guarantor and Buyer (the "Escrow Agreement") on the terms and subject to the conditions set forth herein. The Escrow Agreement shall be governed by the laws of the State of New York, and shall contain the terms and conditions set forth in this Section 8 and such other terms and conditions as shall be reasonably agreed to by Guarantor and Buyer. The Escrow Account shall be held at a money-center bank to be agreed upon by Guarantor and Buyer. If, at any time between the date on which the CB Note is deposited into the Escrow Account and the date of termination of the Escrow Account, the Corporate Bank (as defined in the CB Investment Agreement, dated as of the date hereof, by and among Guarantor, Buyer and, upon the addition of the Corporate Bank (as defined in such agreement) as a signatory thereto, the Corporate Bank (the "CB Investment Agreement")) shall pay all or any part of the outstanding principal amount of the CB Note, the proceeds thereof shall be immediately deposited into the Escrow Account. The amount so deposited shall be used to purchase a AAA-rated bond or note or similarly rated securities as shall be reasonably agreed by Buyer and Issuer. Notwithstanding anything to the contrary set forth herein, any interest paid on the CB Note or on such bonds, notes or securities shall not be deposited into the Escrow Account to secure the Guarantor's obligations under the Guaranty but shall be paid to Guarantor directly.

(b) All amounts held in the Escrow Account shall be immediately released to Guarantor, and the Escrow Account shall terminate, on the earlier of (x) the conversion of the Notes pursuant to the Guaranty, (y) the full repayment of the Notes or (z) a breach of any of the representations and warranties contained in Section 3.6 of the CB Investment Agreement (as provided for in Section 5.5 of the CB Investment Agreement and Section 3(c) of the CB Note); provided, however, that with respect to clause (z) of this Section 8, in the event the $50 Million Note is outstanding as of the Prepayment Date (as defined in the CB Investment Agreement), immediately after Buyer shall transfer the $50 Million Note to Guarantor pursuant to Section 22 (A) an amount held in the Escrow Account equal to the difference, if positive, between (x) the

CB Note Proceeds (as defined in the CB Investment Agreement) and (y) $50 Million Lazard Note Proceeds (as defined in the CB Investment Agreement) shall be immediately released from the Escrow Account to the Guarantor, and (B) simultaneously therewith the CB Note Proceeds (less any amounts payable to Guarantor pursuant to clause (A) above) shall be released from the Escrow Account to the Buyer.

(c) For the purposes of payments under the Guaranty and the Notes, the CB Note shall be valued at an amount equal to the outstanding principal on the CB Note at the time of such repayment, plus accrued but unpaid interest.

(d) Guarantor shall be entitled to cause the immediate release of all or a portion of the amount in such Escrow Account to Buyer (or the applicable holder of the Note(s)) as contemplated by the Guaranty or pursuant to the $50 Million Note.

9. Confidentiality. The Parties agree that the confidentiality provisions of the Transaction Agreement contained in Section 8.2 thereof are hereby incorporated herein by reference and shall be binding upon the Parties as if such provisions were set forth fully herein.

10. Tax Matters. The Parties shall treat each of the Notes as debt of Guarantor for all United States federal, state and local tax purposes, and in any and all communications (including any tax return filings) with United States taxing authorities provided, however, that the Notes shall be treated as debt of Guarantor, Issuer or another appropriate affiliate of Guarantor (taking into account transfers of interests in Issuer or entity classification elections) for United States federal, state and local income tax purposes, if Issuer were treated, for such tax purposes, other than as an entity disregarded as separate from Guarantor. Buyer hereby represents and warrants to Guarantor and Issuer that Buyer is not purchasing the Notes as an extension of credit under a loan agreement entered into in the ordinary course of Buyer's trade or business (as such terms are used in Section 881(c)(3)(A) of the United States Internal Revenue Code of 1986, as amended).

11. Severability. In the event any term or other provision of this Agreement is held invalid, illegal or incapable of being enforced by any applicable rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Guarantor, Issuer or Buyer. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement, as applicable, so as to give effect to the original intent of the Parties.

12. Entire Agreement. This Agreement, including the exhibits hereto, constitutes the entire agreement with respect to the Initial Note Purchase and Second Note Purchase and the other transactions contemplated hereby, and supersedes all other agreements and understandings (both written and oral), between the Parties with respect to the subject matter herein. Other than as expressly contained herein, the Parties have made no other representations and warranties to each other regarding the subject matter hereof.

13. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each Party shall have received counterparts hereof signed by each other Party.

14. GOVERNING LAW; FORUM. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW RULES OF SUCH STATE. Each of Guarantor, Issuer and Buyer agrees that all actions or proceedings arising out of or in connection with this Agreement, the Notes or the Guaranty, or for recognition and enforcement of any judgment arising out of or in connection with this Agreement, the Notes or the Guaranty, shall be tried and determined exclusively in the state or federal courts in the State of New York, and each of Guarantor, Issuer and Buyer hereby irrevocably submits with regard to any such action or proceeding for itself and with respect to its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid courts. Each of Guarantor, Issuer and Buyer hereby expressly waives any right it may have to assert, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any such action or proceeding: (a) any claim that it is not subject to personal jurisdiction in the aforesaid courts for any reason; (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts; and (c) that (i) any of the aforesaid courts is an inconvenient or inappropriate forum for such action or proceeding, (ii) venue is not proper in any of the aforesaid courts, and (iii) this Agreement, the Notes or the Guaranty, or the subject matter hereof or thereof, may not be enforced in or by any of the aforesaid courts.

15. Notices. All notices, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number or person as a Party may designate by notice to the other Parties):

If to Guarantor:

Lazard LLC
30 Rockefeller Plaza
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: (212)-332-5972
Telephone: (212)-632-6000

with a copy (which shall not constitute notice) to each of:

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quattro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: 011-39-6-487-1101
Telephone: 011-39-06-478-751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.
Facsimile: (212) 403-2000
Telephone: (212) 403-1000

If to Issuer:

Lazard Funding Limited LLC
30 Rockefeller Center
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: (212)-332-5972
Telephone: (212)-632-6000

with a copy (which shall not constitute notice) to each of:

Lazard LLC
30 Rockefeller Plaza
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: (212)-332-5972
Telephone: (212)-632-6000

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quattro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: 011-39-6-487-1101
Telephone: 011-39-06-478-751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.
Facsimile: (212) 403-2000
Telephone: (212) 403-1000

If to Buyer:

Banca Intesa S.p.A.
Via Monte di Pietà, 8
20121 Milano
ITALY
Attention: Direzione Partecipazioni
Facsimile: 011 39 02 8796 2376
Telephone: 011 39 02 8796 2072

and

Banca Intesa S.p.A.
Via Monte di Pietà, 8
20121 Milano
ITALY
Attention: Direzione Affari Legali
Facsimile: 011 39-02-8796-2079
Telephone: 011 39-02-8796-3523

with a copy (which shall not constitute notice) to:

Pedersoli Lombardi e Associati
Via Andegari, 4/A
20121 Milano
ITALY
Attention: Antonio Pedersoli, Esq.
Facsimile: 011 39 02-87919333
Telephone: 011 39 02-879191

and

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
UNITED STATES OF AMERICA
Attention: George J. Sampas, Esq.
Facsimile: (212) 558-3588
Telephone: (212) 558-4000

16. Definitions. For the purposes of this Agreement:

(a) "affiliate" or "affiliates" means, with respect to a person, any other person in which the first such person has a direct or indirect controlling interest or by which the first such person is directly or indirectly controlled or which is under direct or indirect common control with the first such person;

(b) "control" with respect to any person means the power to direct the management and policies of such person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other persons; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing;

(c) "controlled affiliate" means, with respect to a person, any other person in which the first such person has a direct or indirect controlling interest ignoring the concept of "under common control" (for the avoidance of doubt, the JV Company (as defined in the Transaction Agreement) shall not be deemed to be a controlled affiliate of Guarantor, Issuer or Buyer under this Agreement unless otherwise indicated);

(d) "person" or "persons" include natural persons, corporations, limited liability companies, S.p.A.'s (*Società per Azioni)*, S.r.l.'s (*Società a responsabilità limitata*), trusts, joint ventures, associations, companies, partnerships, governments or agencies or political subdivisions thereof and other political or business entities; and

(e) "subsidiary" or "subsidiaries" means, with respect to any person, any corporation, limited liability company, S.p.A. (*Società per azioni*), S.r.l. (*Società a responsabilità limitata*), trust, joint venture, association, company, partnership or other legal entity of which a person (either alone or through or together with any other subsidiary of such person) (A) owns, directly or indirectly, a majority of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity, or (B) is otherwise entitled to exercise (1) a majority of the voting power generally in the election of the board of directors or other governing body of such corporation or other legal entity or (2) control of such corporation or other legal entity (for the avoidance of doubt, the JV Company shall not be deemed to be a subsidiary of either Buyer or Guarantor under this Agreement unless otherwise indicated).

17. Amendments; No Waivers. Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is signed, in the case of an amendment, by each Party or, in the case of a waiver, by the Party against whom the waiver is to

be effective. The waiver by a Party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach. No failure or delay by either Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

18. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their respective legal successors and permitted assigns, and nothing herein expressed or implied shall give or be construed to give to any person, other than the Parties and such successors and assigns, any legal or equitable rights hereunder or to otherwise confer any benefits, remedies, obligations or liabilities hereunder upon any person or entity other than the Parties and such successors and assigns.

19. Specific Performance. The Parties acknowledge that there would be no adequate remedy at law if any Party fails to perform any of its obligations hereunder, and accordingly agree that each Party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to compel specific performance of the obligations of any other Party under this Agreement in accordance with the terms and conditions of this Agreement. Any remedy under this Section 19 is subject to certain equitable defenses and to the discretion of the court before which any proceedings therefor may be brought.

20. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal successors and permitted assigns. No Party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other Parties.

21. Reliance and Survival of Representations. The respective representations and warranties of each Party contained in Sections 5, 6, or 7, as applicable, shall (i) be deemed to have been relied upon by each Party to which any such representation or warranty is made, notwithstanding any investigation heretofore or hereafter made by or on behalf of a Party to which any such representation and warranty is made, and (ii) survive the execution and delivery of this Agreement, the Guaranty and each of the Notes for a period of 18 months after the date hereof (the "Survival Period") and, with respect to Sections 6(c) and (d) only, shall have an additional survival period that shall begin on the date of conversion of each of such Notes or, if applicable, both such Notes and shall continue for 18 months from such date of conversion. In the event that a representation or warranty set forth in Section 5, 6 or 7 of this Agreement is breached by the Party making such representation or warranty during the Survival Period and that the Party to whom such representation or warranty is made pursuant to such Section 5, 6 or 7 reasonably makes a good faith claim by giving written notice to such breaching Party prior to the end of the Survival Period, which notice sets forth in reasonable detail the claim being made and the applicable representation or warranty which breach gave rise to such claim, such claim, and only such claim, shall survive until such time as such claim is finally resolved notwithstanding the expiration of the Survival Period.

22. CB Investment Prepayment. In the event that the CB Note shall become immediately due and payable to Guarantor pursuant to Section 5.5 of the CB Investment Agreement, the CB Note Proceeds shall be immediately released to Guarantor; provided,

however, that in the event the $50 Million Note shall be outstanding as of the Prepayment Date, on the Prepayment Date: (1) Buyer shall transfer the $50 Million Note to Guarantor, (2) immediately after such transfer to Guarantor, an amount held in the Escrow Account equal to the difference, if positive, between (x) the CB Note Proceeds (as defined in the CB Investment Agreement) and (y) $50 Million Lazard Note Proceeds (as defined in the CB Investment Agreement) shall be immediately released to Guarantor from the Escrow Account, (3) simultaneously therewith the proceeds of the Escrow Account (less any amounts payable to Guarantor pursuant to clause (2) above) shall be released from the Escrow Account to the Buyer, and (4) if the $50 Million Lazard Note Proceeds exceed the CB Note Proceeds, Issuer shall, at its own expense, authenticate, issue and deliver to Buyer a substitute promissory note that shall be identical in all respects to the $50 Million Note except that the face amount shall be an amount equal to the difference between the $50 Million Lazard Note Proceeds and the CB Note Proceeds.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BANCA INTESA S.P.A.

By: /s/Corrado Passera
Name: Corrado Passera
Title: Managing Director
and Chief Executive Officer

LAZARD LLC

By: /s/ Scott D. Hoffman
Name: Scott D. Hoffman
Title: Authorized Person and
General Counsel

LAZARD FUNDING LIMITED LLC

By: /s/ Scott D. Hoffman
Name: Scott D. Hoffman
Title: Vice President

Note Purchase Agreement Signature Page

Exhibit 10.13

[Copy]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR OTHER COUNTRY AND MAY NOT BE OFFERED OR SOLD UNLESS IT HAS BEEN REGISTERED UNDER SUCH ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

THIS SECURITY MAY NOT BE SOLD, ASSIGNED, PLEDGED, ENCUMBERED, DISPOSED OF OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF **SECTION 13** HEREOF.

THIS SECURITY IS PREPAYABLE AT THE OPTION OF THE COMPANY UNDER CERTAIN CIRCUMSTANCES IN ACCORDANCE WITH **SECTION 3** OR **SECTION 4** HEREOF. THE MATURITY DATE OF THIS SECURITY MAY BE ALTERED IN ACCORDANCE WITH **SECTION 5** HEREOF.

LAZARD FUNDING LIMITED LLC
Subordinated Convertible Promissory Note
Due March 26, 2018

$150,000,000.00

New York, New York
March 26, 2003

FOR VALUE RECEIVED, the undersigned, Lazard Funding Limited LLC, a Delaware limited liability company (together with its successors, the "Company"), hereby promises to pay to the order of Banca Intesa S.p.A., a *Società per Azioni* organized under the laws of the Republic of Italy (together with its successors and permitted assigns, the "Holder"), the principal sum of $150,000,000.00 together with interest from the date hereof on the unpaid balance thereof. The Company shall pay interest at the rate set forth in Section 2: (i) annually in arrears on each anniversary of the date of issuance of this Note (each date of payment being an "Interest Payment Date"), (ii) upon conversion in accordance with Section 9 hereof, and (iii) on the date on which the principal amount hereof shall be due to the extent then accrued and unpaid. The principal amount of this Note and accrued and unpaid interest thereon shall be payable in full on March 26, 2018 (such date or any earlier date upon which the outstanding amount hereunder is due pursuant to Section 5 or 7 below, the "Maturity Date"). Payments of both principal and interest are to be made in accordance with Section 3 below. As used herein, the term "Note" includes this Note and any Note issued in exchange herefor or in replacement hereof.

This Note has been unconditionally guaranteed by Lazard LLC ("Lazard" or the "Guarantor") pursuant to that certain Guaranty dated as of the date hereof.

Section 1. Certain Definitions.

(a) The following terms, as used herein, have the following meanings:

"Annual Interest Payment Date" has the meaning assigned to such term in Section 3(a) hereof.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks are authorized or required to be closed for business in either New York City, New York, United States of America or Milan, Italy.

"CB Note" has the meaning assigned to such term in the Transaction Agreement.

"Change in Control of Intesa" has the meaning assigned to such term in the Transaction Agreement.

"Change in Control of Lazard" has the meaning assigned to such term in the Transaction Agreement.

"Change in Control of the Corporate Bank" has the meaning assigned to such term in the Transaction Agreement.

"Control Event" has the meaning assigned to such term in the Lazard Operating Agreement.

"Control Transaction" has the meaning assigned to such term in the Transaction Agreement.

"Debt" means (without duplication), with respect to any Person, (i) any obligation of such Person to pay the principal of, premium of, if any, interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company, whether or not a claim for such post-petition interest is allowed in such proceeding), penalties, reimbursement or indemnification amounts, fees, expenses or other amounts relating to any indebtedness, and any other liability, contingent or otherwise, of such Person (A) for borrowed money (including instances where the recourse of the lender is to the whole of the assets of such Person or to a portion thereof), (B) evidenced by a note, debenture or similar instrument (including any such instrument evidencing a purchase money obligation) including securities, (C) for any letter of credit or performance or surety bond obtained by such Person, (D) for the payment of money relating to a capitalized lease obligation, or (E) with respect to any sale and leaseback transaction; (ii) any obligation of other Persons of the kind described in the preceding clause (i), which the Person has guaranteed or which is otherwise its legal liability; (iii) any obligation of the type described in clauses (i) and (ii) secured by a lien to which the property or assets of such Person are subject, whether or not the obligations secured thereby shall have been assumed by or shall otherwise be such Person's legal liability; and (iv) any and all deferrals, renewals, extensions and refunding of, or amendments, modifications or supplements to, any obligation of the kind described in any of the preceding clauses (i), (ii) or (iii).

"Exchange Rate" means, on a particular date, the exchange rate quoted as the buying rate at which the Euro may be exchanged into the United States Dollar, as set forth by the Federal Reserve Bank of New York at 12:00 noon New York time on such date.

"Guaranty" means that certain Guaranty by Lazard in favor of the Holder dated as of the date hereof, as from time to time amended or modified in accordance with its terms.

"JV Company" means Lazard & Co. S.r.l., a *Società a responsabilità limitata* organized under the laws of the Republic of Italy.

"JV Relationship" has the meaning assigned to such term in the Transaction Agreement.

"JV Termination Date" has the meaning assigned to such term in the Transaction Agreement.

"Lazard Contribution Date" has the meaning assigned to such term in the Transaction Agreement.

"Lazard Operating Agreement" means the Third Amended and Restated Operating Agreement of Lazard, dated as of January 1,2002, as amended as of January 10,2003, and as such may be further amended or supplemented from time to time.

"Liquidity Event" has the meaning assigned to such term in the Lazard Operating Agreement.

"Note Purchase Agreement" means the agreement, dated as of the date hereof, by and among the Company, the Guarantor and the Holder, setting forth the terms and conditions of the issuance and purchase of this Note and the $50 Million Lazard Note.

"Person" or "Persons" means natural persons, corporations, limited liability companies, S.p.A.'s *(Società per Azioni),* S.r.l.'s *(Società a responsabilità limitata),* trusts, joint ventures, associations, companies, partnerships, governments or agencies or political subdivisions thereof and other political or business entities.

"Renewal Date Termination" has the meaning assigned to such term in the Transaction Agreement.

"Senior Debt" means all Debt of the Company other than the Debt hereunder, whether outstanding on the date of this Note or thereafter created, incurred or assumed; provided, however, that the term "Senior Debt" shall not include (A) any Debt or obligation owed to a Subsidiary, (B) any Debt or obligation which by the express terms of the instrument creating or evidencing the same is not superior in right of payment to the Debt outstanding hereunder, (C) any Debt or obligation which is subordinate in right of payment in any respect to any other Debt or obligation, unless such Debt or obligation by the express terms of the instrument creating or evidencing the same is senior to this Note and subordinated to another Debt or obligation, (D) for the avoidance of doubt, any Debt or obligation constituting a trade account payable, other

account payable or similar liability, or (E) amendments, renewals, extensions, modifications and refundings of any such Debt or obligation referred to in clauses (A) through (D) hereof.

"Subsidiary" or "Subsidiaries" means, with respect to any Person, any corporation, limited liability company, S.p.A. *(Societá per Azioni)*, S.r.l. *(Societá a responsabilitá limitata)*, trust, joint venture, association, company, partnership or other legal entity of which a Person (either alone or through or together with any other Subsidiary of such Person) (A) owns, directly or indirectly, a majority of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity, or (B) is otherwise entitled to exercise (1) a majority of the voting power generally in the election of the board of directors or other governing body of such corporation or such other legal entity or (2) control of such corporation or other legal entity.

"10-Year Treasury Rate" means (i) with respect to the first year during which this Note shall be outstanding, the per annum rate equal to the Telerate Rate on the U.S. Business Day immediately preceding the date of issuance of this Note, and (ii) with respect to each year thereafter, for the one-year period succeeding each Interest Payment Date, the per annum rate equal to the arithmetic average of the Telerate Rates for each of the 20 U.S. Business Days immediately preceding such Interest Payment Date.

"Telerate Rate" means the annual yield for United States Treasury securities having a 10-year term to maturity as shown in the display currently designated as "Page 500" on the Telerate service (or such other display as may replace Page 500 on the Telerate service) at 5:00 p.m.. New York City time, or, if the Telerate service is no longer available (or if such yield is not reported as of such time or the yield reported as of such time is not ascertainable), such annual yield for such United States Treasury securities as determined by reference to Federal Reserve Statistical Release H.15 (519) published most recently prior to such U.S. Business Day.

"Transaction Agreement" means the Master Transaction and Relationship Agreement, dated as of the date hereof, by and among Lazard, the Holder and the JV Company, setting forth, inter alia, the terms of the parties' investment in the JV Company, as from time to time amended in accordance with its terms.

"U.S. Business Day" means any day other than a Saturday, Sunday or a day on which banks are authorized or required to be closed for business in New York City, New York, United States of America.

"$50 Million Lazard Note" has the meaning assigned to such term in the Note Purchase Agreement.

(b) As used in this Note, the expressions "pay in full", "paid in full" or "payment in full" means, with respect to any indebtedness, the final and indefeasible payment in full in cash of all such indebtedness in accordance with its terms.

(c) "control", used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with an agreement,

arrangement or understanding (written or oral) with one or more other persons; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

Section 2. Payment of Interest.

(a) Interest on the unpaid balance of the principal amount of this Note will accrue annually at a rate per annum equal to the lesser of (1) 3.25% and (2) the greater of (x) 3% or (y) the excess of (i) the then-applicable 10-Year Treasury Rate over (ii) 0.944%. Interest will be calculated on the basis of a 360-day year of twelve 30-day months; provided, however, that from and after the date on which an Event of Default occurs, and until such Event of Default is either cured or waived, interest shall accrue at a rate 3 % per annum above the rate otherwise applicable (the "Higher Interest Rate"). Interest shall be payable, in arrears, (1) on each Interest Payment Date as set forth in the first paragraph of this Note, (2) upon conversion pursuant to Section 9 hereof, and (3) on the Maturity Date.

(b) The Company shall have the option to defer payment of any interest due hereunder until the date that is 60 days after (i) the Interest Payment Date or (ii) any other date on which payment of interest would otherwise be due (each such date, a "Deferred Interest Payment Date"). The amount of interest so deferred (the "Deferred Interest") shall accrue interest at the Higher Interest Rate, payable with the Deferred Interest on such Deferred Interest Payment Date.

Section 3. Method of Payment.

(a) Notwithstanding anything to the contrary set forth herein, unless and until this Note is converted in accordance with Section 9 hereof, (i) payment of amounts due and payable hereunder, including amounts due and payable on the Maturity Date or in connection with prepayment under Section 3 or 4 hereof, but excluding the payment of interest on each Annual Interest Payment Date, shall be made at the option of the Company (1) in United States Dollars by wire transfer of immediately available funds to such bank account as the Holder may from time to time designate in writing, (2) by transferring to the Holder in satisfaction of obligations hereunder all or a portion of the obligations (whether for principal or interest) outstanding under the CB Note, valued at the outstanding principal amount thereof plus accrued and unpaid interest as of the date of such transfer, computed at the Exchange Rate applicable on the Business Day that is one Business Day prior to the date of such transfer, or (3) by a combination of (1) and (2), and (ii) any payment, whether of interest, principal, or otherwise, due hereunder on a date which is not a Business Day shall be due and payable on the immediately following Business Day. For the purposes of this Note, "Annual Interest Payment Date" shall mean any Interest Payment Date or Deferred Interest Payment Date that is not a Maturity Date or a date of prepayment under Section 3 or 4 hereof.

(b) Taxes. Amounts due under this Note shall be paid free and clear of all United States federal, state or local taxes, assessments or governmental charges payable by deduction or withholding from payment of principal of or interest on this Note, except for any tax, assessment or governmental charge that would not have been imposed but for (i)

the existence of any present or former connection between the Holder and the United States including, without limitation, the Holder being or having been a citizen or resident or treated as a resident thereof, or being or having been engaged in trade or business or present therein or having had a permanent establishment therein, (ii) the Holder's failure to comply with any certification, identification or other reporting requirements concerning the Holder's nationality, residence, identity or connection with the United States, if compliance is required as a precondition to exemption from such tax, assessment or other governmental charge, or (iii) a failure by the Holder to provide the form specified in Section 3(c) of this Note in the manner specified therein or a failure of the form provided by the Holder pursuant to Section 3(c) of this Note to be accurate and effective.

(c) Tax Forms. The Holder shall deliver to the Company prior to the first payment of interest on or principal of this Note an appropriate U.S. Internal Revenue Service Form W-8 (or the appropriate successor form), duly executed and completed in a manner acceptable to the Company, certifying that the Holder is a foreign person for United States federal income tax purposes.

(d) Prepayment Option Upon Change in Tax Law. In the event that, on or after March 26, 2003 any action is taken by any governmental agency or regulatory authority, or any statutory or regulatory amendment or change is enacted, promulgated or issued, or any interpretation or pronouncement is issued or adopted or any ruling is promulgated in any jurisdiction (collectively, a "Change in Tax Law"), the effect of which Change in Tax Law is to render this Note subject to any taxes, assessments or other governmental charges, other than any tax, assessment or governmental charge that would not have been imposed but for the existence of a condition set forth in clause (i), (ii) or (iii) of Section 3(b) hereof, the Company may, in its discretion, if this Note shall not have been previously converted in accordance with Section 9, prepay no later than 45 days after the Company shall have received notice of such Change in Tax Law the principal amount then outstanding hereunder, plus accrued and unpaid interest thereon through the date of prepayment, in accordance with Section 3(a), without penalty or premium.

Section 4. Change in Control.

(a) In the event that a Control Transaction involving a Change in Control of Lazard is consummated and the JV Relationship is terminated in accordance with Section 4.2(a)(ii) of the Transaction Agreement by reason of such Change in Control of Lazard, the Company shall have the option in its sole discretion either (1) to prepay the principal amount outstanding hereunder in accordance with Section 3 no later than 30 days after the JV Termination Date, without penalty or premium, together with any interest accrued through the date of payment, or (2) to provide the Holder with a guarantee or letter of credit payable on demand from an internationally recognized financial institution with a credit rating of at least the greater of (i) the then current credit rating of Intesa by Standard and Poor's (or, if not available, Moody's Investors Service) or (ii) an investment credit rating by Standard and Poor's (or an equivalent rating at Moody's Investors Service) in the amount of the principal amount outstanding hereunder plus interest on this Note that is accrued and unpaid through the date of consummation of such

Control Transaction and assuring payment of this Note when and as the amount outstanding hereunder becomes due and payable.

(b) In the event of the consummation of (1) a Control Event, (2) a Liquidity Event under Section 7.03(a) of the Lazard Operating Agreement, or (3) a sale of Interests (as defined in the Lazard Operating Agreement) pursuant to Section 6.02(b) of the Lazard Operating Agreement, the Company may, in its discretion, if this Note shall not have been previously converted, prepay the principal amount outstanding hereunder, plus accrued and unpaid interest thereon through the date of prepayment, in accordance with Section 3, without penalty or premium.

(c) Notwithstanding anything to the contrary in this Note or in any other agreement between the Holder and the Company in effect as of the date hereof, and except as permitted in Section 3(d) above, the Company shall not have the obligation to redeem or prepay this Note prior to the Maturity Date except pursuant to this Section 4.

Section 5. Alteration of Maturity Date under Certain Circumstances.

(a) In the event of a termination of the JV Relationship by Lazard pursuant to a Renewal Date Termination under Section 4.2(a)(i) of the Transaction Agreement, the Maturity Date shall immediately and automatically become the first Business Day after the date half-way between the JV Termination Date and the Maturity Date; provided, however, in the event that Lazard shall determine in accordance with Section 4.4(b)(ii) of the Transaction Agreement that such termination was supported by Just Cause (as defined in the Transaction Agreement), the Maturity Date shall not be altered pursuant to this Section 5(a) unless and until it shall be finally determined through arbitration in accordance with such Section 4.4(b)(ii) of the Transaction Agreement that such termination was not supported by Just Cause, in which case the Maturity Date shall immediately and automatically become the later of (A) the first Business Day after the date half-way between the JV Termination Date and the Maturity Date or (B) the date that is 45 days after such final determination.

(b) In the event (1) of a termination of the JV Relationship by the Holder pursuant to a Renewal Date Termination under Section 4.2(a)(i) of the Transaction Agreement that the Holder shall determine in accordance with Section 4.4(b)(i) of the Transaction Agreement to be supported by Just Cause, and (2) it shall be finally determined by the Arbitration Panel in accordance with such Section 4.4(b)(i) of the Transaction Agreement that such termination was supported by Just Cause, the Maturity Date shall immediately and automatically become the later of (A) the first Business Day after the date half-way between the JV Termination Date and the Maturity Date or (B) the date that is 45 days after such final determination.

(c) In the event of a termination of the JV Relationship by the Holder by reason of a Change in Control of Lazard pursuant to Section 4.2(a)(ii) of the Transaction Agreement, the Maturity Date shall, at the option of the Company, (i) become the date such Change in Control of Lazard is consummated or (ii) remain unaffected, provided in the case of clause (ii) that the Company or, if Lazard so elects, Lazard delivers to the

Holder a bank guarantee payable on demand for an amount equal to the sum of (x) the principal of this Note outstanding on the date such Change in Control of Lazard is consummated and (y) the interest thereon payable until the Maturity Date.

(d) In the event of a termination of the JV Relationship by Lazard by reason of a Change in Control of Lazard pursuant to Section 4.2(a)(ii) of the Transaction Agreement, the Maturity Date shall immediately and automatically become the JV Termination Date.

(e) In the event that the Transaction Agreement is terminated under Section 10.1(c) thereof and the failure of the Joint Venture Closing (as defined in the Transaction Agreement) to occur by December 31,2003 is solely a result of the material failure of Lazard to fulfill any of its covenants in the Transaction Agreement regarding the Contributions or the Alternative Joint Venture (each as defined in the Transaction Agreement) that are required to be fulfilled prior to the Joint Venture Closing, the Maturity Date shall immediately and automatically become December 31, 2004.

(f) In the event of a termination of the JV Relationship by Lazard pursuant to a Change in Control of Intesa under Section 4.2(a)(ii) of the Transaction Agreement, the Maturity Date shall immediately and automatically become the first Business Day after the date half-way between the JV Termination Date and the Maturity Date.

(g) Notwithstanding anything to the contrary in this Note or in any other agreement between the Holder and Lazard in effect as of the date hereof, the Maturity Date shall not be shortened except as provided in this Section 5 and Section 7.

Section 6. Events of Default. If any of the following events ("Events of Default") occurs:

(a) the Company fails to pay any amount due under this Note when the same becomes due and payable, and such failure continues for 30 days after notice thereof by the Holder to the Company; provided, however, that this Section 6(a) shall not apply to Deferred Interest;

(b) the Company fails to pay any Deferred Interest under this Note when the same becomes due and payable on the applicable Deferred Interest Payment Date;

(c) the Company shall have materially breached its covenants contained in this Note, and the Company shall not have cured such breach by the date 30 days after notice thereof by the Holder to the Company; provided that the Higher Interest Rate shall apply during the 30-day grace period referred to in this Section 6(c);

(d) the Guarantor shall have materially breached its covenants to the Holder set forth in Section 7, Section 8(f), Section 8(g) and Section 9 of the Guaranty, and the Guarantor shall not have cured such breach by the date 30 days after notice thereof by the Holder to the Guarantor; provided that the Higher Interest Rate shall apply during the 30- day grace period referred to in this Section 6(d);

(e) the Company shall be in default beyond any applicable grace or notice period in the payment of Debt for money borrowed in an amount in excess of $50,000,000, and (i) the holders of such Debt shall have demanded accelerated repayment thereof, or (ii) the final maturity of such Debt shall have occurred;

(f) the Company makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or files a voluntary petition in bankruptcy, or is adjudicated as bankrupt or insolvent, or files any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation in the United States, or files any answer admitting or failing to deny the material allegations of a petition filed against the Company for any such relief, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, or the Company or its directors or majority stockholders take any action for the purpose of effecting any of the foregoing; or

(g) if, within 60 days after the commencement of any proceeding against the Company seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, in the United States, such proceeding has not been dismissed or if, within 60 days after the appointment, without the consent or acquiescence of the Company, of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment has not been vacated;

then, and in any such event, the Holder at its option may proceed to protect and enforce its rights in the manner set forth in Section 7 below.

Section 7. Remedies on Default, etc. If an Event of Default has occurred and is continuing, the Holder may (a) elect, by written notice to the Company, to declare the entire amount outstanding hereunder to be due and payable in full, whereupon the entire such amount shall be and become due and payable in full, provided, however, that no such notice shall be required in the event of occurrence of one of the events specified in clauses (f) or (g) of Section 6 and if any such event shall occur, this Note and all amounts outstanding hereunder shall immediately and automatically be and become due and payable in full without notice or declaration of any kind, and/or (b) proceed to protect and enforce its rights by a suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any agreement contained in this Note, or for an injunction against a violation of any of the terms hereof or in aid of the exercise of any right, power or remedy granted hereby or by law, equity, statute or otherwise. No course of dealing and no delay on the part of the Holder in exercising any right, power or remedy will operate as a waiver thereof or otherwise prejudice the Holder’s rights, powers or remedies. No right, power or remedy conferred hereby is exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise.

Section 8. Ranking and Priority of Note.

(a) Subordination. The Company, for itself, its successors and assigns, covenants and agrees, and the Holder, by its acceptance of this Note likewise covenants and agrees, that anything herein or in the Transaction Agreement or any related agreement or instrument to the contrary notwithstanding, the indebtedness evidenced by or arising on account of this Note (or any renewal or extension thereof), including, without limitation, principal and interest, is and shall be subordinate and subject in right of payment to the prior payment in full of all Senior Debt of the Company, whether outstanding on the date hereof or incurred hereafter, to the extent and in the manner set forth herein.

(b) Extent of Subordination. If any payment default has occurred and is continuing on any Senior Debt, or a non-payment default has occurred and is continuing on the Senior Debt and the Holder has received notice of such non-payment default, then the Company shall not make any direct or indirect payment or distribution of any kind or character, whether in cash, property or securities, to, or for the benefit of, the Holder pursuant to or in respect of this Note (whether principal or interest or otherwise), and whether before, after or in connection with any dissolution, winding up, liquidation or reorganization or receivership proceeding or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Company). Notwithstanding the preceding sentence, if the Senior Debt has been paid in full or the relevant default has been cured or waived, the Company shaft make payments in accordance with this Note.

(c) Distributions in Bankruptcy. Upon any distribution in any bankruptcy or similar proceeding, any distribution to which the Holder is entitled shall be paid directly to the holders of Senior Debt to the extent necessary to make payment in full of all Senior Debt remaining unpaid after giving effect to all other distributions to or for the benefit of the holders of Senior Debt.

(d) Priority in Bankruptcy. For avoidance of doubt, in the event of any liquidation, dissolution, reorganization or winding up of the Company, the Debt outstanding hereunder is senior and prior in right of payment to all Interests and Capital (each as defined in the Lazard Operating Agreement) and other equity interests of the Company.

(e) Application of Distributions. If any distribution, payment or deposit to redeem, defease or acquire the Debt outstanding hereunder shall have been received by the Holder at a time when such distribution was prohibited by the provisions of this Section 8, then, unless such distribution is no longer prohibited by this Section 8, such distribution shall be received and applied by the Holder for the benefit of the holders of Senior Debt, and shall be paid or delivered by the Holder to the holders of Senior Debt for application to the payment of all Senior Debt in compliance with applicable law.

(f) Subrogation Rights. The Holder shall not have any subrogation or other rights of recourse to any security in respect of any Senior Debt until such time as all Senior Debt shall have been paid in full. Upon the payment in full of all Senior Debt and to the

extent permitted by applicable law, the Holder shall be subrogated to the rights of the holders of Senior Debt to receive distributions applicable to Senior Debt until all amounts owing in respect of the Debt outstanding hereunder shall be so paid. No distributions to the holders of Senior Debt which otherwise would have been made to the Holder shall, as between the Company and the Holder, be deemed to be payment by the Company to or on account of Senior Debt. If any distribution to which the Holder would otherwise have been entitled shall have been applied pursuant to the provisions of this Section 8 to the payment of Senior Debt, then the Holder shall be entitled to receive from the holders of such Senior Debt any distributions received by such holders of Senior Debt in excess of the amount sufficient to pay all amounts payable on such Senior Debt to the extent provided herein and under applicable law.

(g) Reliance. Upon any distribution in a bankruptcy or similar proceeding, the Holder shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which the proceeding is pending, or a certificate of the liquidating trustee or agent or other Person making any distribution for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Debt and other Debt of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 8.

(h) Ratable Distributions. Any distribution otherwise payable to the Holder made to holders of Senior Debt pursuant to this Section 8 shall be made to such holders of Senior Debt ratably according to the respective amount of Senior Debt held by each, taking into account any priorities which may be established among the holders of such Senior Debt pursuant to applicable law.

(i) Obligations Not Impaired. Nothing contained in this Note is intended to or will impair as between the Company, its creditors, and the Holder, the obligation of the Company, which is absolute and unconditional, to pay to the Holder as and when amounts become due and payable in accordance with the terms of this Note or affect the relative rights of the Holder and the creditors of the Company.

(j) Further Actions. The Holder, by its acceptance hereof, agrees to take such further action as may be reasonably requested by the Company in order to effectuate the subordination as provided herein.

Section 9. Conversion. The Holder shall be entitled to convert, at any single time (including in connection with a Liquidity Event) at its sole discretion (provided that, if the $50 Million Lazard Note has been issued, the Holder shall simultaneously therewith convert the $50 Million Lazard Note), the entire principal amount of this Note outstanding at the time of conversion into a goodwill right in Lazard having the rights and obligations set forth in Section 8 of the Guaranty on the terms and subject to the conditions set forth in the Guaranty. In connection with such conversion, all interest which is accrued and unpaid on this Note as of the date of conversion will be paid, in the manner specified in Section 3 hereof, at the effective time of conversion of such Note.

Section 10. Amendments and Waivers. Neither this Note nor any term hereof may be amended or waived orally or in writing, except that any term of this Note may be amended and the observance of any term of this Note may be waived (either generally or in a particular instance and either retroactively or prospectively) with (but only with) the written consent of the Company and the Holder.

Section 11. Captions. The captions in this Note are included for convenience of reference only and do not form a part of this Note or in any way limit or affect its interpretation or construction.

Section 12. Notices. All notices, consents, waivers and other communications required or permitted by this Note shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number or Person as a party may designate by notice to the other parties):

If to the Company:

Lazard Funding Limited LLC
30 Rockefeller Plaza
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: 001-212-332-5972
Telephone: 001-212-632-6000

with a copy (which shall not constitute notice) to each of:

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quatro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: +39 06 487 1101
Telephone: +39 06 478 751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.

Facsimile: 001-212-403-2000
Telephone: 001-212-403-1000

If to the Holder:

Banca Intesa S.p.A.
Via Monte di Pietà n. 8
20121 Milano
ITALY
Attention: Direzione Partecipazioni
Facsimile: +39 02 8796 2072
Telephone: +39 02 8796 2376

and

Banca Intesa S.p.A.
Via Monte di Pietà n. 8
20121 Milano
ITALY
Attention: Direzione Affari Legali
Telephone: +39 02 8796 3523
Facsimile: +39 02 8796 2079

with a copy (which shall not constitute notice) to:

Pedersoli Lombardi e Associati
Via Andegari, 4/A
20121 Milano
ITALY
Attention: Antonio Pedersoli, Esq.
Facsimile: +39 02 879 19333
Telephone: +39 02 879 191

and

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
UNITED STATES OF AMERICA
Attention: George J. Sampas, Esq.
Facsimile: 001-212-558-3588
Telephone: 001-212-558-4000

Section 13. Restrictions on Transfer. THE HOLDER MAY NOT DIRECTLY OR INDIRECTLY SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF THIS NOTE AT ANY TIME WITHOUT THE PRIOR WRITTEN CONSENT OF THE HEAD OF LAZARD (AS DEFINED IN THE TRANSACTION

AGREEMENT) WHO MAY WITHHOLD SUCH CONSENT FOR ANY REASON IN HIS SOLE DISRECTION; PROVIDED THAT IN THE EVENT THAT HOLDER DESIRES TO TRANSFER THIS NOTE TO A WHOLLY-OWNED SUBSIDIARY OF HOLDER AND EACH OF THE HOLDER AND SUCH WHOLLY-OWNED SUBSIDIARY AGREE THAT SUCH SUBSIDIARY SHALL TRANSFER THE NOTE TO HOLDER IMMEDIATELY UPON SUCH SUBSIDIARY CEASING TO BE WHOLLY-OWNED BY HOLDER, THEN THE CONSENT OF THE HEAD OF LAZARD TO SUCH TRANSFER SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED.

Section 14. Setoff. THIS NOTE SHALL NOT BE USED TO SATISFY OR OFFSET ANY CLAIM BY THE HOLDER AGAINST THE COMPANY OR ANY OTHER OBLIGATION OWED BY THE HOLDER TO THE COMPANY WITHOUT THE PRIOR WRITTEN CONSENT OF THE HEAD OF LAZARD (AS DEFINED IN THE TRANSACTION AGREEMENT) WHO MAY WITHHOLD SUCH CONSENT FOR ANY REASON IN HIS SOLE DISCRETION.

Section 15. Governing Law; Forum: Construction. THIS NOTE IS GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF. Each of the Company and the Holder agrees that all actions or proceedings arising out of or in connection with this Note, or for recognition and enforcement of any judgment arising out of or in connection with this Note, shall be tried and determined exclusively in the state or federal courts in the State of New York, and each of the Company and the Holder hereby irrevocably submits with regard to any such action or proceeding for itself and with respect to its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid courts. Each of the Company and the Holder hereby expressly waives any right it may have to assert, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any such action or proceeding: (a) any claim that it is not subject to personal jurisdiction in the aforesaid courts for any reason; (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts; and (c) that (i) any of the aforesaid courts is an inconvenient or inappropriate forum for such action or proceeding, (ii) venue is not proper in any of the aforesaid courts, and (iii) this Note, or the subject matter hereof, may not be enforced in or by any of the aforesaid courts.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this Note to be executed and delivered on the date first written above.

LAZARD FUNDING LIMITED LLC

By: 

Name: Scott D. Hoffman
Title: Vice President

Accepted and agreed as of the
day and year first above written:

BANCA INTESA S.P.A.

By 

Name: Corrado Passera
Title: Managing Director
and Chief Executive Officer

[$150 Million Note Signature Page]

LAZARD

LAZARD & CO. S.R.L.

[Copy]
LAZARD & CO. S.R.L.
Subordinated Non-Transferable Promissory Note
(*i.e.*, Promise of Payment and Debt Acknowledgement)
Due June 10, 2078

US $50,000,000

London, UK
As of June 10, 2003

FOR VALUE RECEIVED BY WAY OF SUBORDINATED FINANCING, the undersigned, Lazard & Co. S.r.l., an Italian *Societá a responsabilitá limitata* (together with its successors, the <<Company>>), hereby promises to pay to the order of Banca Intesa S.p.A.(<<Intesa>>, together with its successors and permitted assigns, the <<Holder>>), the principal sum of Fifty Million United States Dollars (US $50,000,000) together with interest from the date hereof on the unpaid balance thereof; the Company fully acknowledges to be debtor of Intesa in respect of the aforementioned sum, to be paid in accordance with the terms provided herein. The Company shall pay interest at the rate set forth in Section 2(a) annually in arrears on December 31 of each year commencing December 31,2003 (each date of payment being an <<Interest Payment Date>>) and on the date on which the principal amount hereof shall be due to the extent then accrued and unpaid. Unless prepaid pursuant to Section 3 below, the principal amount of this Promise and accrued and unpaid interest thereon shall be payable in full as set forth in Section 2(b). Payments of both principal and interest are to be made in accordance with Section 4 below. As used herein, the term <<Promise>> includes this Promise and any document issued in exchange herefor or in replacement hereof.

Section 1. Certain Definitions.

(a) The following terms, as used herein, have the following meanings:

<<Business Day>> means any day other than a Saturday, Sunday or other day on which commercial banks are authorized by law to close for business in New York City, New York, United States of America or Milan, Italy.

<<control>>, used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, by or through stock ownership, agency or otherwise, or pursuant to or in connection with an agreement, arrangement or understanding (written or oral) with one or more other Persons; and the terms <<controlling>> and <<controlled>> shall have meanings correlative to the foregoing;

<<Debt>> means (without duplication), with respect to any Person, (i) any obligation of such Person to pay the principal of, premium of, if any, interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company,

whether or not a claim for such post-petition interest is allowed in such proceeding), penalties, reimbursement or indemnification amounts, fees, expenses or other amounts relating to any indebtedness, and any other liability, contingent or otherwise, of such Person (A) for borrowed money (including instances where the recourse of the lender is to the whole of the assets of such Person or to a portion thereof), (B) evidenced by a note, debenture or similar instrument (including any such instrument evidencing a purchase money obligation) including securities, (C) for any letter of credit or performance or surety bond obtained by such Person, (D) for the payment of money relating to a capitalized lease obligation, or (E) with respect to any sale and leaseback transaction; (ii) any obligations of other Persons of the kind described in the preceding clause (i), which the Person has guaranteed or which is otherwise its legal liability; (iii) any obligation of the type described in clauses (i) and (ii) secured by a lien to which the property or assets of such Person are subject, whether or not the obligations secured thereby shall have been assumed by or shall otherwise be such Person's legal liability; and (iv) any and all deferrals, renewals, extensions and refunding of, or amendments, modifications or supplements to, any obligation of the kind described in any of the preceding clauses (i), (ii) or (iii).

<<Person>> or <<Persons>> means natural persons, corporations, limited liability companies, S.p.A.'s (*Societá per Azioni*), S.r.l.'s (*Societá a responsabilitá limitata*), trusts, joint ventures, associations, companies, partnerships, governments or agencies or political subdivisions thereof and other political or business entities.

<<Senior Debt>> means all other Debt of the Company, whether outstanding on the date of this Promise or thereafter created, incurred or assumed; provided, however, that, the term <<Senior Debt>> shall not include (A) the Debt hereunder, (B) any Debt or obligation owed to a Subsidiary, (C) any Debt or obligation which by the express terms of the instrument creating or evidencing the same is not superior in right of payment to the Debt outstanding hereunder, (D) any Debt or obligation which is subordinate in right of payment in any respect to any other Debt or obligation, unless such Debt or obligation by the express terms of the instrument creating or evidencing the same is senior to this Promise and subordinated to another note, (E) for the avoidance of doubt, any Debt or obligation constituting a trade account payable, other account payable or similar liability, and (F) amendments, renewals, extensions, modifications and refundings of any such Debt or obligation referred to in clauses (A) through (E) hereof.

<<Subsidiary>> or <<Subsidiaries>> means, with respect to any Person, any corporation, limited liability company, S.p.A (*Societá per Azioni*), S.r.l. (*Societá a responsabilitá limitata*), trust, joint venture, association, company, partnership or other legal entity of which a Person (either alone or through or together with any other Subsidiary of such Person) (A) owns, directly or indirectly, a majority of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity or (B) is otherwise entitled to exercise (1) a majority of the voting power generally in the election of the board of directors or other governing body of such corporation or other legal entity or (2) control of such corporation or other legal entity.

<<Transaction Agreement>> means the Master Transaction and Relationship Agreement, dated as of March 26, 2003, by and among Lazard LLC, a Delaware limited liability company <<Lazard>>, the Holder and the Company, setting forth, inter alia, the terms of the parties' investment in the Company, as from time to time amended in accordance with its terms.

(b) As used in this Promise, the expressions <<pay in full>>, <<paid in full>> or <<payment in full>> means, with respect to any indebtedness, the final and indefeasible payment in full in cash of all such indebtedness in accordance with its terms.

Section 2. Payments.

(a) Interest. Interest on the unpaid balance of the principal amount of this Promise will accrue annually at 3% per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months; provided, however, that from and after the date on which an Event of Default occurs, and until such Event of Default is either cured or waived, interest shall accrue at a rate of 3% per annum above the rate otherwise applicable (the <<Higher Interest Rate>>). Interest is payable in cash, in arrears, on each Interest Payment Date as set forth in the first paragraph of this Promise, or, if such date is not a Business Day, on the immediately following Business Day, and on the Maturity Date, defined in Section 2(b) below.

(b) Maturity Date. All amounts owing under this Promise, both principal and interest, shall be payable in full on June 10, 2078 (as such date may be extended by the Company from time to time as provided in this Section 2(b), the <<Maturity Date>>). The Company may, from time to time, in its sole discretion extend the Maturity Date for additional five-year periods by giving notice to the Holder not less than 30 days prior to the otherwise applicable Maturity Date; provided that such extension shall be permitted only by resolution of the Board of Directors of the Company (which resolution shall be approved by at least two-thirds of the directors (including the Chairman of the Company and, if such position exists at the time of such extension, the Vice Chairman of the Company)).

(c) Priority of Payments. Notwithstanding anything to the contrary in this Promise, any payments hereunder are subject to the payment priorities set forth in Section 8.5 of the Shareholders Agreement, dated as of June 10, 2003, by and among Lazard, Lazard & C. S.r.l., *a Societá a responsabilità limitata* organized under the laws of Italy, Lazard Real Estate S.r.l, a *Società a responsabilità limitata* organized under the laws of Italy and Intesa, and Section 14 of the Amended and Restated Bylaws of the Company, dated as of June 10, 2003.

Section 3. Optional Prepayments. The Company may, upon five (5) Business Days' notice to the Holder, at the option of the Company, prepay any or all of the principal amount of this Promise, without penalty or premium; provided, however, that such prepayment shall be permitted (i) only by resolution of the Board of Directors of the Company (which resolution shall be approved by at least two-thirds of the directors (including the Chairman of the Company and, if such position exists at the time of such prepayment, the Vice Chairman of the Company) on the following dates:

- June 10, 2008
- June 10, 2013
- June 10, 2018
- June 10, 2023
- June 10, 2028

- June 10, 2033
- June 10, 2038
- June 10, 2043
- June 10, 2048
- June 10, 2053
- June 10, 2058
- June 10, 2063
- June 10, 2068
- June 10, 2073

or (ii) on such other date as may be mutually agreed upon by the Parties. All such prepayments shall be accompanied by the payment of all unpaid interest on the principal amount prepaid accrued to the date of prepayment, or, if such date is not a Business Day, accrued to the Business Day immediately preceding such date of prepayment.

Section 4. Method of Payment. Payment of any amounts due hereunder (whether principal or interest) shall be made in United States Dollars by wire transfer of immediately available funds to such bank account as the Holder may from time to time designate in writing. Any payment due hereunder on a date which is not a Business Day shall be due and payable on the immediately following Business Day.

Section 5. Events of Default. If any of the following events (<<Events of Default>>) occurs:

(a) the Company fails to pay any amount due under this Promise when the same becomes due and payable, and such failure continues for thirty days after notice thereof to the Company;

(b) the Company shall have materially breached its covenants contained in this Promise, and such breach shall not have been cured by the date 30 days after notice thereof to the Company; provided that the Higher Interest Rate applies during the 30-day grace period;

(c) the Company makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or files a voluntary petition in bankruptcy, or is adjudicated a bankrupt or insolvent, or files any petition or answer seeking for itself any liquidation, dissolution or similar relief under any present or future statute, law or regulation in Italy, or files any answer admitting or failing to deny the material allegations of a petition filed against the Company for any such relief, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, or the Company or its directors or majority stockholders take any action for the purpose of effecting any of the foregoing; or

(d) if, within 60 days after the commencement of any proceeding against the Company seeking any liquidation, dissolution or similar relief under any present or future statute, law or regulation, in Italy, such proceeding has not been dismissed or if, within 60 days after the appointment, without the consent or acquiescence of the Company, of

any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment has not been vacated;

then and, in any such event, the Holder at its option may proceed to protect and enforce its rights in the manner set forth in Section 6 below.

Section 6. Remedies on Default, etc. If an Event of Default has occurred and is continuing, subject to Section 9, the Holder may (a) elect, by written notice to the Company, to declare the entire amount outstanding hereunder to be due and payable in full, whereupon the entire such amount shall be and become due and payable in full, provided, however, that no such notice shall be required in the event of occurrence of one of the events specified in clauses (c) or (d) of Section 5 and if any such event shall occur this Promise and all amounts outstanding hereunder shall immediately and automatically be and become due and payable in full without notice or declaration of any kind, and/or (b) proceed to protect and enforce its rights by a suit or other appropriate proceeding, whether for the specific performance of any agreement contained in this Promise, or for an injunction against a violation of any of the terms hereof or in aid of the exercise of any right, power or remedy granted hereby or by law, equity, statute or otherwise. No course of dealing and no delay on the part of the Holder in exercising any right, power or remedy will operate as a waiver thereof or otherwise prejudice the Holder's rights, powers or remedies. No right, power or remedy conferred hereby is exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, by statute or otherwise. To the extent permitted by applicable law, the Company hereby agrees to waive, and does hereby absolutely and irrevocably waive and relinquish, the benefit and advantage of any valuation, stay, appraisement, extension or redemption law now existing or which may hereafter exist, which, but for this provision, might be applicable to any sale made under the judgment, order or decree of any court, or otherwise, based on this Promise or on any claim for principal of, or interest on, this Promise.

Section 7. Ranking and Priority of Promise.

(a) Subordination. The Company, for itself, its successors and assigns, covenants and agrees, and the Holder, by its acceptance of this Promise likewise covenants and agrees, that anything herein or in the Transaction Agreement or any related agreement or instrument to the contrary notwithstanding, the indebtedness evidenced by or arising on account of this Promise (or any renewal or extension thereof), including, without limitation, principal and interest, is and shall be subordinate and subject in right of payment to the prior payment in full of all Senior Debt of the Company, whether outstanding on the date hereof or incurred hereafter, to the extent and in the manner set forth herein.

(b) Extent of Subordination. If any payment default has occurred and is continuing on any Senior Debt, or a non-payment default has occurred and is continuing on the Senior Debt and the Holder has received notice of such non-payment default, then the Company shall not make any direct or indirect payment or distribution of any kind or character, whether in cash, property or securities, to, or for the benefit of, the Holder pursuant to or in respect of this Promise (whether principal or interest or otherwise, and whether before, after or in connection with any dissolution, winding up, liquidation or reorganization or receivership proceeding or upon an assignment for the benefit of

creditors or any other marshalling of the assets and liabilities of the Company). Notwithstanding the preceding sentence, if the Senior Debt has been paid in full or the relevant default has been cured or waived, the Company may make payments in respect of this Promise.

(c) Distributions in Bankruptcy. Upon any distribution in any bankruptcy or similar proceeding, any distribution to which the Holder is entitled shall be paid directly to the holders of Senior Debt to the extent necessary to make payment in full of all Senior Debt remaining unpaid after giving effect to all other distributions to or for the benefit of the holders of Senior Debt.

(d) Priority in Liquidation and Similar Proceedings. In the event of any liquidation, dissolution or winding up of the Company, the Debt outstanding hereunder shall be *pari passu* in right of payment to all capital stock quota, surplus reserve *(riserva da sopraprezzo)*, other reserves or other equity interests of the Company.

(e) Application of Distributions. If any distribution, payment or deposit to redeem, defease or acquire the Debt outstanding hereunder shall have been received by the Holder at a time when such distribution was prohibited by the provisions of this Section 7, then, unless such distribution is no longer prohibited by this Section 7, such distribution shall be received and applied by the Holder for the benefit of the holders of Senior Debt, and shall be paid or delivered by the Holder to the holders of Senior Debt for application to the payment of all Senior Debt.

(f) Subrogation Rights. The Holder shall not have any subrogation or other rights of recourse to any security in respect of any Senior Debt until such time as all Senior Debt shall have been paid in full. Upon the payment in full of all Senior Debt, the Holder shall be subrogated to the rights of the holders of Senior Debt to receive distributions applicable to Senior Debt until all amounts owing in respect of the Debt outstanding hereunder shall be so paid. No distributions to the holders of Senior Debt which otherwise would have been made to the Holder shall, as between the Company and the Holder, be deemed to be payment by the Company to or on account of Senior Debt. If any distribution to which the Holder would otherwise have been entitled shall have been applied pursuant to the provisions of this Section 7 to the payment of Senior Debt, then the Holder shall be entitled to receive from the holders of such Senior Debt any distributions received by such holders of Senior Debt in excess of the amount sufficient to pay all amounts payable on such Senior Debt to the extent provided herein.

(g) Reliance. Upon any distribution in a bankruptcy or similar proceeding, the Holder shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which the proceeding is pending, or agent or other Person making any distribution for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Debt and other Debt of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 7.

(h) Ratable Distributions. Any distribution otherwise payable to the Holder made to holders of Senior Debt pursuant to this Section 7 shall be made to such holders of

Senior Debt ratably according to the respective amount of Senior Debt held by each, taking into account any priorities which may be established among the holders of such Senior Debt.

(i) Obligations Not Impaired. Nothing contained in this Promise is intended to or will impair as between the Company, its creditors, and the Holder, the obligation of the Company, which is absolute and unconditional, to pay to the Holder as and when amounts become due and payable in accordance with the terms of this Promise or affect the relative rights of the Holder and the creditors of the Company.

(j) Further Actions. The Holder, by its acceptance hereof, agrees to take such further action as may be reasonably requested by the Company and/or by law in order to effectuate the subordination as provided herein.

Section 8. Termination of Joint Venture Relationship. Upon the termination of the JV Relationship (as defined in the Transaction Agreement) by either Lazard or Holder in accordance with Section 4.2 of the Transaction Agreement, Holder shall immediately surrender this Promise to Lazard or its designated affiliate as provided in Section 4.3 of the Transaction Agreement.

Section 9. Amendments and Waivers. Neither this Promise nor any term hereof may be amended or waived orally or in writing, except that any term of this Promise may be amended and the observance of any term of this Promise may be waived (either generally or in a particular instance and either retroactively or prospectively) with (but only with) the written consent of the Company and the Holder.

Section 10. Captions. The captions in this Promise are included for convenience of reference only and do not form a part of this Promise or in any way limit or affect its interpretation or construction.

Section 11. Notices. All notices, consents, waivers and other communications required or permitted by this Promise shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number or Person as a party may designate by notice to the other parties):

If to the Company:

Lazard & Co. S.r.l
Via dell'Orso, 2
20121 Milano
ITALY
Attention: Mario Sirocchi
Santina Negri
Facsimile: +39 02 72312392
Telephone: +39 02 723121

with a copy (which shall not constitute notice) to each of:

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quatro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: +39 06 4871101
Telephone: +39 06 478751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.
Facsimile: 001-212-403-2000
Telephone: 001-212-403-1000

If to the Holder:

Banca Intesa S.p.A.
Via Monte di Pietà n. 8
20121 Milano
ITALY
Attention: Direzione Partecipazioni
Facsimile: +39 02 8796 2072
Telephone: +39 02 8796 2376

and

Banca Intesa S.p.A.
Via Monte di Pietà n. 8
20121 Milano
ITALY
Attention: Direzione Affari Legali
Telephone: +39 02 8796 3523
Facsimile: +39 02 8796 2079

with a copy (which shall not constitute notice) to:

Pedersoli Lombardi e Associati
Via Andegari, 4/A
20121 Milano
ITALY

Attention: Antonio Pedersoli, Esq.
Facsimile: +39 02 87919333
Telephone: +39 02 879191

and

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
UNITED STATES OF AMERICA
Attention: George J. Sampas, Esq
Facsimile: 001-212-558-3588
Telephone: 001-212-551-4000

Section 12. Restrictions on Transfer. EXCEPT AS SET FORTH IN SECTION 8 RELATING TO TRANSFER UPON TERMINATION OF THE JOINT VENTURE RELATIONSHIP, THE HOLDER MAY NOT SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF THIS PROMISE, INCLUDING THE UNDERLYING RIGHT TO RECEIVE PAYMENT HEREUNDER, AT ANY TIME WITHOUT OBTAINING THE PRIOR WRITTEN CONSENT OF THE COMPANY; provided, however, that the Holder may transfer this Promise, including the underlying right to receive payment hereunder, in whole or in part, without obtaining such prior written consent to an 80% controlled affiliate of Intesa, provided that (i) such controlled affiliate irrevocably and absolutely undertakes in writing (A) to assume all obligations of the Holder hereunder, (B) to immediately transfer this Promise, including the Underlying right to receive payment hereunder, back to Intesa in the event such controlled affiliate ceases to be controlled by Intesa; and (ii) Intesa undertakes to accept such transfer in the event that such controlled affiliate ceases to be controlled by Intesa.

Section 13. Governing Law; Construction. THIS PROMISE IS GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE REPUBLIC OF ITALY. All disputes arising under this Promise shall be settled exclusively and finally in accordance with the procedures set forth in Section 11.5 of the Transaction Agreement.

IN WITNESS WHEREOF, the Company has caused this Promise to be executed and delivered on the date first written above.

LAZARD & CO. S.R.L.

By: /s/ Stefano Ambrosioni
Name: Stefano Ambrosioni
Title: Attorney-in-fact

Accepted and agreed as of the day and year first above written:

BANCA INTESA S.P.A.

By /s/ Bruno Gamba
Name: Bruno Gamba
Title:

By /s/ Francesco Chlenra
Name: Francesco Chlenra
Title:

Exhibit 10.15

THE SECURITIES SUBJECT TO THIS GUARANTY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR OTHER COUNTRY AND MAY NOT BE OFFERED OR SOLD UNLESS THEY HAVE BEEN REGISTERED UNDER SUCH ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

THE SECURITIES SUBJECT TO THIS GUARANTY ARE PREPAYABLE AT THE OPTION OF THE ISSUER UNDER CERTAIN CIRCUMSTANCES IN ACCORDANCE WITH **SECTION 3** OR **SECTION 4** THEREOF. THE MATURITY DATE OF THE SECURITIES SUBJECT TO THIS GUARANTY MAY BE ALTERED IN ACCORDANCE WITH **SECTION 5** THEREOF.

THE PARTIES' RIGHTS UNDER THIS GUARANTY MAY NOT BE SOLD, ASSIGNED, PLEDGED, ENCUMBERED, DISPOSED OF OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF **SECTION 15** AND **SECTION 16** HEREOF.

GUARANTY

This GUARANTY (as amended, restated or otherwise modified from time to time, this "Guaranty") is made as of March 26, 2003, by LAZARD LLC, a Delaware limited liability company ("Lazard" or the "Guarantor"), in favor of BANCA INTESA S.P.A., a *Societa per Azioni* organized under the laws of the Republic of Italy, that is the holder of certain Notes referred to below (together with its successors and permitted assigns, the "Holder").

WITNESSETH

WHEREAS, Lazard Funding Limited LLC, a wholly-owned Subsidiary of Lazard (the "Issuer") and the Holder have entered into that certain Note Purchase Agreement dated as of the date hereof (the "Note Purchase Agreement") setting forth the terms and conditions pursuant to which the Issuer will issue to the Holder the $150 Million Lazard Note and the $50 Million Lazard Note (each as defined in the Note Purchase Agreement, and each, a "Note" and together, the "Notes");

WHEREAS, at the closing of the Note Purchase Agreement, *inter alia*, the Guarantor will guarantee the obligations of the Issuer under the Notes on the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth in this Guaranty, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

SECTION 1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Notes and Note Purchase Agreement.

(a) The following terms, as used herein, have the following meanings:

"Business Day" means any day other than a Saturday, Sunday or a day on which banks are authorized or required to be closed for business either in New York City, New York, United States of America or Milan, Italy.

"CB Note" has the meaning assigned to such term in the Transaction Agreement.

"CB Investment Agreement" has the meaning assigned to such term in the Transaction Agreement.

"Change in Control of Lazard" has the meaning assigned to such term in the Transaction Agreement.

"Comparable Initial Post-Hurdle Interest" has the meaning set forth in Section 8(d)(i) hereof.

"Comparable Initial Pre-Hurdle Interest" has the meaning set forth in Section 8(d)(ii) hereof.

"Comparable Second Post-Hurdle Interest" has the meaning set forth in Section 8(d)(iii) hereof.

"Comparable Second Pre-Hurdle Interest" has the meaning set forth in Section 8(d)(iv) hereof.

"Control Transaction" has the meaning assigned to such term in the Transaction Agreement

"Conversion Notice" has the meaning set forth in Section 8(b) hereof.

"Debt" means (without duplication), with respect to any Person, (i) any obligation of such Person to pay the principal of, premium of, if any, interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person, whether or not a claim for such post-petition interest is allowed in such proceeding), penalties, reimbursement or indemnification amounts, fees, expenses or other amounts relating to any indebtedness, and any other liability, contingent or otherwise, of such Person (A) for borrowed money (including instances where the recourse of the lender is to the whole of the assets of such Person or to a portion thereof), (B) evidenced by a note, debenture or similar instrument (including any such instrument evidencing a purchase money obligation) including securities, (C) for any letter of credit or performance or surety bond obtained by such Person, (D) for the payment of money relating to a capitalized lease obligation, or (E) with respect to any sale and leaseback transaction; (ii) any obligation of other Persons of the kind described in the preceding clause (i), which the Person has guaranteed or which is otherwise its legal liability; (iii) any obligation of the type described in clauses (i) and (ii) secured by a lien to which the property or assets of such Person are subject, whether or not the obligations secured thereby shall have been assumed by or shall otherwise be such Person's legal liability;

and (iv) any and all deferrals, renewals, extensions and refunding of, or amendments, modifications or supplements to, any obligation of the kind described in any of the preceding clauses (i), (ii) or (iii).

"Documents" means the Note Purchase Agreement, the Notes and this Guaranty.

"Effective Date" has the meaning set forth in Section 8(b) hereof.

"Escrow Account" has the meaning set forth in the Note Purchase Agreement.

"Escrow Agreement" has the meaning set forth in the Note Purchase Agreement.

"Goodwill Event" has the meaning set forth in Section 8(c)(i) hereof.

"Goodwill Right" has the meaning set forth in Section 8(a) hereof.

"Goodwill Payment" has the meaning set forth in Section 8(c)(ii) hereof.

"Guarantor" has the meaning set forth in the Preamble.

"Guaranty" has the meaning set forth in the Preamble.

"Guaranty Debt" has the meaning set forth in section 6(a) hereof.

"Holder" has the meaning set forth in the Preamble.

"Issuer" has the meaning set forth in the Preamble.

"JV Company" means Lazard & Co. S.r.l., a *Società a responsabilita limitata* organized under the laws of the Republic of Italy.

"JV Relationship" has the meaning assigned to such term in the Transaction Agreement.

"Initial Post-Hurdle Percentage" has the meaning set forth in Section 8(d)(i) hereof.

"Initial Pre-Hurdle Percentage" has the meaning set forth in Section 8(d)(ii) hereof.

"Lazard" has the meaning set forth in the Preamble.

"Lazard Operating Agreement" means the Third Amended and Restated Operating Agreement of Lazard, dated as of January 1, 2002, as amended as of January 10, 2003, and as such may be further amended or supplemented from time to time.

"Liquidity Event" has the meaning assigned to such term in the Lazard Operating Agreement.

"Member" means a person who has been admitted to the applicable limited liability company as a "member" (as defined in the Delaware Limited Liability Company Act, 6 Del. C., §18-101 *et seq.).*

"Note Purchase Agreement" has the meaning set forth in the Preamble.

"Notes" has the meaning set forth in the Preamble.

"Obligations" has the meaning set forth in Section 2 hereof.

"Person" or "Persons" means natural persons, corporations, limited liability companies, S.p.A.'s *(Società per Azioni),* S.r.l.'s *(Società a responsabilità limitata),* trusts, joint ventures, associations, companies, partnerships, governments or agencies or political subdivisions thereof and other political or business entities.

"Renewal Date Termination" has the meaning assigned to such term in the Transaction Agreement.

"Second Post-Hurdle Percentage" has the meaning set forth in Section 8(d)(iii) hereof.

"Second Pre-Hurdle Percentage" has the meaning set forth in Section 8(d)(iv) hereof.

"Senior Debt" means all Debt of the Guarantor other than the Debt hereunder, whether outstanding on the date of this Guaranty or thereafter created, incurred or assumed; provided, however, that the term "Senior Debt" shall not include (A) any Debt or obligation owed to a Subsidiary, (B) any Debt or obligation which by the express terms of the instrument creating or evidencing the same is not superior in right of payment to the Debt outstanding hereunder, (C) any Debt or obligation which is subordinate in right of payment in any respect to any other Debt or obligation, unless such Debt or obligation by the express terms of the instrument creating or evidencing the same is senior to this Guaranty and subordinated to another Debt or obligation, (D) for the avoidance of doubt, any Debt or obligation constituting a trade account payable, other account payable or similar liability, (E) any right of the Members and employees of Guarantor to a return on capital or distribution of capital of the Guarantor or any other distribution to Members of Guarantor in their capacity as such, in each case solely pursuant to a Liquidity Event of the Guarantor, (F) any Debt that pursuant to its terms is convertible into, or exchangeable for, any Interest (as defined in the Lazard Operating Agreement) or similar equity or profit interest in the Guarantor, (G) any repayment obligation of the Guarantor in respect of loans to the Guarantor (1) from its Members and employees extended to the Guarantor on or before September 9, 2002 to the extent such amounts aggregate more than $5 million, and (2) from its Members extended to the Guarantor after September 9, 2002, (H) any Debt of the Guarantor incurred to redeem or repurchase all of the Class C Interests (as defined in the Lazard Operating Agreement) only if all or substantially all of the holders of such Debt were Members of Guarantor at the time of such redemption or

repurchase of such Class C Interests, or (I) amendments, renewals, extensions, modifications and refundings of any such Debt or obligation referred to in Clauses (A) through (H) hereof.

"Subsidiary" or "Subsidiaries" means, with respect to any Person, any corporation, limited liability company, S.p.A. *(Società per Azioni)*, S.r.l. *(Società a responsabilità limitata)*, trust, joint venture, association, company, partnership or other legal entity of which a Person (either alone or through or together with any other subsidiary of such Person) (A) owns, directly or indirectly, a majority of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity, or (B) is otherwise entitled to exercise (1) a majority of the voting power generally in the election of the board of directors or other governing body of such corporation or other legal entity or (2) control of such corporation or other legal entity (for the avoidance of doubt, the JV Company shall not be deemed to be a subsidiary of either Intesa or Lazard under this Agreement unless otherwise indicated herein).

"Transaction Agreement" means the Master Transaction and Relationship Agreement, dated as of the date hereof, by and among Lazard, the Holder and the JV Company, setting forth, inter alia, the terms of the parties' investment in the JV Company, as amended or modified from time to time in accordance with its terms.

"$50 Million Lazard Note" has the meaning assigned to such term in the Preamble.

"$150 Million Lazard Note" has the meaning assigned to such term in the Preamble.

SECTION 2. Guaranty. The Guarantor hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety,

(i) the prompt, full and punctual payment when due, whether at stated maturity or earlier, by notice of prepayment, by acceleration or otherwise, of any and all obligations of the Issuer arising under the Note Purchase Agreement and the Note or, if both Notes are outstanding, the Notes, whether for principal, premium, interest at the rate specified in the Note or, if both Notes are outstanding, the Notes, and interest accruing or coming due both prior to and subsequent to the commencement of any bankruptcy, reorganization or similar proceeding involving the Issuer or the Guarantor (including without limitation interest on any overdue principal), fees, expenses, indemnification or otherwise; and

(ii) the due, prompt, full and punctual performance and observance by the Issuer of all covenants, agreement and conditions on its part to be performed and observed under the Note Purchase Agreement and Note or, if both Notes are outstanding, the Notes.

The obligations guaranteed by this Guaranty are hereinafter referred to as the "Obligations".

SECTION 3. Obligations Unconditional. This Guaranty constitutes a present and continuing guarantee of payment and performance and not of collectability. The Obligations hereunder are independent of the obligations of the Issuer under the Notes, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Issuer or any other Person liable for the Obligations or whether the Issuer or any other such Person is joined in any such action or actions. The Guarantor hereby agrees that its liability under this Guaranty shall be primary, absolute, irrevocable and unconditional, irrespective of:

(i) any lack of validity or enforceability of any Obligation, the Note Purchase Agreement, the Notes, this Guaranty or any agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Note Purchase Agreement, the Notes or this Guaranty;

(iii) any taking, exchange, release or non-perfection of any collateral, or any other guarantee, for all or any of the Obligations;

(iv) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral or any other assets of the Issuer or any other Subsidiary;

(v) any provision in the Notes providing for the subordination of Debt (as defined in the Notes) under the Notes;

(vi) the absence of any attempt by, or on behalf of, the Holder to collect, or to take any other action to enforce, all or any part of the Obligations whether from or against the Issuer, any other guarantor of the Obligations, or any other Person;

(vii) the election of any remedy by, or on behalf of, the Holder with respect to all or any part of the Obligations;

(viii) the waiver, consent, extension, forbearance or granting of any indulgence by, or on behalf of, the Holder with respect to any of the Obligations or any provision of any of the Documents;

(ix) any change, restructuring or termination of the corporate structure or existence of the Issuer or any other Subsidiary; or

(x) any other circumstance (including without limitation any statute of limitations) that might otherwise constitute a defense, offset or counterclaim in the nature of an exoneration or suretyship defense, other than the indefeasible payment of amounts due hereunder or performance in full of all the Obligations,

available to the Issuer or the Guarantor, or a discharge of the Issuer or Guarantor.

If at any time any payment of any of the Obligations is rescinded or must otherwise be returned by any Holder or any other Person upon the insolvency, bankruptcy or reorganization of the Issuer or otherwise, this Guaranty shall continue to be effective or be reinstated, as the case may be, to the full extent of such rescission or return, all as though such payment had not been made.

SECTION 4. Waivers.

(a) The Guarantor hereby irrevocably waives, to the fullest extent permitted by applicable law, the right to assert as a defense in any suit by the Holder seeking payment by the Guarantor of amounts due hereunder, any of the issues, events, actions or circumstances set forth in Section 3 hereof; provided, however, that such waiver shall not in any way limit or bar the ability of the Guarantor or the Issuer to assert such issue, event action or circumstance as a counterclaim in any such suit; provided, however, that the Guarantor shall not be permitted to assert such counterclaim if the claim has been finally resolved on the merits in favor of the Holder in a prior suit by the Holder against the Issuer. The Guarantor further irrevocably waives, to the fullest extent permitted by applicable law, promptness, diligence, presentment, demand of payment, filing of claims with a court in the event of receivership or bankruptcy of the Issuer, protest or notice with respect to the Obligations; all presentments, demands for performance, notices of nonperformance, notices of nonpayment, notices of default, protests, notices of dishonor, notices of acceptance of this Guaranty and proof of reliance hereon, and any other notice with respect to any Obligations and this Guaranty; the benefits of all statutes of limitation; except as provided in the proviso to Section 2 hereof, any requirement that any Holder or any other Person protect, secure, perfect or insure any lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person or any collateral in connection with the Obligations; any duty on the part of any Holder to disclose to the Company any matter, fact or thing relating to the business, operation or condition of any person and its assets now known or hereinafter known by such Holder; any rights by which it might be entitled to require suit on an accrued right of action in respect of any of the Obligations or require suit against the Issuer or the Guarantor or any other Person; and all other demands whatsoever (and shall not require that the same be made on the Issuer as a condition precedent to the Guarantor's obligations hereunder) other than demand for payment and performance by the Guarantor hereunder, and covenants that this Guaranty will not be discharged, except by complete payment of the Obligations. The Guarantor further waives all notices of the existence, creation or incurring of new or additional indebtedness of the Issuer, arising either from additional loans extended to the Issuer or otherwise, and also waives all notices that the principal amount, or any portion thereof, and/or any interest on any instrument or document evidencing all or any part of the Obligations is due, notices of any and all proceedings to collect from the maker, any endorser or any other guarantor of all or any part of the Obligations, or from any other Person, and, to the fullest extent permitted by

law, notices of exchange, sale, surrender or other handling of any security or collateral given to the Holder to secure payment of all or any part of the Obligations.

(b) Notwithstanding anything to the contrary in this Guaranty: (i) the agreements and waivers of the Guarantor set forth above in Section 3 and in this Section 4 shall not operate to waive, affect or impair (x) any of the rights of the Issuer enumerated in the Documents, including but not limited to any right to receive notice, or prejudice any right of the Issuer to assert any defense otherwise applicable to any of the Obligations, or (y) any right of the Guarantor to receive notice under the Documents, and (ii) the Obligations shall be determined in accordance with the provisions of the Documents and, without limiting the generality of the foregoing, if an Obligation is compromised in accordance with the provisions of any Document, such Obligation shall be compromised for purposes of this Guaranty, and if the Issuer is entitled to assert a defense, counterclaim or right of setoff to an Obligation in accordance with the terms of any Document, the Guarantor shall be entitled to assert the same defense, counterclaim or right of offset under this Guaranty; provided, however, that the Guarantor shall not be permitted to assert such counterclaim if the claim has been finally resolved on the merits in favor of the Holder in a prior suit by the Holder against the Issuer.

SECTION 5. Subrogation; Subordination of Claims against Issuer.

(a) Waiver of Rights. Until the final payment and performance in full of all of the Obligations, the Guarantor shall not assert, enforce, or otherwise exercise (i) any right of subrogation to any of the rights, remedies, powers, privileges or liens of any holder of a Note or any other beneficiary of this Guaranty against the Issuer or any other obligor on the Obligations or any collateral or other security, or (ii) any right of recourse, reimbursement, restitution, contribution, indemnification, or similar right against the Issuer on account of the Obligations, and until such final payment and performance in full, the Guarantor hereby waives any and all of the foregoing rights, remedies, powers, privileges and the benefit of, and any right to participate in, any collateral or other security given to any holder of a Note or any other beneficiary to secure payment of the Obligations, and will not file or assert any claim in competition with the Holder in respect of any payment hereunder in any bankruptcy, insolvency or reorganization case or proceedings of any nature, nor will Guarantor assert any setoff, recoupment or counterclaim to any of its obligations hereunder in respect of any liability of the Issuer to the Guarantor.

(b) Subordination of Claims against Issuer. The payment by the Issuer of any amounts due to Guarantor arising as a result of any payment by the Guarantor to the Holder hereunder is hereby subordinated to the prior payment in full of all of the Obligations as hereinafter set forth. The Guarantor agrees that, after the occurrence of any “Event of Default” (as defined in the Notes), the Guarantor or any of its Subsidiaries will not demand, sue for or otherwise attempt to collect any indebtedness of the Issuer to the Guarantor arising as a result of payment by the Guarantor to the Holder hereunder until all of the Obligations shall have been paid in full.

SECTION 6. Guarantee Claims Subordinated.

(a) Subordination. The Guarantor, for itself, its successors and assigns, covenants and agrees, and the Holder likewise covenants and agrees, that anything herein or in the Notes or any other agreement or instrument to the contrary notwithstanding, (i) any liabilities, including any indebtedness, evidenced by or arising on account of or in connection with this Guaranty (or any amendment, modification, renewal or extension hereof), including, without limitation, the Obligations and principal and interest on the Notes (collectively, the "Guaranty Debt"), is and shall be subordinate and subject in right of payment to the prior payment in full of all Senior Debt of the Guarantor, whether outstanding on the date hereof or incurred hereafter, to the extent and in the manner set forth herein and (ii) the Guaranty Debt is and shall rank senior and prior in right of payment to (1) any right or Debt described in clauses (E) and (H) of the definition of Senior Debt contained in Section 1(a) hereof; (2) any repayment obligation incurred after September 9, 2002 (or before such date if and to the extent that such obligation expressly permits such subordination) described in clause (G) of the definition of Senior Debt contained in Section 1(a) hereof; (3) any amendments, renewals, extensions, modifications and refundings of any right, Debt or repayment obligation referred to in Section 6(a)(ii)(1) and (2); and (4) any other obligations expressly made subordinate by the terms thereof to the Debt hereunder.

(b) Extent of Subordination. If any payment default has occurred and is continuing on any Senior Debt, or a non-payment default has occurred and is continuing on the Senior Debt and the Holder has received notice of such non-payment default, then the Guarantor shall not make any direct or indirect payment or distribution of any kind or character, whether in cash, property or securities, to, or for the benefit of, the Holder pursuant to or in respect of this Guaranty or Guaranty Debt (whether principal or interest or otherwise), and whether before, after or in connection with any dissolution, winding up, liquidation or reorganization or receivership proceeding or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Guarantor. Notwithstanding the preceding sentence, if the Senior Debt has been paid in full or the relevant default has been cured or waived, the Guarantor shall make payments in accordance with this Guaranty.

(c) Distributions in Bankruptcy. Upon any distribution in any bankruptcy or similar proceeding, any distribution to which the Holder is entitled shall be paid directly to the holders of Senior Debt to the extent necessary to make payment in full of all Senior Debt remaining unpaid after giving effect to all other distributions to or for the benefit of the holders of Senior Debt.

(d) Priority in Bankruptcy. For avoidance of doubt, in the event of any liquidation, dissolution, reorganization or winding up of the Guarantor, the Guaranty Debt is senior and prior in right of payment to all Interests and Capital (each as defined in the Lazard Operating Agreement) and similar equity or profit interests in the Guarantor.

(e) Application of Distributions. If any distribution, payment or deposit to redeem, defease or acquire the Guaranty Debt shall have been received by the Holder at a time when such distribution was prohibited by the provisions of this Section 6, then, unless such distribution is no longer prohibited by this Section 6, such distribution shall be received and applied by the Holder for the benefit of the holders of Senior Debt, and shall be paid or delivered by the Holder to the holders of Senior Debt for application to the payment of all Senior Debt.

(f) Subrogation Rights. The Holder shall not have any subrogation or other rights of recourse to any security in respect of any Senior Debt until such time as all Senior Debt shall have been paid in full. Upon the payment in full of all Senior Debt, the Holder shall be subrogated to the rights of the holders of Senior Debt to receive distributions applicable to Senior Debt until all amounts due and payable in respect of the Guaranty Debt shall be so paid. No distributions to the holders of Senior Debt which otherwise would have been made to the Holder shall, as between the Guarantor and the Holder, be deemed to be payment by the Guarantor to or on account of Senior Debt. If any distribution to which the Holder would otherwise have been entitled shall have been applied pursuant to the provisions of this Section 6 to the payment of Senior Debt, then the Holder shall be entitled to receive from the holders of such Senior Debt any distributions received by such holders of Senior Debt in excess of the amount sufficient to pay all amounts payable on such Senior Debt to the extent provided herein.

(g) Reliance. Upon any distribution in a bankruptcy or similar proceeding, the Holder shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which the proceeding is pending, or a certificate of the liquidating trustee or agent or other Person making any distribution for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Debt, Guaranty Debt and other Debt of the Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 6.

(h) Ratable Distributions. Any distribution otherwise payable to the Holder made to holders of Senior Debt pursuant to this Section 6 shall be made to such holders of Senior Debt ratably according to the respective amount of Senior Debt held by each, taking into account any priorities which may be established among the holders of such Senior Debt.

(i) Obligations Not Impaired. Nothing contained in this Guaranty is intended to or will impair as between the Guarantor, its creditors, and the Holder, the obligation of the Guarantor, which is primary, absolute, irrevocable and unconditional, to pay to the Holder as and when amounts become due and payable in accordance with the terms of this Guaranty or affect the relative rights of the Holder and the creditors of the Guarantor.

(j) Further Actions. The Holder, by its acceptance hereof, agrees to take such further action as may be reasonably requested by the Guarantor in order to effectuate the subordination as provided herein.

SECTION 7. Change in Control. The Guarantor shall give each of the Issuer and the Holder (i) prompt written notice of any proposed Control Transaction involving a Change in Control of Lazard immediately after the Guarantor has signed a binding agreement setting forth such proposed Control Transaction, (ii) as soon as reasonably practicable thereafter but in any event no later than ten (10) Business Days prior to the closing of the proposed Control Transaction, a written notice of the expected closing date setting forth (1) the anticipated Goodwill Payments payable to the Holder in the event it converts the Note(s), as applicable, pursuant to Section 8 of this Guaranty in connection with the proposed Control Transaction and (2) information in reasonable detail supporting the calculation of such anticipated Goodwill Payments and relating to post-closing adjustments, (iii) prompt written notice (given not less than 2 Business Days prior to the closing date of such Control Transaction) of any material change to the proposed Control Transaction which would be reasonably likely to adversely affect the Holder's Goodwill Rights (defined below) in any material respect, together with information in reasonable detail regarding such changes to the calculation of the anticipated Goodwill Payment, (iv) prompt written notice of any change in the expected closing date of the proposed Control Transaction, and (v) such other information as the Holder may reasonably request regarding the proposed Control Transaction and the right to convert the Notes.

SECTION 8. Conversion.

(a) Conversion Right. The Holder shall be entitled to convert, at any single time (including in connection with any Liquidity Event) at its sole discretion, the entire principal amount outstanding at the time of conversion of each of (i) the $150 Million Lazard Note and (ii) the $50 Million Lazard Note into a goodwill right in the Guarantor having the rights and obligations set forth in this Section 8 (each, a "Goodwill Right", and together, the "Goodwill Rights"), in accordance with this Section 8 (it being understood that (x) the conversion right hereunder with respect to each Note shall terminate upon payment in full of the principal amount outstanding under such Note, plus accrued and unpaid interest on such Note through the date of payment, and (y) Holder's election not to exercise its right to convert in connection with a Liquidity Event, shall not be deemed to result in a forfeiture of such conversion right); provided, that, if the $50 Million Lazard Note has been issued, the Holder shall be entitled to convert the $150 Million Lazard Note if, and only if, the Holder simultaneously therewith converts the $50 Million Lazard Note, and vice versa. In order to permit conversion, the Guarantor will inform the Holder reasonably in advance of any Goodwill Event (as defined in Section 8(c) hereof).

(b) Method of Conversion. To convert each Note into the Goodwill Right(s) pursuant to Section 8(a), the Holder shall deliver, for receipt on or prior to 5:00 p.m., New York City time, on any Business Day: (i) a copy of an executed notice to each of the Issuer and the Guarantor requesting conversion of the Note in accordance with this Section 8 (the "Conversion Notice") and (ii) the original Note to the Issuer. On the date that is five (5) Business Days after the date of receipt by the Issuer of each of the Conversion Notice and the original Note to be converted (the "Effective Date"), the Note shall be deemed to be converted and the Goodwill Right shall be deemed to be issued as

of the Effective Date; provided that in the event that Guarantor shall give notice to Holder pursuant to Section 7(iii), the Conversion Notice shall remain in effect, and the Note(s) shall be converted and the Effective Date shall occur pursuant to this Section 8(b), unless Guarantor shall receive written notice from the Holder prior to the date of the closing of such Control Transaction revoking its Conversion Notice in accordance with this Section 8. Upon the Effective Date, (i) the Note(s) shall immediately cease to be outstanding, (ii) (a) any and all Debt of the Issuer under the Note(s) and (b) any and all Obligations of the Guarantor shall be deemed to be released, cancelled and satisfied and (iii) this Guaranty shall be deemed to be cancelled and terminated and the obligations of the Guarantor hereunder satisfied in full, provided that, notwithstanding anything to the contrary contained in any of the Documents, this Guaranty shall be deemed to survive solely for the purposes of evidencing the Goodwill Rights, and provided further that Sections 1, 8, 9(c), 11, 13, 18 and 19 shall survive in any event until full payment of the Goodwill Payments (it being understood that the only provisions of this Guaranty to remain in effect after the conversion of the Note(s) on the Effective Date shall be such Sections 1, 8, 9(c), 11, 13, 18 and 19, and all other provisions of this Guaranty shall have no further force or effect). Except as otherwise provided in this Section 8(b), any Conversion Notice shall be irrevocable once given.

(c) Goodwill Right. (i) Upon issuance in accordance with Section 8(a), each Goodwill Right shall represent solely the right to receive the applicable Goodwill Payment (as defined below) from the Guarantor in the event of (1) any distribution being effected in respect of Goodwill Interests (as defined in the Lazard Operating Agreement) pursuant to (A) Section 7.03 of the Lazard Operating Agreement in connection with a Liquidity Event or (B) Section 7.06 of the Lazard Operating Agreement or (2) any mandatory purchase of Goodwill Interests required pursuant to Section 6.02(b) of the Lazard Operating Agreement (any such distribution or purchase, a "Goodwill Event").

(ii) The "Goodwill Payment" shall (1) in the case of the Goodwill Right issued upon conversion of the $ 150 Million Lazard Note, be an amount equal to the sum of (A) the product of (x) the Initial Pre-Hurdle Percentage (expressed as a decimal) and (y) the Aggregate Goodwill Distribution Amount (as defined in the Lazard Operating Agreement) distributed in respect of Goodwill Interests pursuant to the applicable Goodwill Event, and (B) the product of (x) the Initial Post-Hurdle Percentage (expressed as a decimal) and (y) the Aggregate Hurdle Amount Excess (as defined in the Lazard Operating Agreement) distributed in respect of Goodwill Interests pursuant to the applicable Goodwill Event, and (2) in the case of the Goodwill Right issued upon conversion of the $50 Million Lazard Note, be an amount equal to the sum of (A) the product of (x) the Second Pre-Hurdle Percentage (expressed as a decimal) and (y) the Aggregate Goodwill Distribution Amount (as defined in the Lazard Operating Agreement) distributed in respect of Goodwill Interests pursuant to the applicable Goodwill Event, and (B) the product of (x) the Second Post-Hurdle Percentage (expressed as a decimal) and (y) the Aggregate Hurdle Amount Excess (as defined in the

Lazard Operating Agreement) distributed in respect of Goodwill Interests pursuant to the applicable Goodwill Event.

(iii) In the event that any distributions in respect of a Liquidity Event under Section 7.03(b) of the Lazard Operating Agreement shall be reduced by the Head of Lazard and Chairman of the Executive Committee in accordance with such Section 7.03(b), the Goodwill Payment in respect of such Liquidity Event under this Section 8(c) shall be increased by the amount that the holder of the applicable Goodwill Right would have received under this Section 8(c) if such distribution had not been so reduced.

(iv) Notwithstanding anything herein to the contrary, (1) any Goodwill Payment shall be payable on the same priority, and otherwise on and subject to the same terms and conditions (including with respect to the timing of payments and form of consideration), as shall be applicable to a holder of Class A-2(1) Goodwill Interest (as defined in the Lazard Operating Agreement) in such Goodwill Event, and (2) a Goodwill Right shall not represent, and shall not be at any time entitled to, any payment or other interest in respect of Goodwill Capital (as defined in the Lazard Operating Agreement).

(d) Percentages.

(i) The "Initial Post-Hurdle Percentage" shall be 3%, provided that such percentage shall be subject to increase or decrease after the date hereof so that it shall equal the same percentage of the Aggregate Hurdle Amount Excess at the time of the applicable Goodwill Event that a Comparable Initial Post-Hurdle Interest (as defined below) would be entitled to at the time of such Goodwill Event; provided, however, that no adjustment to the Initial Post-Hurdle Percentage shall be made pursuant to the foregoing in connection with the LAM Equity Plan (as defined in the Lazard Operating Agreement). A "Comparable Initial Post-Hurdle Interest" means a Class A-2 Goodwill Interest that would be entitled to receive 3% of the Aggregate Hurdle Amount Excess as of the date hereof assuming a Liquidity Event were consummated and distributions thereof paid as of the date hereof (assuming for such purposes all Goodwill Interests authorized as of the date hereof are issued, granted and vested and taking into account the dilution associated with the applicable Goodwill Right (and, if and when the $50 Million Lazard Note is issued, the Goodwill Right associated with such $50 Million Lazard Note)).

(ii) The "Initial Pre-Hurdle Percentage" shall be 3%, provided that such percentage shall be subject to increase or decrease after the date hereof so that it shall equal the same percentage of the Aggregate Goodwill Distribution Amount at the time of the applicable Goodwill Event that a Comparable Initial Pre-Hurdle Interest (as defined below) would be entitled to at the time of such Goodwill Event; provided, however, that no adjustment to the Initial Pre-Hurdle Percentage shall be made pursuant to the foregoing in connection with the LAM

Equity Plan (as defined in the Lazard Operating Agreement). A "Comparable Initial Pre-Hurdle Interest" means a Class A-2 Goodwill Interest that would be entitled to receive 3% of the Aggregate Goodwill Distribution Amount as of the date hereof assuming a Liquidity Event were consummated and distributions thereof paid as of the date hereof (assuming for such purposes all Goodwill Interests authorized as of the date hereof are issued, granted and vested and taking into account the dilution associated with the applicable Goodwill Right (and, if and when the $50 Million Lazard Note is issued, the Goodwill Right associated with such $50 Million Lazard Note)).

(iii) The "Second Post-Hurdle Percentage" shall be 1%, provided that such percentage shall be subject to increase or decrease after the date hereof so that it shall equal the same percentage of the Aggregate Hurdle Amount Excess at the time of the applicable Goodwill Event that a Comparable Second Post-Hurdle Interest (as defined below) would be entitled to at the time of such Goodwill Event; provided, however, that no adjustment to the Second Post-Hurdle Percentage shall be made pursuant to the foregoing in connection with the LAM Equity Plan (as defined in the Lazard Operating Agreement). A "Comparable Second Post-Hurdle Interest" means a Class A-2 Goodwill Interest that would be entitled to receive 1% of the Aggregate Hurdle Amount Excess as of the date hereof assuming a Liquidity Event were consummated and distributions thereof paid as of the date hereof (assuming for such purposes all Goodwill Interests authorized as of the date hereof are issued, granted and vested and taking into account the dilution associated with the Goodwill Rights).

(iv) The "Second Pre-Hurdle Percentage" shall be 1%, provided that such percentage shall be subject to increase or decrease after the date hereof so that it shall equal the same percentage of the Aggregate Goodwill Distribution Amount at the time of the applicable Goodwill Event that a Comparable Second Pre-Hurdle Interest (as defined below) would be entitled to at the time of such Goodwill Event; provided, however, that no adjustment to the Second Pre-Hurdle Percentage shall be made pursuant to the foregoing in connection with the LAM Equity Plan (as defined in the Lazard Operating Agreement). A "Comparable Second Pre-Hurdle Interest" means a Class A-2 Goodwill Interest that would be entitled to receive 1% of the Aggregate Goodwill Distribution Amount as of the date hereof assuming a Liquidity Event were consummated and distributions thereof paid as of the date hereof (assuming for such purposes all Goodwill Interests authorized as of the date hereof are issued, granted and vested and taking into account the dilution associated with the Goodwill Rights).

(v) Notwithstanding anything to the contrary in this Section 8(d), the percentage amounts set forth in clauses (i) to (iv) shall be proportionally reduced to the extent of any payments of principal on the applicable Note prior to conversion of such Note.

(e) Termination. Each Goodwill Right shall terminate in full immediately upon receipt by the Holder of the applicable Goodwill Payment in such Goodwill Event as provided in this Section 8 (provided that the Goodwill Right shall not be entitled to participate in any further Goodwill Events consummated after the Goodwill Event giving rise to such Goodwill Payment, and the covenants in Sections 8(f) (other than 8(f)(i)(B), but excluding the proviso thereto) and 9(c) hereof will cease to be of further force and effect from and after the consummation of such Goodwill Event.)

(f) Protection of Holder. The Guarantor covenants and agrees that (i) (A) the holder of each Note or, if converted in accordance with this Section 8, the associated Goodwill Right, shall not be entitled to vote on any matter, including, without limitation, in connection with any change in control or any reorganization relating to a change in control or public sale of the Guarantor's securities, nor will such holder have any right to approve the price or terms associated with any such change in control or public sale and (B) Lazard will not treat the holder of each Note or, if converted in accordance with this Section 8, the associated Goodwill Right, as a Member of Lazard, and such holder will not become a Member of Lazard pursuant to any agreement to which either Lazard or any of its subsidiaries is a party; provided, in each case, that the holder of each Note or, if converted, the associated Goodwill Right shall have the right to consent to any amendment to the Lazard Operating Agreement to the extent provided in Section 9.02(c) of the Lazard Operating Agreement as if such holder were a Member of Lazard holding Goodwill Interests or such amendment shall not be effective as against such holder, and provided further that the holder of a Goodwill Right pursuant to this Guaranty shall have any other protections applicable to holders of Class A-2(1) Goodwill Interests under the Lazard Operating Agreement in respect of Class A-2(1) Goodwill Interests. The Guarantor covenants and agrees that it shall provide the holder of each Note or, if converted, the associated Goodwill Right with a written notice of any proposed amendment to the Lazard Operating Agreement that requires the consent of the holders of Goodwill Interests under Section 9.02(c) of the Lazard Operating Agreement reasonably in advance of the date on which such amendment is due to be adopted by the Guarantor and in any event no later than the date on which the Members of Lazard are informed of such proposed amendment, if applicable.

(g) General. In the event that the issuance of such Goodwill Right upon conversion pursuant to this Section 8 dilutes the Goodwill Interests held by any Member of Lazard at the time of issuance of such Goodwill Right, the Guarantor covenants and agrees that it shall take all necessary actions required to satisfy its obligations to calculate and pay the Goodwill Right. The Guarantor also covenants and agrees that in connection with the issuance of such Goodwill Right, no approvals by the Guarantor or any Member of Lazard, in their capacity as such, shall be required for, and no veto or equivalent rights of the Guarantor or any Member of Lazard, in their capacity as such, shall apply to, the calculations of amounts payable under, and the payment of amounts to the holder thereof pursuant to, such Goodwill Right, by Lazard in accordance with the terms of such Goodwill Right, except for such approvals and veto rights that would not adversely affect Lazard's ability to make such calculations or such payments in any respect.

SECTION 9. Additional Covenants. The Guarantor covenants and agrees as follows:

(a) to remain (in its own capacity or through its Subsidiaries) in the investment banking business (except as may occur in connection with a Goodwill Event);

(b) to comply with any applicable regulations of any governmental authority, except to the extent that failure to comply would not have a material adverse effect on the business of the Guarantor and its Subsidiaries, taken as a whole; and

(c) to supply the Holder with such periodic reports and financial statements as may be issued to the Members of Lazard generally from time to time; provided, however, that any such reports and financial statements shall be kept confidential by the Holder in accordance with Section 8.2 of the Transaction Agreement.

SECTION 10. CB Note Escrow. On the terms and subject to the conditions set forth in Section 8 of the Note Purchase Agreement, after the issuance of the CB Note and as a condition precedent to the Holder's purchase of the $50 Million Lazard Note, the Guarantor shall place the CB Note in the Escrow Account pursuant to the Escrow Agreement to secure the obligations of the Guarantor hereunder. For the purposes of calculating the Obligations hereunder, the CB Note shall be valued at an amount equal to the outstanding principal on the CB Note at the time of such repayment, plus accrued but unpaid interest thereon.

SECTION 11. Release from Escrow Upon Certain Events. The Guarantor shall be entitled to cause the release and delivery to the Holder of amounts held in the Escrow Account, including the CB Note, in satisfaction of amounts payable hereunder in accordance with the terms of the Escrow Agreement.

SECTION 12. Amendments and Waivers. Any provision of this Guaranty may be amended or waived if such amendment or waiver is in writing and is signed, in the case of an amendment, by each of Guarantor and Holder or, in the case of a waiver, by the party hereto against whom the waiver is to be effective. The waiver by a party hereto of a breach of any term or provision of this Guaranty shall not be construed as a waiver of any subsequent breach. No failure or delay by either Guarantor or Holder in exercising any right, power or privilege hereunder shall operate as a waiver thereof. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 13. Captions. The captions in this Note are included for convenience of reference only and do not form a part of this Note or in any way limit or affect its interpretation or construction.

SECTION 14. Notices. All notices, consents, waivers and other communications required or permitted by this Guaranty shall be in writing and shall be deemed given to a party hereto when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and

marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number or Person as a party may designate by notice to the other party):

If to the Guarantor:

Lazard LLC
30 Rockefeller Plaza
New York, New York 10020
UNITED STATES OF AMERICA
Attention: General Counsel
Facsimile: (212) 332-5972
Telephone: (212) 632-6000

with a copy (which shall not constitute notice) to each of:

Gianni, Origoni, Grippo & Partners Studio Legale
Via Delle Quattro Fontane, 20
00184 Roma
ITALY
Attention: Francesco Gianni, Esq.
Facsimile: 011 39 06 4871101
Telephone: 01139 06 478751

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
UNITED STATES OF AMERICA
Attention: Adam D. Chinn, Esq.
Steven A. Cohen, Esq.
Facsimile: (212) 403-2000
Telephone: (212) 403-1000

If to the Holder:

Banca Intesa S.p.A.
Via Monte di Pietà n. 8
20121 Milano
ITALY
Attention: Direzione Partecipazioni
Facsimile: 011 39 02 8796 2072
Telephone: 011 39 02 8796 2376

and

Banca Intesa S.p.A.
Via Monte di Pietà n. 8
20121 Milano
ITALY
Attention: Direzione Affari Legali
Telephone: 011 39 02 8796 3523
Facsimile: 011 39 02 8796 2079

with a copy (which shall not constitute notice) to:

Pedersoli Lombardi e Associati
Via Andegari, 4/A
20121 Milano
ITALY
Attention: Antonio Pedersoli
Facsimile: 011 39 02 87919333
Telephone: 01139 02 879191

and

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
UNITED STATES OF AMERICA
Attention: George J. Sampas, Esq.
Facsimile: (212) 558-3588
Telephone: (212) 558-4000

SECTION 15. Successors and Assigns. Subject to the transfer restrictions set forth in Section 16 hereof, the provisions of this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective legal successors and permitted assigns.

SECTION 16. Restrictions on Transfer. NO PARTY HERETO MAY DIRECTLY OR INDIRECTLY SELL, TRANSFER, ASSIGN, ENCUMBER OR OTHERWISE PLEDGE OR DISPOSE OF ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS GUARANTY AT ANY TIME WITHOUT THE PRIOR WRITTEN CONSENT OF THE OTHER PARTY (IT BEING UNDERSTOOD THAT CONSENT OF THE GUARANTOR SHALL BE GIVEN BY THE HEAD OF LAZARD (AS DEFINED IN THE TRANSACTION AGREEMENT)) WHO MAY WITHHOLD SUCH CONSENT FOR ANY REASON IN HIS SOLE DISCRETION AND ANY SUCH TRANSFER MADE WITHOUT SUCH CONSENT SHALL BE NULL AND VOID; PROVIDED THAT IN THE EVENT THAT HOLDER DESIRES TO TRANSFER ANY OF ITS RIGHTS OR OBLIGATIONS UNDER THIS GUARANTY TO A WHOLLY-OWNED SUBSIDIARY OF HOLDER AND EACH OF THE HOLDER AND SUCH WHOLLY-OWNED SUBSIDIARY AGREE THAT SUCH SUBSIDIARY SHALL TRANSFER THE

RIGHTS OR OBLIGATIONS UNDER THIS GUARANTY TO HOLDER IMMEDIATELY UPON SUCH SUBSIDIARY CEASING TO BE WHOLLY-OWNED BY HOLDER, THEN THE CONSENT OF THE HEAD OF LAZARD TO SUCH TRANSFER SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED.

SECTION 17. Term; Termination. Except as provided in the provisos to the third sentence of Section 8(b), this Guaranty shall automatically terminate on the earlier of: (i) conversion of the Note or, if both Notes are outstanding, the Notes pursuant to Section 8 hereof, or (ii) payment of the entire amount outstanding under the Note or, if both Notes are outstanding, the Notes, including principal and interest thereon.

SECTION 18. Execution in Counterparts. This Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 19. No Third-Party Beneficiaries. This Guaranty is for the sole benefit of the parties hereto and their respective legal successors and permitted assigns, and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such successors and assigns, any legal or equitable rights hereunder or to otherwise confer any benefits, remedies, obligations or liabilities hereunder upon any person or entity other than the parties hereto and such successors and assigns.

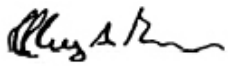
SECTION 20. Governing Law; Construction. THIS GUARANTY IS GOVERNED BY • AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF. Each of the Guarantor and the Holder agrees that all actions or proceedings arising out of or in connection with this Guaranty, or for recognition and enforcement of any judgment arising out of or in connection with this Guaranty, shall be tried and determined exclusively in the state or federal courts in the State of New York, and each of the Guarantor and the Holder hereby irrevocably submits with regard to any such action or proceeding for itself and with respect to its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid courts. Each of the Guarantor and the Holder hereby expressly waives any right it may have to assert, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any such action or proceeding: (a) any claim that it is not subject to personal jurisdiction in the aforesaid courts for any reason; (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts; and (c) that (i) any of the aforesaid courts is an inconvenient or inappropriate forum for such action or proceeding, (ii) venue is not proper in any of the aforesaid courts, and (iii) this Guaranty, or the subject matter hereof, may not be enforced in or by any of the aforesaid courts.

SECTION 21. Miscellaneous. The Guarantor will reimburse the Holder on demand such amount that shall be sufficient to cover all costs and expenses of such Holder incurred in any reimbursement, enforcement or collection under this Guaranty, including without limitation reasonable attorneys' fees, expenses and disbursements, to the extent such costs and expenses exceed the costs and expenses that such Holder would have incurred in any reimbursement,

enforcement or collection if the Guarantor were the issuer of the Notes. This Guaranty constitutes the entire agreement between the Guarantor and the Holder with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Guaranty shall be in addition to any other guaranty of or collateral security for any of the Obligations. The invalidity or unenforceability of any one or more sections of this Guaranty shall not affect the validity or enforceability of its remaining provisions. Captions are for the ease of reference only and shall not affect the meaning of the relevant provisions. The meanings of all defined terms used in this Guaranty shall be equally applicable to the singular and plural forms of the terms defined.

IN WITNESS WHEREOF, each of the Guarantor and the Holder has caused this Guaranty to be executed and delivered as of the date first above written.

LAZARD LLC

By: 

Name: Jeffrey A. Rosen
Title: Attorney-in-Fact

BANCA INTESA S.P.A.

By: 

Name: Corredo Passera
Title: Managing Director and
Chief Executive Officer

[Guaranty Signature Page]

Exhibit 10.16

AMENDED AND RESTATED OPERATING AGREEMENT (this "Agreement") of LAZARD STRATEGIC COORDINATION COMPANY LLC, a Delaware limited liability company (the "Company"), dated as of January 1, 2002.

WHEREAS Lazard LLC, a Delaware limited liability company ("Lazard"), formed the Company as a Delaware limited liability company under the Delaware Limited Liability Company Act (6 Del. C. ' 18-101, et seq.) (as amended from time to time and any successor statute thereto, the "Act");

WHEREAS the Company entered into a Coordination and Service Agreement dated March 3, 2000, as amended (the "Coordination Agreement"), among the Company, Lazard, Lazard Frères & Co. LLC, a New York limited liability company ("LFNY"), Lazard Frères S.A.S., a French Société par Actions Simplifiée ("LF"), Maison Lazard S.A.S., a French Société par Actions Simplifiée ("ML" and, together with LF, "LFP"), Lazard & Co., Holdings Limited, an English private limited company ("LB Holdings"), Lazard Bank Limited, an English private limited company ("Old LB"), Lazard & Co., Services Limited, an English private limited company ("LB ServiceCo"), and Lazard Brothers & Co., Limited, an English private limited company ("New LB");

WHEREAS the Company has been formed for the purposes specified in Section 2.03; and

WHEREAS Lazard entered into an Operating Agreement dated March 3, 2000 (the "Original Operating Agreement"), and wishes to enter into this Agreement to amend and restate the Original Operating Agreement in its entirety to reflect the appointment of Bruce Wasserstein as the Head of Lazard and Chairman of the Executive Committee and the Chief Executive Officer of Lazard.

NOW, THEREFORE, Lazard, as the sole member of the Company, hereby adopts the following as the "limited liability company agreement" of the Company within the meaning of the Act:

ARTICLE I

Definitions

SECTION 1.01. Definitions. As used in this Agreement, the following terms have the meanings set forth below:

"Act" has the meaning set forth in the preamble to this Agreement.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For purposes of the foregoing sentence, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Alternative Investing" means the private investment activities conducted by or on behalf of Lazard on the date hereof or hereafter.

"Asset Management" means the asset management businesses of the Houses as they are now or may in the future be conducted by the Houses.

"Banking" means the mergers and acquisitions advisory, corporate finance and financial advisory services (other than asset management advisory services) of the Houses as they are now or may in the future be conducted by the Houses (it being understood that the term "Banking" as used herein does not include the money market and deposit-taking businesses of LB and LFP) .

"Capital Markets" means the sales and trading, proprietary trading, brokerage, research, underwriting and distribution services of the Houses as they are now or may in the future be conducted by the Houses.

"Certificate of Formation" means the certificate of formation of the Company filed with the office of the Secretary of State of the State of Delaware on March 2, 2000.

"Chairman of the Executive Committee" means BW or his successor duly appointed in accordance with Section 3.03. Except in Section 3.03, the person holding such position is referred to as the "Head of Lazard and Chairman of the Executive Committee" in this Agreement.

"CEO" means the CEO of Lazard appointed pursuant to Section 3.07 of the Lazard Agreement.

"Company" has the meaning set forth in the preamble to this Agreement.

"Company Administrator" has the meaning set forth in Section 2.08.

"Company CEO" has the meaning set forth in Section 3.04.

"Coordination Agreement" has the meaning set forth in the preamble to this Agreement.

"Global Heads" means the global heads and global committee, as applicable, of the Lines of Business appointed (and not theretofore removed) in accordance with the Coordination Agreement.

"Governing Agreements" means this Agreement, the Lazard Agreement, the LFNY Agreement, the LFP By-Laws, the LB Articles and the governing documents of the Other Houses.

"Executive Committee" has the meaning set forth in Section 3.02.

"Houses" means LB, LFNY, LFP and the Other Houses.

"LB" means LB Holdings, Old LB, New LB and/or LB ServiceCo, as applicable.

"LB Articles" means the memorandum of association of LB Holdings and the articles of association of LB Holdings adopted by written resolution of the members of LB Holdings on January 1, 2002, the memorandum of association of Old LB and the articles of association of Old LB adopted by written resolution of the members of Old LB on January 1, 2002, the memorandum of association of New LB and the articles of association of New LB adopted by written resolution of the members of New LB on January 1, 2002, and/or the memorandum of association of LB ServiceCo and the articles of association of LB ServiceCo adopted by written resolution of the members of LB ServiceCo on January 1, 2002, as applicable.

"LB Holdings" has the meaning set forth in the preamble to this Agreement.

"LB ServiceCo" has the meaning set forth in the preamble to this Agreement.

"LF" has the meaning set forth in the preamble to this Agreement.

"LFNY" has the meaning set forth in the preamble to this Agreement.

"LFNY Agreement" means the Second Amended and Restated Operating Agreement of LFNY dated as of the date hereof.

"LFP" has the meaning set forth in the preamble to this Agreement.

"LFP By-Laws" means the *statuts* of LF and ML dated the date hereof.

"LAM" means Lazard Asset Management.

"Lazard" has the meaning set forth in the preamble to this Agreement.

"Lazard Agreement" means the Third Amended and Restated Operating Agreement of Lazard dated as of the date hereof.

"Lazard Board" means the Board of Lazard established pursuant to Section 3.02 of the Lazard Agreement.

"Lazard Mark" means (a) any service mark or trademark which includes the word "Lazard" or the initials "LF", including fund names and designations such as "Lazard Asset Management", or (b) any other word or design service mark or trademark which has been used or licensed by any of LB Holdings, Old LB, New LB, LB ServiceCo, LFNY, LF, ML or Lazard or has been designated as a Lazard Mark by the Head of Lazard and Chairman of the Executive Committee (or the Executive Committee prior to the date hereof).

"Lazard Name" means any of the firm names Lazard, Lazard Brothers or Lazard Frères or any other firm name which includes the word "Lazard".

"Lines of Business" means Asset Management, Banking, Capital Markets and Alternative Investing.

"MDW" means Michel David-Weill.

"ML" has the meaning set forth in the preamble to this Agreement.

"Managing Director" means (a) a Managing Director or Limited Managing Director of LFNY, (b) an Associé-Gérant of LFP, (c) a Managing Director of LB or (d) a Managing Director or comparable executive of one of the Other Houses, as applicable, in each case appointed in accordance with Section 3.01 of the Coordination Agreement and not subsequently removed.

"New LB" has the meaning set forth in the preamble to this Agreement.

"Old LB" has the meaning set forth in the preamble to this Agreement.

"Other Houses" means any existing Lazard houses other than LB, LFNY and LFP and any Lazard houses created after the date hereof.

"Person" means any individual, corporation, company, limited liability company, voluntary association,

partnership, joint venture, trust, estate, joint-stock company, unincorporated organization or any other entity or organization.

"Secretary" has the meaning set forth in Section 3.05.

"Senior Manager of the Rest of Europe" means the person appointed as the senior manager of the Other Houses located in Europe pursuant to Section 3.04 of the Coordination Agreement.

SECTION 1.02. Other Definition Provisions. Capitalized terms used, but not defined, herein have the meanings set forth in the Lazard Agreement, unless the context otherwise requires. Wherever required by the context of this Agreement, the singular shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa, and references to any agreement, document or instrument shall be deemed to refer to such agreement, document or instrument as amended, supplemented or modified from time to time. When used herein, the word "or" is not exclusive and the words "including", "includes", "included" and "include" are deemed to be followed by the words "without limitation". The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. All section, paragraph or clause references not attributed to a particular document shall be references to such parts of this Agreement.

SECTION 1.03. Applicable Laws and Regulations. The expression "applicable laws and regulations" and any similar expressions include all laws or directors' duties (in each case whether contained in any statute, at common law or in equity), regulations or requirements of any regulatory authorities to which any House, Managing Director or Affiliate of any House or any director, officer, member, secretary, employee or agent of any such House or Affiliate may be subject in any applicable jurisdiction.

ARTICLE II

Formation and Business of the Company

SECTION 2.01. Formation. Effective as of March 3, 2000, the Company has been formed as a limited liability company pursuant to the provisions of the Act by the filing of the Certificate of Formation with the Secretary of State of the State of Delaware.

SECTION 2.02. Name. The Company shall conduct its activities under the name “Lazard Strategic Coordination Company LLC”. The business of the Company may be conducted under any other name designated by the Head of Lazard and Chairman of the Executive Committee upon compliance with all applicable laws.

SECTION 2.03. Purpose and Scope of Activity. The purpose and scope of activity of the Company shall be, to the extent consistent with applicable laws and regulations, (a) to provide certain services to Lazard (including the supervision of Lazard’s investment in each House), the oversight of the global strategic direction and coordination of the global business activities of, and the provision of certain central administrative and financial functions for, the Houses, the maintenance of Lazard’s books and records and the oversight and coordination of the use of any Lazard Name or Lazard Mark, in each case in accordance with the Coordination Agreement, (b) to engage in any activity incidental to carrying out the foregoing and (c) to the extent approved by the Head of Lazard and Chairman of the Executive Committee, to engage in any lawful business in which a limited liability company organized under the laws of the State of Delaware is permitted to engage. The Company shall not itself engage in any banking activities.

SECTION 2.04. Principal Place of Business. The principal place of business of the Company shall be located in Wilmington, Delaware or at such other place as may

hereafter be designated from time to time by the Head of Lazard and Chairman of the Executive Committee. Company, committee and board meetings shall take place at the Company's principal place of business unless decided otherwise for any particular meeting.

SECTION 2.05. Registered Agent and Office. The registered agent for service of process is, and the mailing address for the registered office of the Company in the State of Delaware is in care of, The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware. At any time, the Company may designate another registered agent and/or registered office.

SECTION 2.06. Authorized Persons. The execution and causing to be filed of the Certificate of Formation is hereby specifically ratified, adopted and confirmed. The execution of the Coordination Agreement by the Company is hereby specifically ratified, adopted and confirmed. The Head of Lazard and Chairman of the Executive Committee, any Secretary and such other person or persons as may from time to time be designated by the Head of Lazard and Chairman of the Executive Committee for such purpose are hereby designated as authorized persons, within the meaning of the Act, to act in connection with executing and causing to be filed, when approved by the Head of Lazard and Chairman of the Executive Committee in accordance with the terms hereof and, subject to any approval of the Lazard Board that may be required pursuant to Section 3.02(c)(ii)(O) of the Lazard Agreement, any amendments and/or restatements of the Certificate of Formation and any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in any jurisdiction in which the Company may wish to conduct business.

SECTION 2.07. Members. The name and address of the sole member of the Company is as set forth on the signature page hereof.

SECTION 2.08. Company Administrator. The Company shall have a company administrator (the "Company Administrator") based at the principal place of business of the Company whose task shall be to carry out the day-to-day administration of the affairs of the Company, including the

issuance and receipt of notices and other communications, the maintenance of accounting records and such other matters as the Head of Lazard and Chairman of the Executive Committee may decide in accordance with this Agreement, the Lazard Agreement and the Coordination Agreement. In connection with the exercise of the foregoing duties, the Company Administrator shall have only such power and authority to act for and bind the Company (including the power and authority to execute, in the name of the Company or otherwise, contracts for services and leases for real and personal property, to purchase customary office supplies and similar items and to draw checks on the Company's accounts) as is granted to the Company Administrator by the Head of Lazard and Chairman of the Executive Committee and shall be subject to any limitations thereon as the Head of Lazard and Chairman of the Executive Committee may impose or as may be set forth in this Agreement, the Lazard Agreement or the Coordination Agreement.

ARTICLE III

Management

SECTION 3.01. Management. Management of the Company is vested exclusively in the Head of Lazard and Chairman of the Executive Committee. The Company may only act and bind itself in accordance with this Agreement, the Lazard Agreement and the Coordination Agreement through (a) the action of the Head of Lazard and Chairman of the Executive Committee, (b) the action of any person duly authorized by the Head of Lazard and Chairman of the Executive Committee to take such action, (c) the action of any Secretary to the extent authorized by the Head of Lazard and Chairman of the Executive Committee in accordance with the terms of this Agreement and (d) through the action of the Company Administrator in accordance with Section 2.08. The Head of Lazard and Chairman of the Executive Committee shall be the "manager" of the Company within the meaning of the Act; provided that the Head of Lazard and Chairman of the Executive Committee may only exercise those powers and rights that are provided for the Head of Lazard and Chairman of the Executive Committee

under this Agreement, the Coordination Company Operating Agreement and the Coordination Agreement.

SECTION 3.02. Executive Committee.

(a) Composition. The Company shall have an executive committee (the "Executive Committee") which shall be comprised of between nine and twelve Managing Directors as follows:

(i) the Head of Lazard and Chairman of the Executive Committee (selected as provided in Section 3.03);

(ii) MDW, only for so long as he is a member of the Lazard Board;

(iii) two Managing Directors from each of LFNY, LFP and LB selected by the Head of Lazard and Chairman of the Executive Committee;

(iv) a Managing Director from one of the Other Houses selected by the Head of Lazard and Chairman of the Executive Committee; and

(v) up to three additional Managing Directors selected by the Head of Lazard and Chairman of the Executive Committee.

Other than MDW, the Head of Lazard and Chairman of the Executive Committee shall appoint all members of the Executive Committee. The Head of Lazard and Chairman of the Executive Committee may remove any Managing Director selected pursuant to the foregoing clauses (iii), (iv) and (v) from the Executive Committee at any time in his sole discretion with or without Cause. The members of the Executive Committee on the date hereof are set forth on Schedule 3.02. Schedule 3.02 shall be deemed amended to reflect any change in the identity of the members of the Executive Committee in accordance with this Agreement.

(b) Function. The Executive Committee shall consult with the Head of Lazard and Chairman of the Executive Committee with respect to the principal operational management of Lazard and its Subsidiaries and Affiliates. Except as otherwise expressly provided in

Section 3.02(c) of the Lazard Agreement (including to the extent expressly provided in the other provisions of the Lazard Agreement referred to in Section 3.02(c) thereof), all powers of the Company shall be vested exclusively in the Head of Lazard and Chairman of the Executive Committee.

(c) Procedures. The Executive Committee shall meet approximately ten times each year. Meetings of the Executive Committee shall be convened by the Head of Lazard and Chairman of the Executive Committee or any Secretary acting upon the instruction of the Head of Lazard and Chairman of the Executive Committee. Agendas for meetings of the Executive Committee shall be established by the Head of Lazard and Chairman of the Executive Committee or any Secretary acting upon the instruction of the Head of Lazard and Chairman of the Executive Committee. The Head of Lazard and Chairman of the Executive Committee or such Secretary, as applicable, shall give at least two business days' prior written notice of a proposed meeting (or such other notice period as the Executive Committee may from time to time establish) and the general nature of the matters to be discussed thereat to all other members of the Executive Committee. There shall be no quorum requirement with respect to meetings of the Executive Committee. The failure of a member of the Executive Committee to receive notice of a meeting in accordance with this Section 3.02 shall not give rise to any right to challenge the taking of any action discussed by the Executive Committee at such meeting. Otherwise, the Executive Committee shall conduct its business in such manner and by such procedures as the Head of Lazard and Chairman of the Executive Committee deems appropriate. Global Heads, global heads of staff functions and other representatives of the Houses may be invited to attend meetings of the Executive Committee by the Head of Lazard and Chairman of the Executive Committee.

SECTION 3.03. Chairman of the Executive Committee. Effective as of the date hereof and subject to the terms and conditions contained in the BW Employment Agreement, BW shall be the Chairman of the Executive Committee for an initial term of five years. Thereafter, the Chairman of the Executive Committee shall be appointed by the Lazard Board. Any Chairman of the Executive Committee, other than BW for his initial term, shall serve for a term fixed at the time of his appointment, which term

shall not exceed three years but may be renewed. Any Chairman of the Executive Committee may be removed by the Lazard Board in accordance with Section 3.02(c)(i)(C) of the Lazard Agreement. During any vacancy in the office of Chairman of the Executive Committee, the Lazard Board may appoint an interim Chairman of the Executive Committee. No person may hold the position of Head of Lazard unless he or she also holds at such time the position of Chairman of the Executive Committee.

SECTION 3.04. Chief Executive Officer. To the extent that the Head of Lazard and Chairman of the Executive Committee appoints a CEO, such person shall also serve as Chief Executive Officer of the Company ("Company CEO"). Unless the Head of Lazard and Chairman of the Executive Committee determines otherwise, the appointment of a CEO shall constitute the delegation to such person, as Company CEO, subject to the provisions of the Coordination Agreement and the Governing Agreements, of such of the Head of Lazard and Chairman of the Executive Committee's authorities and duties that are normally associated with the office of chief executive officer. The Head of Lazard and Chairman of the Executive Committee shall be required to approve any action taken by any Company CEO with respect to (i) the Contribution Percentage, (ii) the appointment and removal of Managing Directors, (iii) compensation of any Managing Director and (iv) the Profit Percentage of any Managing Director. Any Company CEO shall be subject to the same restrictions as the Head of Lazard and Chairman of the Executive Committee. Any Company CEO shall serve for a term fixed at the time of his appointment as CEO, which term shall not exceed the remainder of the term of the Head of Lazard and Chairman of the Executive Committee who appointed such CEO; provided that the removal of any CEO or revocation of any appointment or delegation pursuant to Section 3.07 of the Lazard Agreement shall constitute a removal or revocation of any appointment or delegation to the Company CEO to the same extent.

SECTION 3.05. Secretaries. The Head of Lazard and Chairman of the Executive Committee may, from time to time as he deems advisable, appoint one or more secretaries of the Company (the "Secretaries") by giving notice of such appointment to the Executive Committee and the Lazard Board. Secretaries may be, but are not required to be,

members of the Executive Committee. Secretaries shall have such functions, powers and obligations in connection with the preparation of agendas for meetings of the Executive Committee and the execution and performance of orders and decisions of the Head of Lazard and Chairman of the Executive Committee as the Head of Lazard and Chairman of the Executive Committee shall delegate to them in accordance with the Coordination Agreement and the Governing Agreements. The Head of Lazard and Chairman of the Executive Committee may remove any Secretary or revoke any appointment or delegation pursuant to this Section at any time with or without Cause.

ARTICLE IV

Capital Contributions

SECTION 4.01. Prior Capital Contributions. The capital contribution heretofore made by Lazard is $1,000.

SECTION 4.02. Additional Contributions. Lazard shall have no obligation to make any additional capital contribution to the Company but may do so from time to time upon a request from the Head of Lazard and Chairman of the Executive Committee approved by the Lazard Board.

SECTION 4.03. Interest. No interest shall be payable on any capital contribution to the Company.

SECTION 4.04. Liability to Third Parties; Capital Account Deficits. Except as may otherwise be expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and Lazard shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being the member of the Company. Lazard shall not be liable to make up any deficit in its capital account.

SECTION 4.05. Books and Accounts. The Company shall at all times keep or cause to be kept true and complete records and books of account. Such records and books of account shall be kept at the principal place of

business of the Company. Lazard shall have access thereto and the right to receive copies thereof.

ARTICLE V

Distributions, Transfers, etc.

SECTION 5.01. Distributions. Distributions shall be made at the times and in the aggregate amounts determined by Lazard.

SECTION 5.02. Repayment of Funds. Except as otherwise may be provided by law, Lazard shall not be required to repay to the Company any funds distributed to it pursuant to this Agreement.

SECTION 5.03. Restrictions on Transfer. Lazard shall not sell, assign, dispose of, or otherwise transfer, pledge or encumber, all or any part of its interest in the Company except (a) to an Affiliate of Lazard or (b) in connection with a sale of all or substantially all of the assets of Lazard.

SECTION 5.04. Admission of Additional or Substitute Members. No additional or substitute members shall be admitted to the Company.

ARTICLE VI

Dissolution and Liquidation

SECTION 6.01. Dissolution. The Company shall be dissolved and its affairs shall be wound up upon the earliest to occur of (a) an approval at any time by the Lazard Board of a dissolution of the Company pursuant to Section 3.02 (c) (ii) (L) of the Lazard Agreement or (b) the resignation, bankruptcy or dissolution of Lazard. The Company shall not be affected by reason of the death, retirement, resignation, bankruptcy or dissolution of any member of Lazard. In the event of any death, retirement, resignation, bankruptcy or dissolution of any member of Lazard, Lazard agrees to settle and adjust all matters with any such member or its estate and Lazard, as it may be constituted after such death, retirement, resignation,

bankruptcy or dissolution, shall continue as a member of the Company.

SECTION 6.02. Liquidation. Upon a dissolution pursuant to Section 6.01, the Company's business and assets shall be liquidated in an orderly manner. The Head of Lazard and Chairman of the Executive Committee shall be the liquidator to wind up the affairs of the Company pursuant to this Agreement. In performing its duties, the Head of Lazard and Chairman of the Executive Committee is authorized to sell, distribute, exchange or otherwise dispose of the Company's assets in accordance with the Act in any reasonable manner that the Head of Lazard and Chairman of the Executive Committee determines to be in the best interests of Lazard.

SECTION 6.03. Cancelation of Certificate of Formation. Upon completion of the foregoing, the liquidator shall execute, acknowledge and cause to be filed a certificate of cancelation of the Company in the office of the Secretary of State of the State of Delaware.

ARTICLE VII

Exculpation and Indemnification

SECTION 7.01. Exculpation. No Indemnified Representative shall be personally liable for any breach of duty in an Indemnified Capacity; provided that the foregoing shall not eliminate or limit the Liability of any Indemnified Representative if a judgment or other final adjudication adverse to the Indemnified Representative establishes that (i) the Indemnified Representative's acts or omissions were in bad faith or involved intentional misconduct, gross negligence or a knowing violation of law or (ii) the Indemnified Representative in fact personally and improperly gained a financial profit or other advantage to which the Indemnified Representative was not legally entitled.

SECTION 7.02. Indemnification. (a) General Rule. The Company shall, to the fullest extent permitted by the Act, indemnify and hold harmless, and as provided in Section 7.02(c) may advance expenses to, any Indemnified

Representative against any Liability incurred in connection with any Proceeding in which the Indemnified Representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an Indemnified Capacity, including Liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement or act giving rise to strict or products Liability; provided that no indemnification may be made to or on behalf of any Indemnified Representative if a judgment or other final adjudication adverse to the Indemnified Representative establishes that (i) the Indemnified Representative's acts or omissions were in bad faith or involved intentional misconduct, gross negligence or a knowing violation of law or (ii) the Indemnified Representative in fact personally and improperly gained a financial profit or other advantage to which the Indemnified Representative was not legally entitled.

(b) Partial Payment. If an Indemnified Representative is entitled to indemnification in respect of a portion, but not all, of any Liabilities to which such Indemnified Representative may be subject, the Company shall indemnify such Indemnified Representative to the maximum extent legally permissible for such Liabilities.

(c) Advancing Expenses. To the fullest extent permitted by law, the Company may pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an Indemnified Representative in advance of the final disposition of a Proceeding upon receipt of an undertaking by or on behalf of the Indemnified Representative to repay the amount if it is ultimately determined that such person is not entitled to be indemnified by the Company pursuant to this Section.

(d) Scope of Section. The rights granted by this Section shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of members or otherwise, both as to action in an Indemnified Capacity and as to action in any other capacity. The indemnification and advancement of expenses provided by or granted pursuant to this Section shall continue as to a person who has ceased to be an Indemnified Representative in respect of matters arising

prior to such time, and shall inure to the benefit of the successors, heirs, executors, administrators and personal representatives of such a person.

SECTION 7.03. Exculpation and Indemnification Definitions. As used in this Article, the following terms have the meanings set forth below:

"Indemnified Capacity" means any and all past, present and future service by an Indemnified Representative in one or more capacities as a member, managing member, committee member, director, managing director, officer, manager, company secretary, employee or agent of the Company or any of its Affiliates, or, at the request of the Company or any of its Affiliates, as a member, managing member, board member, committee member, director, managing director, officer, manager, company secretary, employee, agent, fiduciary or trustee of another person.

"Indemnified Representative" means Lazard, all members of Lazard, the Head of Lazard and Chairman of the Executive Committee, all members of the Executive Committee and the Lazard Board, the CEO, the Company CEO, the Board Chairman, the Chairman of Lazard, all officers and managers of the Company and its Affiliates and any other person serving at the request of the Company or any of its Affiliates as a member, managing member, board member, committee member, director, managing director, officer, manager, company secretary, employee, agent, fiduciary or trustee of the Company or another person.

"Liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damage, excise tax assessed with respect to any employee benefit plan, or cost or expense of any nature (including attorneys' fees and disbursements).

"Proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Company, the Member or otherwise.

SECTION 7.04. Survival. This Article shall survive any termination of this Agreement.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Use of Firm Name. The right to use the firm name, Lazard Strategic Coordination Company LLC, shall belong to the Company; provided that the use, sale or other disposition of any Lazard Name or any Lazard Mark shall be governed by the terms of the Coordination Agreement.

SECTION 8.02. Amendments. The Certificate of Formation and this Agreement may not be amended except by the Lazard Board through an instrument in writing signed by a person duly authorized by the Lazard Board; provided that the Head of Lazard and Chairman of the Executive Committee may authorize, without the approval of the Lazard Board, (a) any amendment to this Agreement to correct any technicality, incorrect statement or error apparent on the face hereof in order to further the intent of the parties hereto and (b) any amendment to the Certificate of Formation to (i) change the name or street address of the registered agent, if any, of the Company, (ii) change the post office address to which the Secretary of State shall mail a copy of any process against the Company served upon him or her or (iii) correct any formality or error apparent on the face thereof or incorrect statement or defect in the execution thereof.

SECTION 8.03. Benefits of Agreement. Except as provided in Article VII, none of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or Lazard. Except as provided in Article VII, nothing in this Agreement shall be deemed to create any right in any person not a party hereto other than the members of Lazard, and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third person other than the members of Lazard. Without limiting the generality of the foregoing, except as provided in Article VII and except for the members of Lazard, no person not a party hereto shall

have any right to compel performance by Lazard of its obligations hereunder.

SECTION 8.04. Notices. All notices and other communications required or permitted by this Agreement shall be made in writing and any such notice or communication shall be deemed delivered when delivered in person, properly transmitted by telecopier or one business day after it has been sent by an internationally recognized overnight courier to the address for notices shown in the Company's records (or any other address provided to the Head of Lazard and Chairman of the Executive Committee) or, if given to the Executive Committee, the Head of Lazard and Chairman of the Executive Committee or the Company, to the address of the Company in Delaware. Communications by telecopier also shall be sent concurrently by overnight courier, but shall in any event be effective as stated above. Each member of the Executive Committee may from time to time change his or her address for notices under this Section 8.04 by giving at least five days' notice of such changed address to the Head of Lazard and Chairman of the Executive Committee.

SECTION 8.05. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of law principles.

SECTION 8.06. Severability. If any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

SECTION 8.07. Headings. The Article, Section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

SECTION 8.08. Effectiveness. The Original Operating Agreement shall be deemed effective for all financial and accounting purposes as of January 3, 2000.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the date first above written.

LAZARD LLC,

by

Name: SCOTT D. HOFFMAN
Title: AUTHORIZED PERSON

Address: 30 Rockefeller Plaza
New York, NY 10020

Attention: Scott Hoffman
Facsimile: 212-332-5972

Exhibit 10.17

LAZARD FUNDING LIMITED LLC, as Issuer

LAZARD LLC, as Guarantor

7.53% Guaranteed Senior Notes due 2011

NOTE PURCHASE AGREEMENT

Dated as of May 11,2001

Table of Contents

		Page
1.	THE NOTES	1
	1 1. Authorization of Notes	1
	1.2. Interest Rate Adjustments	1
	1 3. The Parent Guarantee	2
2.	SALE AND PURCHASE OF NOTES	2
3.	CLOSING	2
4.	CONDITIONS TO CLOSING	3
	4.1. Representations and Warranties	3
	4.2. Performance; No Default	3
	4.3. Compliance Certificates	3
	4.4. Opinions of Counsel	3
	4.5. Purchase Permitted by Applicable Law, etc.	3
	4.6. Payment of Special Counsel Fees	4
	4.7. Private Placement Number	4
	4.8. Changes in Organizational Structure	4
	4.9. Proceedings and Documents	4
	4.10 Sale of Notes to Other Purchasers	4
5.	REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND THE COMPANY	5
	5.1. Organization; Power and Authority	5
	5.2. Authorization, etc.	5
	5.3. Disclosure	5
	5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates	6
	5.5. Financial Statements	6
	5.6. Compliance with Laws, Other Instruments, etc.	7
	5.7. Governmental Authorizations etc.	7
	5.8. Litigation; Observance of Agreements, Statutes and Orders	7
	5.9. Taxes	8
	5.10. Title to Property; Leases	8
	5.11. Licenses, Permits, etc.	8
	5.12. Compliance with ERISA	9
	5.13. Private Offering by the Company	10
	5.14. Use of Proceeds; Margin Regulations	10
	5.15. Existing Indebtedness	10
	5.16. Foreign Assets Control Regulations, etc.	10
	5.17. Status Under Investment Company Act and Certain Other Statutes	11
6.	REPRESENTATIONS OF THE PURCHASER	11

6.1. Purchase of Notes 11
6.2. Source of Funds 11

7. INFORMATION AS TO COMPANY 13
7.1. Financial and Business Information 13
7.2. Officer's Certificate 15
7.3. Inspection 16

8. PREPAYMENT OF THE NOTES 16
8.1. Optional Prepayments with Make-Whole Amount 16
8.2. Prepayment in Connection with a Change of Control 17
8.3. Notice of Prepayment 18
8.4. Allocation of Partial Prepayments 18
8.5. Maturity Surrender, etc. 18
8.6. Purchase of Notes 18
8.7. Make-Whole Amount 19

9. AFFIRMATIVE COVENANTS 20
9.1. Compliance with Law 20
9.2. Insurance 20
9.3. Maintenance of Properties 20
9.4. Payment of Taxes and Claims 21
9.5. Existence, etc. 21
9.6. Priority of Obligations 21
9.7. Registration Under Advisers Act and Exchange Act 21
9.8. Rating for the Notes 22

10. NEGATIVE COVENANTS 22
10.1. Financial Covenant 22
10.2. Merger, Consolidation, etc. 22
10.3. Transactions with Affiliates 23
10.4. Limitation on Material Subsidiary Distributions 24

11. EVENTS OF DEFAULT 24

12. REMEDIES ON DEFAULT, ETC. 26
12.1. Acceleration 26
12.2. Other Remedies 27
12.3. Rescission 27
12.4. No Waivers or Election of Remedies Expenses, etc. 27

13. PARENT GUARANTEE 28
13.1. Guarantee 28
13.2. Subrogation and Contribution 30

14. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES 30
14.1. Registration of Notes 30
14.2. Transfer and Exchange of Notes; Permitted Transferees 30

14.3. Replacement of Notes 31

15. PAYMENTS ON NOTES 31
15.1. Place of Payment 31
15.2. Home Office Payment 32

16. EXPENSES, ETC. 32
16.1. Transaction Expenses 32
16.2. Survival 33

17. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT 33

18. AMENDMENT AND WAIVER 33
18.1. Requirements 33
18.2. Solicitation of Holders of Notes 34
18.3. Binding Effect, etc. 34
18.4. Notes held by Company, etc. 34

19. NOTICES 34

20. REPRODUCTION OF DOCUMENTS 35

21. CONFIDENTIAL INFORMATION 35

22. SUBSTITUTION OF PURCHASER 36

23. MISCELLANEOUS 37
23.1. Successors and Assigns 37
23.2. Construction 37
23.3. Waiver of Jury Trial 37
23.4. Payments Due on Non-Business Days 37
23.5. Severability 37
23.6. Accounting Terms 38
23.7. Counterparts 38
23.8. Governing Law 38

Exhibit 1 — Form of 7.53% Guaranteed Senior Note due 2011
Exhibit 4.4(a)(i) — Form of Opinion of Special Counsel for the Company
Exhibit 4.4(a)(ii) — Form of Opinion of General Counsel of the Company
Exhibit 4.4(b) — Form of Opinion of Special Counsel for the Purchasers

Schedule A — Names and Addresses of Purchasers
Schedule B — Defined Terms
Schedule 5.3 — Disclosure Documents

Schedule 5.4(a)	—	Subsidiaries
Schedule 5.4(b)	—	Subsidiary Capital Stock
Schedule 5.4(d)	—	Subsidiary Legal Restrictions
Schedule 5.5	—	Financial Statements
Schedule 5.8	—	Litigation
Schedule 5.11	—	Licenses, Permits etc.
Schedule 5.15	—	Existing Indebtedness
Schedule 8.2	—	Defined Terms from Operating Agreement

LAZARD FUNDING LIMITED LLC
LAZARD LLC
30 Rockefeller Plaza
New York, NY 10020

7.53% Guaranteed Senior Notes due 2011

As of May 11, 2001

TO THE SEVERAL PURCHASERS LISTED IN THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

LAZARD FUNDING LIMITED LLC, a Delaware limited liability company (the **"Issuer"**), and LAZARD LLC, a Delaware limited liability company (the **"Company"),** agree with each of you (sometimes individually a **"Purchaser"** and, collectively, the **"Purchasers")** as follows:

1. **THE NOTES.**

1.1. **Authorization of Notes**

The Issuer has duly authorized the issue and sale of $50,000,000 aggregate principal amount of its 7.53% Guaranteed Senior Notes due 2011 (the **"Notes"),** each such note to be substantially in the form set out in Exhibit 1. As used herein, the term **"Notes"** shall mean all notes originally delivered pursuant to this Agreement and all notes delivered in substitution or exchange for any such note and, where applicable, shall include the singular number as well as the plural. Certain capitalized and other terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

1.2. **Interest Rate Adjustments**

After a Rating Downgrade the rate at which interest accrues on the outstanding principal amount of the Notes shall be increased by 0.50% (50 basis points) to a rate of 8.03%, effective as of the date of such Rating Downgrade; and a **"Rating Downgrade"** will be deemed to have occurred if the rating most recently assigned to the Notes by a Designated Rating Agency is below Investment Grade. The provisions of Section 9.8 govern the rights of holders of Notes to require the Company to obtain ratings for the Notes.

If at any time after a Rating Downgrade has occurred the Notes are assigned a rating of at least Investment Grade by the Designated Rating Agency (a **"Rating Upgrade")** and any other outstanding rating assigned to the Notes by another Designated Rating Agency is cancelled or withdrawn, the rate at which interest accrues on the outstanding principal amount of

the Notes shall return to the original rate, effective as of the date of such Rating Upgrade, subject to increase in case of a subsequent Rating Downgrade.

1.3. **The Parent Guarantee.**

The Notes and the obligations of the Issuer hereunder will be unconditionally guaranteed by the Company, which owns beneficially and of record all of the issued and outstanding Capital Shares of the Issuer, pursuant to a parent guarantee contained in Section 13 (the **"Parent Guarantee").**

2. **SALE AND PURCHASE OF NOTES.**

Subject to the terms and conditions of this Agreement, the Issuer will issue and sell to you and you and the other Purchasers severally agree to purchase from the Issuer, at the Closing provided for in Section 3, Notes in the principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Your obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance by any other Purchaser hereunder.

3. **CLOSING.**

The sale and purchase of the Notes to be purchased by you shall occur at the offices of Willkie Farr & Gallagher, 787 Seventh Avenue, New York, NY 10019 at 10:00 a.m., New York time, at a closing (the **"Closing")** on May 11, 2001 or on such other Business Day as may be agreed upon by the Company and you in writing. At the Closing the Issuer will deliver to each of you the Notes to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least $1,000,000 as you may request in writing not less than one Business Day prior to the Closing) dated the date of the Closing and registered in your name (or in the name of your nominee as you shall have designated not less than one Business Day prior to the Closing), against delivery by you to the Issuer or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds to the account of Lazard Frères & Co. LLC (account number 140-080102 at The Chase Manhattan Bank, ABA number 021000021) for further credit to Lazard Funding Limited LLC, account number 718-00022.

If at the Closing the Issuer shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your several obligations to purchase and pay for the Notes to be sold to you at the Closing are subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1. Representations and Warranties.

The representations and warranties of the Issuer and the Company in this Agreement shall be correct when made and at the time of the Closing, except to the extent any representation or warranty specifically relates to an earlier date (in which case, as of such date).

4.2. Performance; No Default.

Each of the Issuer and the Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Sections 10.1 to 10.4, inclusive, had such Sections applied since such date.

4.3. Compliance Certificates.

(a) Officer's Certificates. Each of the Issuer and the Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.8 have been fulfilled.

(b) Secretary's Certificates. Each of the Issuer and the Company shall have delivered to you a certificate of the Secretary or an Assistant Secretary certifying as to the resolutions attached thereto and other company proceedings relating to the authorization, execution and delivery of this Agreement and (in the case of the Issuer) the Notes.

4.4. Opinions of Counsel.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Cravath, Swaine & Moore, special counsel for the Issuer and the Company, and Scott D. Hoffman, Esq., General Counsel of Lazard Frères & Co. LLC, substantially in the respective forms set forth in Exhibits 4.4(a)(i) and 4.4(a)(ii) (some of which matters may be covered by opinions of in-house or local counsel in France and the United Kingdom) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Issuer and the Company hereby instructs their counsel to deliver such opinions to you) and (b) from Willkie Farr & Gallagher, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

4.5. Purchase Permitted by Applicable Law, etc.

On the date of the Closing, your purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including without limitation Regulation T, U or X of the

Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you not less than one Business Day prior to the Closing, you shall have received an Officer's Certificate of the Company certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6. **Payment of Special Counsel Fees.**

Without limiting the provisions of Section 16.1, the Issuer shall have paid on or before the Closing the reasonable fees, charges and disbursements of your special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Issuer at least one Business Day prior to the Closing.

4.7. **Private Placement Number.**

A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes.

4.8. **Changes in Organizational Structure.**

Neither the Issuer nor the Company shall have changed its jurisdiction of organization or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.9. **Proceedings and Documents.**

All company and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

4.10. **Sale of Notes to Other Purchasers**

The Issuer shall sell to the other Purchasers and the other Purchasers shall purchase the Notes to be purchased by them at the Closing as specified in Schedule A.

5. REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND THE COMPANY.

The Issuer and the Company jointly and severally represent and warrant to you, as of the date hereof and as of the time of the Closing (unless otherwise specified), as follows:

5.1. Organization; Power and Authority.

Each of the Issuer and the Company is a limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified to conduct business and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of the Issuer and the Company has all requisite power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and in the case of the Issuer the Notes, and to perform the provisions hereof and, in the case of the Issuer, the Notes.

5.2. Authorization, etc.

This Agreement and the Notes have been duly authorized by all requisite action on the part of the Issuer, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). This Agreement has been duly authorized by all requisite action on the part of the Company, and this Agreement constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. Disclosure.

The Company has delivered to each Purchaser a copy of a Private Placement Memorandum, dated May 8, 2001 (the **"Memorandum"),** relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business of the Company and its Subsidiaries. This Agreement, the Memorandum, the documents, certificates or other writings delivered to you by or on behalf of the Issuer or the Company in connection with the transactions contemplated hereby and described in Schedule 5.3 (together with the Memorandum, the **"Disclosure Documents"),** and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 2000, there has been no change in the financial condition, operations, business, properties or (except for changes in general economic and market conditions and changes in the financial services industry) prospects of the Company or any Subsidiary other than changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect.

5.4. **Organization and Ownership of Shares of Subsidiaries; Affiliates.**

(a) Schedule 5.4(a) contains complete and correct lists of (i) the Company's Material Subsidiaries, showing, as to each Material Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and (ii) members of the Company, members of the Company's Executive Committee, members of the Lazard Board of the Company and members of the Supervisory Board, the Heads of House, the Global Heads and the Senior Managers. The Material Subsidiaries listed on Schedule 5.4(a) accounted, together with the Company, in the aggregate for approximately 92.0% of consolidated net income of the Company and its Subsidiaries for the fiscal year ended December 31, 2000 and approximately 96.6% of the consolidated total assets (fixed and current) of the Company and its Subsidiaries at December 31, 2000. The Issuer does not have any Subsidiaries.

(b) Except as disclosed in Schedule 5.4(b), all of the outstanding shares of capital stock or similar equity interests of each Material Subsidiary shown in Schedule 5.4(a) as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Material Subsidiary free and clear of any Lien.

(c) Each Material Subsidiary identified in Schedule 5.4(a) is an entity duly organized, validly existing and, if applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified to conduct business and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Each such Material Subsidiary has all requisite power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Material Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than the agreements listed on Schedule 5.4(d) and legal and regulatory restrictions and customary limitations imposed by corporate law or any other analogous statutes) restricting the ability of such Material Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding Capital Shares of such Material Subsidiary.

5.5. **Financial Statements.**

The Company has delivered to each Purchaser copies of the consolidated financial statements of the Company and its Subsidiaries listed in Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the results of its consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to the absence of footnotes and normal year-end adjustments).

5.6. **Compliance with Laws, Other Instruments, etc.**

Neither the execution, delivery and performance by the Issuer of this Agreement and the Notes nor the execution, delivery and performance by the Company of this Agreement will (i) (A) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any Material indenture, mortgage, deed of trust, loan, purchase or credit agreement or lease, any corporate charter or by-laws or other organizational document of the Company or any Material Subsidiary, or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected or (B) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any other indenture, mortgage, deed of trust, loan, purchase or credit agreement or lease, any corporate charter or by-laws or other organizational document of any other Subsidiary, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, except for such contraventions, breaches or defaults which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Material Subsidiary (or, to the Company's knowledge, to any other Subsidiary) or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority or the Exchange applicable to the Company or any Material Subsidiary (or, to the Company's knowledge, to any other Subsidiary).

5.7. **Governmental Authorizations, etc.**

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Issuer and the Company of this Agreement or by the Issuer of the Notes.

5.8. **Litigation; Observance of Agreements, Statutes and Orders.**

(a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Issuer or the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority or the Exchange or the NASD that in the aggregate could reasonably be expected to have a Material Adverse Effect.

(b) The pending actions, suits and proceedings disclosed in Schedule 5.8 could not reasonably be expected to have a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority or the

Exchange or the NASD, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9. **Taxes.**

The Company and its Subsidiaries have filed all tax returns that are required to have been filed by them in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes, tax returns and assessments (a) the amount of which (or in the case of tax returns, the filing of which) is not individually or in the aggregate Material or (b) with respect to taxes and assessments, the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. Neither the Issuer nor the Company knows of any basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities, if any, of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid or have been finally and irrevocably closed by virtue of the expiration of the applicable statute of limitations for all fiscal years up to and including the fiscal year ended December 31, 1996.

5.10. **Title to Property; Leases.**

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. **Licenses, Permits, etc.**

Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Issuer and the Company, no product of the Company or any Subsidiary infringes in any respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person, except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and

(c) to the best knowledge of the Issuer and the Company, there is no violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other

right owned or used by the Company or any of its Subsidiaries, except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.12. **Compliance with ERISA.**

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of Section 4975 of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans) that are subject to Title IV of ERISA, determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms **"current value"** and **"present value"** have the meaning specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(d) The Company has no obligations or liabilities to provide post-retirement medical and life insurance benefits (other than coverage mandated under Section 4980B of the Code), except for such obligations or liabilities that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

(e) With respect to each employee benefit plan, if any, disclosed by you in writing to the Company in accordance with Section 6.2(c), neither the Company nor any "affiliate" of the Company (as defined in Section V(c) of the QPAM Exemption) has at this time, nor has exercised at any time during the immediately preceding year, the authority to appoint or terminate the "QPAM" (as defined in Part V of the QPAM Exemption) disclosed by you to the Company pursuant to Section 6.2(c) as manager of any of the assets of any such plan or to negotiate the terms of any management agreement with such QPAM on behalf of any such plan, and the Company is not an "affiliate" (as so defined) of such QPAM. The Company is not a party in interest with respect to any employee benefit plan disclosed by you in accordance with Section 6.2(b) or 6.2(e). The execution and delivery of this Agreement and the issuance and sale

of the Notes at the Closing hereunder will not involve any prohibited transaction (as such term is defined in Section 406(a) of ERISA and Section 4975(c)(1)(A)-(D) of the Code), that could subject the Company or any holder of a Note to any tax or penalty on prohibited transactions imposed under said Section 4975 of the Code or by Section 502(i) of ERISA. The representation by the Company to each Purchaser in the preceding sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the source of the funds used to pay the purchase price of the Notes to be purchased by it.

5.13. **Private Offering by the Company.**

Neither the Issuer nor the Company, nor anyone acting on behalf of the Issuer or the Company, has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers, each of which has been offered the Notes at a private sale for investment. Neither the Issuer nor the Company, nor anyone acting on behalf of the Issuer or the Company, has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

5.14. **Use of Proceeds; Margin Regulations.**

The Issuer will lend the net proceeds of the sale of the Notes to the Company or to one or more Subsidiaries and the Company or such Subsidiaries will use such proceeds for general company purposes as the Executive Committee shall in its discretion determine, including without limitation, in the case of the Company, lending such proceeds to Subsidiaries to be used for their general company purposes. None of the transactions contemplated by this Agreement (including without limitation the direct or indirect use of the proceeds from the sale of the Notes hereunder) will involve a violation of Section 7 of the Exchange Act, including without limitation Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221) or Regulation X (12 CFR 224) or Regulation T of said Board (12 CFR 220).

5.15. **Existing Indebtedness.**

Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of March 31, 2001, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries, except as disclosed on Schedule 5.15. Neither the Company nor any Material Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary, and no event or condition exists with respect to any such Indebtedness of the Company or any Subsidiary that would permit (or that with the giving of notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

5.16. **Foreign Assets Control Regulations, etc.**

Neither the sale of the Notes by the Issuer hereunder nor the use by the Issuer, the Company or any Subsidiary of the proceeds thereof will violate the Trading with the Enemy Act,

as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

5.17. **Status Under Investment Company Act and Certain Other Statutes.**

Neither the Company nor any Subsidiary is required to be registered under the Investment Company Act of 1940, as amended, or subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

The Company's Subsidiary, Lazard Frères & Co. LLC, is duly registered with the SEC under the Investment Advisers Act of 1940, as amended (the **"Advisers Act"),** and the rules and regulations of the SEC thereunder and duly registered with the SEC as a broker-dealer under the Exchange Act and the rules and regulations of the SEC thereunder and there does not exist any proceeding, or any facts or circumstances known to the Company, the existence of which could lead to any proceeding which could reasonably be expected to materially adversely affect either such registration with the SEC.

6. **REPRESENTATIONS OF THE PURCHASER.**

Each of you severally represents and warrants to the Issuer and the Company as follows:

6.1. **Purchase of Notes.**

You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Issuer is not required to register the Notes.

6.2. **Source of Funds.**

You represent that at least one of the following statements is an accurate representation as to each source of funds (a **"Source")** to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an "insurance company general account", as such term is defined in Prohibited Transaction Exemption (**"PTE"**) 95-60 (issued July 12, 1995), and you satisfy all of the applicable requirements for relief under Sections I and IV of PTE 95-60 as of the date of the Closing; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29,1990), and, except as you have

disclosed to the Company in writing pursuant to this paragraph (b), no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of 10% of the total of all assets in such pooled separate account and the conditions of Section III of PTE 90-1 are satisfied; or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of 10% of the total assets in such collective investment fund and the conditions of Section III of PTE 91-38 are satisfied; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or **"QPAM"** (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan which is not subject to the provisions of Title I of ERISA or Section 401 of the Code; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **"employee benefit plan", "governmental plan"** and **"separate account"** shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. **INFORMATION AS TO COMPANY.**

7.1. **Financial and Business Information.**

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) a consolidated profit/(loss) statement of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the consolidated figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the consolidated financial position of the Company and its Subsidiaries and their results of operations, subject to the absence of footnotes and to changes resulting from year-end adjustments;

(b) Annual Statements — within 120 days after the end of each fiscal year of the Company, duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of profit/(loss) and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the consolidated figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the Company and its Subsidiaries and its results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have read this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should

have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit);

(c) SEC and Other Reports — promptly upon their becoming available, one copy of each FOCUS Report, Annual Audit Report, amendment to Form ADV or amendment to Form BD of the Company or any Material Subsidiary and each other regular or periodic report, in any case as filed by the Company or any Material Subsidiary with the SEC, the Exchange, the FSA, the COB or any other securities exchange and of all press releases and other written statements made available generally by the Company or any Material Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default — promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters — promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in Section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary

from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation (including without limitation any correspondence from the SEC regarding the activities of the Company or any Subsidiary under the Advisers Act or the provisions of the Exchange Act relating to brokers and dealers) that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes (subject to the final paragraph of Section 7.3).

7.2. **Officer's Certificate.**

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.1 to 10.4, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence);

(b) Rating Downgrade — a statement as to the occurrence of any Rating Downgrade or Rating Upgrade since the date of the last certificate delivered pursuant to this Section 7.2 and information (including detailed calculations) indicating whether the holder of a Note is at the time entitled to request that the Company obtain a rating for the Notes pursuant to Section 9.8;

(c) Insurance — in the certificate accompanying the annual financial statements delivered pursuant to Section 7.1(b), a statement as to whether the Executive Committee has made the determination required by Section 9.2 to be made with respect to the Company's then-current fiscal year that the Company's insurance is appropriate in light of the nature of the business conducted and proposed to be conducted by the Company and its Material Subsidiaries; and

(d) Default — a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature

and period of existence thereof and what action the Company has taken or proposes to take with respect thereto.

7.3. **Inspection.**

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default — if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Notwithstanding the foregoing provisions of this Section 7.3 or Section 7.1(f) or 7.1 (g), neither the Company nor any Subsidiary shall be required to disclose to any holder of Notes any information to the extent that the Company is advised by counsel that such disclosure is prohibited under any applicable law, rule, regulation or order (or other binding restriction imposed by any Governmental Authority) or under a written agreement entered into in good faith with third parties.

8. **PREPAYMENT OF THE NOTES.**

In addition to the payment of the entire unpaid principal amount of the Notes at the final maturity thereof, the Issuer may make optional prepayments in respect of the Notes and may be required to offer to prepay the Notes, all as hereinafter provided.

8.1. **Optional Prepayments with Make-Whole Amount.**

The Issuer may, at its option and upon notice as provided in Section 8.3, prepay at any time all, or from time to time any part of, the Notes (in a minimum amount of $5,000,000 and otherwise in multiples of $100,000) at the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount.

8.2. **Prepayment in Connection with a Change of Control.**

Promptly and in any event within five Business Days after the occurrence of a Change of Control, the Issuer will give written notice thereof (a **"Change of Control Notice"**) to the holders of all outstanding Notes, which Change of Control Notice shall (a) refer specifically to this Section 8.2, (b) describe the Change of Control in reasonable detail and specify the Change of Control Prepayment Date and the Response Date (as respectively defined below) in respect thereof and (c) offer to prepay all Notes at the price specified below on the date therein specified (the **"Change of Control Prepayment Date"**), which shall be a Business Day not more than 90 days after the date of such Change of Control Notice. Each holder of a Note will notify the Issuer of such holder's acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Company on or before the date for such notice specified in such Change of Control Notice (the **"Response Date"**), which specified date shall be not less than 30 days nor more than 60 days after the date of such Change of Control Notice. The Issuer shall prepay on the Change of Control Prepayment Date all of the Notes held by the holders as to which such offer has been so accepted (it being understood that failure of any holder to accept such offer on or before the Response Date shall be deemed to constitute rejection by such holder), at the principal amount of each such Note, together with interest accrued thereon to the Change of Control Prepayment Date, plus a premium equal to 1.00% of such principal amount for each such Note. If any holder shall reject (or be deemed to have rejected) such offer on or before the Response Date, such holder shall be deemed to have waived its rights under this Section 8.2 to require prepayment of all Notes held by such holder in respect of such Change of Control but not in respect of any subsequent Change of Control.

For purposes of this Section 8.2, any holder of more than one Note may act separately with respect to each Note so held (with the effect that a holder of more than one Note may accept such offer with respect to one or more Notes so held and reject such offer with respect to one or more other Notes so held).

As used in this Agreement, the term **"Change of Control"** means: (i) so long as the Company Operating Agreement referred to below is in effect, the approval by the Lazard Board of the Company and the Supervisory Board of the Coordination Company or one or more other governing bodies of the Company and the Coordination Company of a Transfer as a result of which any Person would be required to purchase, and all other Members would be required to sell to such Person, all other Interests in the Company pursuant to the Company Operating Agreement; and (ii) at any other time, a "person" (within the meaning of Section 3(a)(9) of the Exchange Act) (x) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 33% of the total then outstanding voting power of the Capital Shares of the Company and has the right or the ability by voting right, contract or otherwise to elect or designate for election a majority of the entire board of directors of the Company (or similar body) or to direct or cause the direction of the management and policies of the Company or (y) acquires all or substantially all of the properties or assets of the Company. All capitalized terms used in this paragraph and not otherwise defined herein shall have their defined meanings as contained in in the Amended and Restated Operating Agreement of the Company dated as of March 16, 2001, or in the event such Amended and Restated Operating Agreement is supplemented, amended or restated from time to time, as thereafter defined mutatis mutandis. The applicable provisions of such Amended and Restated Operating Agreement and all such

related definitions are set out in Schedule 8.2. As used herein the term **"Company Operating Agreement"** means such Amended and Restated Operating Agreement as the same may be supplemented, amended or restated from time to time.

8.3. **Notice of Prepayment.**

The Issuer will give each holder of Notes written notice of each optional prepayment under Section 8.1 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify the date fixed for such prepayment (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of Notes held by such holder to be prepaid (determined in accordance with Section 8.4) and the interest to be paid on the prepayment date with respect to such principal amount being prepaid.

Each such notice of prepayment shall be accompanied by a certificate of a Senior Financial Officer of the Issuer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment date, the Issuer shall deliver to each holder of Notes a certificate of a Senior Financial Officer of the Issuer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.4. **Allocation of Partial Prepayments.**

In the case of each partial prepayment pursuant to Section 8.1, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof.

8.5. **Maturity; Surrender, etc.**

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Issuer shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Issuer and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.6. **Purchase of Notes.**

The Issuer will not and will not permit any Controlled Affiliate of the Company to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Issuer will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.7. **Make-Whole Amount.**

The term **"Make-Whole Amount"** means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Applicable Margin" means 0.50% (50 basis points).

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.1 has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, the sum of the Applicable Margin plus the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on (x) the display designated as "Page 678" on the Dow Jones Markets service (or such other display as may replace Page 678 on the Dow Jones Markets service), or (y) if such on-line market data is not at the time provided by the Dow Jones Markets service, on the Bloomberg Financial Markets News screen PX1 or the equivalent screen provided by Bloomberg Financial Markets News, in any case for actively traded U.S. Treasury securities having a maturity equal to the remaining life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the remaining life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with a maturity closest to and greater than the remaining life and (2) the actively traded U.S. Treasury security with a maturity closest to and less than the remaining life. The Reinvestment Yield will be rounded to six decimal places.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due

after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.1 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.1 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. **AFFIRMATIVE COVENANTS.**

The Issuer and the Company jointly and severally covenant that so long as any of the Notes are outstanding:

9.1. **Compliance with Law**.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including without limitation Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. **Insurance.**

The Company will and will cause each of its Material Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is appropriate in light of the nature of the business conducted and proposed to be conducted by the Company and its Material Subsidiaries as determined in good faith not less than once per fiscal year by the Executive Committee.

9.3. **Maintenance of Properties.**

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has

concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. **Payment of Taxes and Claims.**

The Company will and will cause each of its Subsidiaries to file all tax returns required to be filed by it in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all other claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims or file such tax returns if (i) with respect to a tax or assessment, the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments (or, in the case of tax returns, the failure to file such tax returns) in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5. **Existence, etc.**

Except as permitted by Section 10.2, each of the Issuer and the Company will at all times preserve and keep in full force and effect its existence as a limited liability company. The Company will at all times preserve and keep in full force and effect the existence of each of its other Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

The Issuer will at all times be a Wholly-Owned Subsidiary of the Company.

9.6. **Priority of Obligations.**

The Issuer will ensure that its obligations under the Notes will rank prior to or *pari passu* with all other unsecured Indebtedness of the Issuer. The Company will ensure that its obligations under the Parent Guarantee will rank prior to or *pari passu* with all other unsecured Indebtedness of the Company.

9.7. **Registration Under Advisers Act and Exchange Act.**

The Company will cause Lazard Frères & Co. LLC at all times to maintain its registration with the SEC under the Advisers Act and the rules and regulations of the SEC thereunder and its registration as a broker-dealer under the Exchange Act and the rules and regulations of the SEC thereunder.

9.8. **Rating for the Notes.**

On or prior to December 31, 2001, the Issuer and the Company will obtain a rating for the Notes from any of Standard & Poor's Rating Group, Moody's Investors Service Inc. or Fitch, Inc. (the agency issuing such rating is called the **"Designated Rating Agency"** at the time, which term shall mean at any time thereafter the agency issuing the rating in effect at that time) and provide a copy of the letter in respect of such rating to each holder of the Notes. Thereafter from time to time upon written request from the Majority Holders given within 45 days after the receipt of the certificate of a Senior Financial Officer furnished pursuant to Section 7.2(b) showing, as at the end of the quarterly or annual period covered by the statements then being furnished, Consolidated Indebtedness as being greater than 60% of Consolidated Tangible Net Worth, the Issuer will promptly and at its own expense obtain a rating for the Notes as aforesaid from the Designated Rating Agency at the time or another Designated Rating Agency, provided that the Issuer shall not be required to obtain such rating more than once in any period of twelve consecutive calendar months during which a Rating Downgrade has not occurred. The provisions of Section 1.2 shall apply if any such rating reveals that a Rating Downgrade has occurred.

10. **NEGATIVE COVENANTS.**

The Issuer and the Company jointly and severally covenant that so long as any of the Notes are outstanding:

10.1. **Financial Covenants.**

(a) Consolidated Indebtedness to Consolidated Tangible Net Worth. The Company will not permit Consolidated Indebtedness on the last day of any quarterly fiscal period to be greater than Consolidated Tangible Net Worth on such day. For the avoidance of doubt, a default under this Section 10.1 (a) on the last day of any quarterly fiscal period shall be deemed to continue until the expiration of the 45-day period referred to in Section 1 l(c) (whereupon such default becomes an Event of Default) unless prior thereto such default is cured or waived.

(b) Maintenance of Consolidated Tangible Net Worth. The Company will not at any time permit Consolidated Tangible Net Worth to be less than $450,000,000.

10.2. **Merger, Consolidation, etc.**

Neither the Issuer nor the Company will consolidate with or merge with any other Person or convert to a corporation or limited partnership or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor resulting from such consolidation or conversion or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Issuer or the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company or limited partnership organized and existing under the laws of the United States or any State thereof (including the District of Columbia) or, in the case of a successor to the Company, an Approved Jurisdiction and, except in the case of a consolidation or merger in which the Issuer or the

Company, as the case may be, is the surviving entity, such corporation, limited liability company or limited partnership shall have (i) executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and, in the case of the Issuer's successor, the Notes and (ii) caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Majority Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof;

(b) in case the successor or survivor is organized under the laws of an Approved Jurisdiction, such successor or survivor shall have executed and delivered to each holder of any Notes an agreement (which may take the form of a supplement or amendment to this Agreement), in form and substance satisfactory to the Majority Holders, (i) indemnifying such holder for any taxes that are imposed by such Approved Jurisdiction (or by any other jurisdiction outside the United States from which payment is made on account of the Notes or the Parent Guarantee) and are required to be deducted or withheld from any payment with respect to the Notes or the Parent Guarantee, so that such holder shall be in the same position (net of United States federal, state or local income taxes) in which it would have been if there had been no such deduction or withholding, subject to customary exclusions, and (ii) submitting to the jurisdiction of any New York State or Federal court sitting in the Borough of Manhattan, The City of New York in respect of any suit, action or proceeding arising out of or relating to this Agreement or the Notes, designating an agent for service of process in any such suit, action or proceeding and agreeing to customary indemnities in respect of payments made in any currency other than Dollars on account of any amounts payable under this Agreement or the Notes; and

(c) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing and the Issuer shall have complied with the requirements of Section 8.2, if applicable.

No such conveyance, transfer or lease of substantially all of the assets of the Issuer or the Company shall have the effect of releasing the Issuer or the Company, as the case may be, or any successor that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or (in the case of the Issuer) the Notes.

10.3. **Transactions with Affiliates.**

The Company will not and will not permit any Subsidiary to enter into directly or indirectly any Material transaction or group of related transactions that in the aggregate are Material (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.4. **Limitation on Material Subsidiary Distributions.**

The Company will not permit any Material Subsidiary to become a party to any agreement restricting the ability of such Material Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns Capital Shares of such Material Subsidiary; provided that the foregoing shall not prohibit any restriction contained in any agreement governing any Indebtedness incurred by a Material Subsidiary which, when taken together with the other restrictions contained in such agreement, is not materially less favorable to such Material Subsidiary than the restrictions contained in agreements governing Indebtedness of Material Subsidiaries on the date hereof.

11. **EVENTS OF DEFAULT.**

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(a) default in the payment of any principal or premium or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) default in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) default in the performance of or compliance with any term contained in Section 7.1 (d), 9.8 or 10.2, or default for any period of 45 consecutive days in the performance of or compliance with any term contained in Section 10.1; or

(d) default in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 60 days after a Responsible Officer of the Issuer or the Company obtains knowledge of such default; or

(e) any representation or warranty made in writing by or on behalf of the Issuer or the Company or any officer of the Issuer or the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Issuer, the Company or any other Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness (other than the Notes) that is outstanding in an aggregate principal amount of at least $50,000,000 (or its equivalent value in another currency) beyond any period of grace provided with respect thereto, or (ii) the Issuer, the Company or any other Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness outstanding in an aggregate principal amount of at least $50,000,000 (or its equivalent value in another currency) or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such

Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Issuer, the Company or any other Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $50,000,000 (or its equivalent value in another currency), or (y) one or more Persons have the right to require the Issuer, the Company or any other Subsidiary so to purchase or repay such Indebtedness; or

(g) the Issuer, the Company or any other Material Subsidiary (i) admits in writing its inability to pay its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation pursuant to SIPA or otherwise or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Issuer, the Company or any other Material Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its or its customers' property, or constituting an order for relief or protection or approving a petition for relief, protection or reorganization or any other petition in bankruptcy or for liquidation pursuant to SIPA or otherwise or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation pursuant to SIPA or otherwise of the Issuer, the Company or any Material Subsidiary, or any such petition shall be filed against the Issuer, the Company or any other Material Subsidiary and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $25,000,000 are rendered against one or more of the Company and its Subsidiaries which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) the SEC censures, places limitations on the activities or functions of the Company or any Subsidiary, or suspends or bars the Company or any Subsidiary from being associated with a broker or dealer, including without limitation by order issued pursuant to Section 15(b)(6)(A) of the Exchange Act and such action or actions individually or in the aggregate has, or could reasonably be expected to have, a Material Adverse Effect; or

(k) the Exchange, the NASD, the FSA or the COB imposes one or more disciplinary sanctions on the Company or any Subsidiary resulting in the expulsion, suspension, bar from being associated with any member or member organization, cancellation of the membership of, or limitation as to the activities, functions and operations of the Company or any Subsidiary and such sanction or sanctions individually or in the aggregate has, or could reasonably be expected to have, a Material Adverse Effect; or

(l) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $1,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(1), the terms **"employee benefit plan"** and **"employee welfare benefit plan"** shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. **REMEDIES ON DEFAULT, ETC.**

12.1. **Acceleration.**

(a) If an Event of Default with respect to the Issuer or the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Majority Holders may at any time at its or their option, by notice or notices to the Issuer, declare all the Notes at the time outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by

such Event of Default may at any time, at its or their option, by notice or notices to the Issuer, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note becoming due and payable under this Section 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (x) all accrued and unpaid interest and premium, if any, thereon and (y) the Make-Whole Amount determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Issuer acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Issuer (except as herein specifically provided) and that the provision for payment of a Make-Whole Amount by the Issuer in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. **Other Remedies.**

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. **Rescission.**

At any time after any Notes have been declared due and payable pursuant to paragraph (b) or (c) of Section 12.1, the Majority Holders, by written notice to the Issuer, may rescind and annul any such declaration and its consequences if (a) the Issuer has paid all overdue interest on the Notes, all principal of and premium or Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and premium or Make-Whole Amount, if any, and any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than the non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 18, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. **No Waivers or Election of Remedies, Expenses, etc.**

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute

or otherwise. Without limiting the obligations of the Issuer under Section 17, the Issuer will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including without limitation reasonable attorneys' fees, expenses and disbursements.

13. **PARENT GUARANTEE.**

13.1. **Guarantee.**

(a) Guaranteed Obligations. The Company hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety,

(i) the punctual payment when due, whether at stated maturity, by notice of prepayment, by acceleration or otherwise, of all obligations of the Issuer arising under this Agreement and the Notes, whether for principal, interest (including without limitation interest on any overdue principal, premium and interest at the rate specified in the Notes and interest accruing or becoming owing both prior to and subsequent to the commencement of any bankruptcy, reorganization or similar proceeding involving the Issuer or the Company), Make-Whole Amount, fees, expenses, indemnification or otherwise, and

(ii) the due and punctual performance and observance by the Issuer of all covenants, agreements and conditions on its part to be performed and observed under this Agreement and the Notes.

The obligations guaranteed by this Parent Guarantee are sometimes called the "**Guaranteed Obligations**".

Without limiting the generality of the foregoing, this Parent Guarantee guarantees, to the extent provided herein, the payment of all amounts which constitute part of the Guaranteed Obligations and would be owed by any other Person to any holder of a Note but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Person.

(b) Guarantee Absolute. This Parent Guarantee constitutes a present and continuing guarantee of payment and not of collectability. The obligations of the Company under this Parent Guarantee are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against the Company to enforce this Parent Guarantee, irrespective of whether any action is brought against the Issuer or any other Person liable for the Guaranteed Obligations or whether the Issuer or any other such Person is joined in any such action or actions. The liability of the Company under this Parent Guarantee shall be primary, absolute, irrevocable, and unconditional irrespective of:

(i) any lack of validity or enforceability of any Guaranteed Obligation, this Agreement, the Notes or any agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or

waiver of or any consent to departure from this Agreement, the Notes or this Parent Guarantee;

(iii) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure by the Company or other Person liable, or any other guarantee, for all or any of the Guaranteed Obligations;

(iv) any manner of application of collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral or any other assets of the Issuer or any other Subsidiary;

(v) any change, restructuring or termination of the corporate structure or existence of the Issuer or any other Subsidiary; or

(vi) any other circumstance (including without limitation any statute of limitations) that might otherwise constitute a defense, offset or counterclaim available to, or a discharge of, the Issuer or the Company other than the indefeasible payment in full in cash of all the Guaranteed Obligations.

If at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any holder of a Note or any other Person upon the insolvency, bankruptcy or reorganization of the Issuer or otherwise, this Parent Guarantee shall continue to be effective or be reinstated, as the case may be, to the full extent of such rescission or return, all as though such payment had not been made.

(c) Waivers by the Company. The Company hereby irrevocably waives, to the extent permitted by applicable law:

(i) promptness, diligence, presentment, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Parent Guarantee;

(ii) any requirement that any holder of a Note or any other Person protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person or any collateral;

(iii) demand of payment by any holder of a Note to the Issuer or any other Person indebted in any manner for any of the Guaranteed Obligations;

(iv) any duty on the part of any holder of a Note to disclose to the Company any matter, fact or thing relating to the business, operation or condition of any Person and its assets now known or hereafter known by such holder; and

(v) any rights by which it might be entitled to require suit on an accrued right of action in respect of any of the Guaranteed Obligations or require suit against the Issuer or the Company or any other Person.

13.2. **Subrogation and Contribution**

The Company shall not assert, enforce, or otherwise exercise (a) any right of subrogation to any of the rights, remedies, powers, privileges or liens of any holder of a Note or any other beneficiary against the Issuer or any other obligor on the Guaranteed Obligations or any collateral or other security, or (b) any right of recourse, reimbursement, contribution, indemnification, or similar right against the Issuer, and the Company hereby waives any and all of the foregoing rights, remedies, powers, privileges and the benefit of, and any right to participate in, any collateral or other security given to any holder of a Note or any other beneficiary to secure payment of the Guaranteed Obligations, until such time as the Guaranteed Obligations have been paid in full.

14. **REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.**

14.1. **Registration of Notes.**

The Issuer shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Issuer shall not be affected by any notice or knowledge to the contrary. The Issuer shall give to any holder of a Note that is an Institutional Investor, promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

14.2. **Transfer and Exchange of Notes; Permitted Transferees.**

Upon surrender of any Note at the principal executive office of the Issuer for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), within five Business Days thereafter the Issuer shall execute and deliver, at the Issuer's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Issuer may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $1,000,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $1,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Sections 6.1, if applicable. Unless such transferee specifies to the contrary prior to the registration of such transfer, such transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be also deemed to

have made the representation set forth in paragraph (a), (c), (d) or (f) of Section 6.2, and no transfer under any other circumstances shall be effected unless and until the transferee has made a representation to the Issuer substantially identical to that set forth in paragraph (b) or (e) of Section 6.2 and provided other assurances satisfactory to the Issuer that such transfer would not involve a prohibited transaction (as such term is defined in Section 406(a) of ERISA and Section 4975(c)(1)(A)-(D) of the Code). You shall not be liable for any damages in connection with any such representation or assurances provided to the Issuer by any transferee.

You agree that, except during the existence of an Event of Default, the Issuer shall not be required to register the transfer of any Note held by you to any Person (other than your nominee in a transfer not involving a change of beneficial ownership of a Note) unless the Issuer receives from the transferee in connection with such transfer a representation or other assurances reasonably satisfactory to the Issuer that the transferee is a Permitted Transferee. You shall not be liable for any damages in connection with any such representation or assurances provided to the Issuer by any transferee. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have agreed to be bound by the provisions of this paragraph.

14.3. **Replacement of Notes.**

Upon receipt by the Issuer of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for or Affiliate of, an original Purchaser or any other Institutional Investor, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within five Business Days thereafter the Issuer at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

15. **PAYMENTS ON NOTES.**

15.1. **Place of Payment.**

Subject to Section 15.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made at the principal office of The Chase Manhattan Bank in New York City. The Issuer may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Issuer in New York City or the principal office of a bank or trust company in New York City.

15.2. **Home Office Payment.**

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 15.1 or in such Note to the contrary, the Issuer will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Issuer in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Issuer made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Issuer at its principal executive office or at the place of payment most recently designated by the Issuer pursuant to Section 15.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Issuer in exchange for a new Note or Notes pursuant to Section 15.2. The Issuer will afford the benefits of this Section 15.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 15.2.

16. **EXPENSES, ETC.**

16.1. **Transaction Expenses.**

Whether or not the transactions contemplated hereby are consummated, the Issuer and the Company jointly and severally agree to pay all costs and expenses (including reasonable attorneys' fees of your special counsel and, if reasonably required, local or other counsel) incurred by you and each other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Issuer, the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Issuer and the Company jointly and severally agree to pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you). The Issuer and the Company shall not, in connection with any of the matters described in this Section 16.1, be liable for the fees and disbursements of more than one separate special counsel firm, and one separate local or other counsel in each jurisdiction as reasonably required, unless one or more Purchasers or other holders of Notes reasonably determine that its or their interests as a Purchaser or a holder of a Note differ from the interests of other Purchasers or holders of Notes so as to require separate legal advice.

In furtherance of the foregoing, on the date of the Closing the Issuer and the Company jointly and severally agree to pay or cause to be paid the fees and disbursements and other charges (including estimated unposted disbursements and other charges as of the date of the Closing) of your special counsel which are reflected in the statement of such special counsel submitted to the Issuer on or prior to the date of the Closing. The Issuer and the Company jointly and severally also agree to pay, promptly upon receipt of supplemental statements therefor, reasonable additional fees, if any, and disbursements and charges of such special counsel in connection with the transactions hereby contemplated (including disbursements and other charges unposted as of the date of the Closing to the extent such disbursements and other charges exceed estimated amounts paid as aforesaid).

16.2. **Survival.**

The obligations of the Issuer and the Company under this Section 16 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

17. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.**

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Issuer or the Company pursuant to this Agreement shall be deemed representations and warranties of the Issuer and the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you, the Issuer and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

18. **AMENDMENT AND WAIVER.**

18.1. **Requirements.**

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Issuer, the Company and the Majority Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 13, 14, 18 or 21.

18.2. **Solicitation of Holders of Notes.**

(a) Solicitation. The Issuer or the Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Issuer or the Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 18 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. Neither the Issuer nor the Company will directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to such holder's consideration of or entering into of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

18.3. **Binding Effect, etc.**

Any amendment or waiver consented to as provided in this Section 18 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Issuer and the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Issuer or the Company, on the one hand, and the holder of any Note, on the other hand, nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term **"this Agreement"** and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

18.4. **Notes held by Company, etc.**

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

19. **NOTICES.**

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail

with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(a) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(b) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing,

(c) if to the Issuer, to the Issuer at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, with a copy to the General Counsel, or at such other address as the Issuer shall have specified to the holder of each Note in writing, or

(d) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, with a copy to the General Counsel, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 19 will be deemed given only when actually received.

20. **REPRODUCTION OF DOCUMENTS.**

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Issuer and the Company agree and stipulate that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 20 shall not prohibit the Issuer or the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

21. **CONFIDENTIAL INFORMATION.**

For the purposes of this Section 21, **"Confidential Information"** means information delivered to you by or on behalf of the Issuer, the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was either a Disclosure Document or clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Issuer, the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure,

(b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Issuer, the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, officers, trustees, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree, or whose duties require them, to hold confidential the Confidential Information substantially in accordance with the terms of this Section 21, (iii) any other holder of any Note, (iv) any Institutional Investor which is a Permitted Transferee to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21 and a copy of such writing has been delivered to the Company), (v) any Person from which you offer to purchase any security of the Issuer or the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21 and a copy of such writing has been delivered to the Company), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement; provided that in the case of the foregoing clauses (viii) (x) and (y) you shall use your reasonable efforts to limit the disclosed Confidential Information to information that is legally required to be disclosed and to obtain confidential treatment under any applicable procedures with respect to such disclosed Confidential Information. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 21 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 21.

22. **SUBSTITUTION OF PURCHASER.**

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement with respect to a Purchaser (other than in this Section 22), such word shall be deemed to refer to such Affiliate in lieu of such

Purchaser. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to such Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement with respect to such Purchaser (other than in this Section 22), such word shall no longer be deemed to refer to such Affiliate, but shall refer to such Purchaser, and such Purchaser shall have all the rights of an original holder of the Notes under this Agreement.

23. MISCELLANEOUS.

23.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including without limitation any subsequent holder of a Note) whether so expressed or not.

23.2. Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

23.3. Waiver of Jury Trial.

EACH OF THE PARTIES HERETO WAIVES TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

23.4. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.3 that notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

23.5. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the fullest extent permitted by applicable law) not invalidate or render unenforceable such provision in any other jurisdiction.

23.6. **Accounting Terms.**

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, all computations made pursuant to this Agreement shall be made in accordance with GAAP and all balance sheets and other financial statements with respect thereto shall be prepared in accordance with GAAP. Except as otherwise specifically provided herein, any consolidated financial statement or financial computation shall be made in accordance with GAAP.

23.7. **Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

23.8. **Governing Law.**

This Agreement and the Notes shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement in the space below provided on a counterpart of this Agreement and return it to the Issuer, whereupon the foregoing shall become a binding agreement between you, the Issuer and the Company.

Very truly yours,

LAZARD FUNDING LIMITED LLC

By STEVEN J. GOLUB
Chief Financial Officer

/s/ Steven J. Golub

LAZARD LLC

By WILLIAM R. LOOMIS, JR.
Chief Executive Officer

/s/ William R. Loomis, Jr

The foregoing is hereby agreed to as of the date thereof.

AMERICAN GENERAL INTERNATIONAL INVESTMENTS INC.

MERIT LIFE INSURANCE CO.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

AMERICAN GENERAL ANNUITY INSURANCE COMPANY

By C. SCOTT INGLIS
Investment Officer

/s/ C. Scott Inglis

Exhibit 10.18

AMENDMENT NO. 1 dated August 27, 2003 (this "Amendment"), to the Note Purchase Agreement dated as of May 11, 2001 (the "Note Purchase Agreement"), among Lazard Funding Limited LLC, a Delaware limited liability company (the "Issuer"), Lazard LLC, a Delaware limited liability company (the "Company"), and the holders party thereto of the Issuer's 7.53% Guaranteed Senior Notes due 2011 (the "Notes"), issued pursuant to the Note Purchase Agreement.

WHEREAS, the Issuer and the Company have requested that the holders of the Notes approve amendments to certain provisions of the Note Purchase Agreement; and

WHEREAS, the undersigned holders of Notes are willing, on the terms and subject to the conditions set forth herein, to approve such amendments to the Note Purchase Agreement;

NOW, THEREFORE, in consideration of these premises, the Issuer, the Company and the undersigned holders of Notes hereby agree as follows:

SECTION 1. Amendments to Note Purchase Agreement. Effective as of the Amendment Effective Date (as defined in Section 2 hereof), the Note Purchase Agreement is hereby amended as follows:

(a) The following new defined term is added to Schedule B of the Note Purchase Agreement in appropriate alphabetical order:

"Subordinated Convertible Promissory Notes' means (a) the Issuer's $150,000,000 Subordinated Convertible Promissory Note due March 26, 2018, issued pursuant to a note purchase agreement dated as of March 26, 2003, by and among the Issuer, the Company and Banca Intesa S.p.A., a company organized under the laws of the Republic of Italy, and (b) any further Subordinated Convertible Promissory Notes to be issued by the Issuer pursuant to such note purchase agreement, it being understood in the case of (b) that the maximum aggregate principal amount of any such notes shall not exceed $50,000,000 and that any such notes shall be due no earlier than the notes referred to in clause (a) of this paragraph."

(b) The following defined terms in Schedule B of the Note Purchase Agreement are amended and restated in their entirety as follows:

"Consolidated Tangible Net Worth' at any date means, (a) Members' Capital if the Company is at the time a limited liability company or limited partnership, and (b) if the Company is at the time a corporation, the sum of (w) all items which in conformity with GAAP would be included under shareholders' equity on a consolidated balance sheet of the Company and its Subsidiaries at such date plus (x) the aggregate outstanding principal amount at such date of the Subordinated Convertible Promissory Notes plus (y) Preferred Shares issued after the

date of the Closing that are not mandatorily redeemable on or prior to March 15, 2011, with an aggregate liquidation value not to exceed $100,000,000 plus (z) Preferred Shares outstanding on the date of the Closing that are not mandatorily redeemable on or prior to March 15, 2011, with an aggregate liquidation value not to exceed $100,000,000, after deducting therefrom the amount, determined in accordance with GAAP, of (i) goodwill, (ii) patents, trademarks and copyrights, (iii) leasehold improvements to the extent not financed with non-recourse indebtedness qualifying as net capital under the Net Capital Rule and (iv) deferred charges (including without limitation unamortized debt discount and expense, organizational expenses and experimental and development expenses, but excluding prepaid expenses).

'Members' Capital' means, at any time, the sum at such time of (a) the balances of the Capital Accounts of the Members, (b) the balances of the A&D Capital Accounts of the Members, in each case, in respect of clauses (a) and (b), as such term is defined in the Operating Agreement, and (c) the aggregate outstanding principal amount at such date of the Subordinated Convertible Promissory Notes. For the avoidance of doubt, the term "Members' Capital" shall include the amount of all future interests in the Company."

(c) The defined term "Indebtedness" in Schedule B of the Note Purchase Agreement is amended by (i) deleting the word "and" at the end of clause (f) thereof, (ii) replacing the punctuation ";" with ", and" at the end of clause (g) thereof and (iii) inserting the following new clause (h) immediately following such clause (g) at the end thereof:

"(h) if such person is an obligor in respect thereof, the Subordinated Convertible Promissory Notes;"

SECTION 2. Effectiveness. Upon receipt by the Issuer (or its counsel) of counterparts hereof, duly executed and delivered by the Issuer, the Company and the Majority Holders, this Amendment shall become effective as of August 26, 2003 (the "Amendment Effective Date").

SECTION 3. Applicable Law. **THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.**

SECTION 4. No Other Amendments. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair or constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Note Purchase Agreement, nor alter, modify, amend or in any way affect any of the terms,

conditions, obligations, covenants or agreements contained in the Note Purchase Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. This Amendment shall apply and be effective only with respect to the provisions of the Note Purchase Agreement specifically referred to herein.

SECTION 5. Consent of the Company. The Company hereby acknowledges receipt of and consents to the terms of this Amendment and confirms that the Parent Guarantee remains in full force and effect and that its guarantee thereunder extends to all of the Guarantee Obligations in connection therewith.

SECTION 6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

[Signature pages follow.]

IN WITNESS WHEREOF, the Issuer, the Company and the undersigned holders of Notes have consented to and caused this Amendment to be duly executed by their duly authorized officers, all as of the date first above written.

LAZARD FUNDING LIMITED LLC

By /s/ Michael J. Castellano

Name: Michael J. Castellano
Title: Chief Financial Officer

LAZARD LLC

By /s/ Michael J. Castellano

Name: Michael J. Castellano
Title: Chief Financial Officer

To approve the AMENDMENT dated August 27, 2003 (this "Amendment"), to the Note Purchase Agreement dated as of May 11, 2001 (the "Note Purchase Agreement"), among Lazard Funding Limited LLC (the "Issuer"), Lazard LLC (the "Company") and the holders of Notes party thereto:

Name of Institution:

MERIT LIFE INSURANCE CO.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

AMERICAN GENERAL ANNUITY INSURANCE COMPANY

By: AIG Global Investment Corp.,
Investment adviser

By: /s/ Gerald F. Herman
Name: Gerald F. Herman
Title: Vice President

Name of Institution:

AMERICAN GENERAL INTERNATIONAL
INVESTMENTS INC.

By: /s/ Gordon Massie
Name: Gordon Massie
Title: Investment Officer

Exhibit 10.19

Lease, dated January 27, 1994, between **ROCKEFELLER CENTER PROPERTIES,** a New York general partnership, having an office at 1230 Avenue of the Americas, New York, N.Y. 10020 (the "Landlord"), and **LAZARD FRERES & CO.,** a New York limited partnership, having an office at 1 Rockefeller Plaza, New York, New York 10020 (the "Tenant").

W I T N E S S E T H :

ARTICLE ONE
Demise of Premises, Term and Rent

1.1. The Landlord does hereby lease and demise to the Tenant, and the Tenant does hereby hire and take from the Landlord, subject and subordinate to the Qualified Encumbrances and upon and subject to the provisions of this Lease, for the term hereinafter stated, all of the rentable area located on the 57th, 58th, 59th, 60th, 61st, 62nd and 63rd Floors of the building (the "Building") known as 30 Rockefeller Plaza and 1250 Avenue of the Americas (known as Block 1265, Lots 1061 to 1067, respectively), situated upon a plot of land (the "Land"), and comprising a part of Rockefeller Center (the "Center"), which as of the date hereof is the complex of buildings, other improvements and appurtenances located on the property bounded on the north by 51st Street, on the east by Fifth Avenue, on the south by 48th Street and on the west by the Avenue of the Americas in the Borough of Manhattan, New York, N.Y. (other than that certain parcel of land and building(s) thereon designated as Block 1264 Lots 38 and 40) substantially as shown hatched on the diagram(s) attached hereto as Exhibit A-l, together with all fixtures, equipment, improvements, installations and appurtenances which at the commencement of or during the term of this Lease are thereto attached (except items not deemed to be included therein and items removable by the Tenant as provided in Article Four); which space(s), fixtures, equipment, improvements, installations and appurtenances are sometimes collectively called the "Premises".

1.2. The term of this Lease shall, subject to Article Two, commence on October 1, 1994 (the "term commencement date") and shall end at 11:59 p.m. on the last day of the 6th full calendar month following the 17th anniversary of the term commencement date (the "expiration date") or on such earlier date upon which the term may expire or be terminated pursuant to any of the conditions of limitation or other provisions of this Lease or pursuant to law. The Landlord represents that all of the existing space leases affecting the Premises will expire on or prior to September 30, 1994, and, in the event any existing space tenant shall hold over in possession of any portion of the Premises leased to it beyond the expiration date of its lease, the Landlord agrees to exercise commercially reasonable efforts to obtain possession of such holdover space by instituting summary proceedings or otherwise, all to the intent and purpose that the Landlord shall use all reasonable efforts to deliver vacant and broom-clean possession of all of the Premises to the Tenant with the Initial Landlord's Work therein substantially completed on October 1, 1994, or as soon after such date is reasonably practicable giving due consideration to the fact that the Landlord may not obtain vacant possession of the Premises until after October 1, 1994, provided that the Tenant's remedies in the event the

Premises are not delivered in the aforementioned condition by October 1, 1994 shall be solely as provided in Article *2*, provided that the Landlord uses commercially reasonable efforts to deliver the Premises as set forth above.

1.3. The Premises shall be used for the following, but no other, purpose, namely:

(a) executive, general and/or administrative offices for the conduct of a business or businesses which are not prejudicial to the reputation of the Center (the "Primary Use") (it being agreed that any such determination of "prejudicial" shall be made by reference to the Landlord's then standard office leasing practice (giving due regard to the tenants under leases of space in the Center existing at the time in question)); and

(b) to the extent that the same are incidental to the use of the Premises for the Primary Use: the Dining Facilities (as provided in Section 3.3 hereof), trading rooms, meeting rooms and other similar business facilities which the Tenant considers to be necessary or desirable in the conduct of its business provided the same do not violate any other provision of this Lease.

1.4. The rent reserved under this Lease for the term of this Lease shall consist of (a) fixed rent, at the rates per annum set forth on Exhibit B, payable in equal monthly installments in advance on the first day of each and every calendar month of the term of this Lease for which fixed rent is reserved as aforesaid (except that, if the first day on which fixed rent shall be due and payable hereunder shall be other than the first day of a calendar month, the first monthly installment of fixed rent, apportioned for the part month in question, shall be payable on the first day of the last calendar month in which the Initial Abatement applies), plus (b) the additional rent payable as provided in this Lease; all to be paid to the Landlord, at its office as set forth above, or at such other place or places as the Landlord shall designate to the Tenant, in lawful money of the United States of America. Notwithstanding the foregoing, provided the Tenant shall not be in monetary or material non-monetary default hereunder beyond the expiration of any applicable notice or cure period, the Landlord shall allow the Tenant an abatement (the "Initial Abatement") of the fixed rent in the amount of $12,832,094.92, which abatement (i) shall be applied against fixed rent first accruing on and after the term commencement date and (ii) shall not be deemed an abatement of rent for purposes of Section 24.4 of this Lease. The Tenant shall not forfeit its right to all or any portion of the Initial Abatement in the event of any such default by the Tenant during the period described in clause (i) of the immediately preceding sentence but shall be entitled to all or the remaining portion of the Initial Abatement, as applicable, once any such default has been cured.

1.5. The Tenant shall pay the fixed rent and additional rent (collectively, "Rent") as and when the same shall become due and payable as provided in this Lease, without demand therefor, and without any setoff or deduction whatsoever (except as expressly provided otherwise in this Lease), and keep, observe and perform, and permit no violation of, each and every provision contained in this Lease on the part of the Tenant to be kept, observed and

performed. From and after the date upon which at least six other tenants of the Center (each of whom is leasing at least 25,000 rentable square feet) are obligated to do so, and the Landlord delivers a certificate to that effect to the Tenant, at the Landlord's option, the Tenant shall pay all fixed rent and all additional rent payable under Article 24 by wire transfer as directed by the Landlord.

1.6. The parties agree that for all purposes of this Lease, as of the date hereof (i) the Premises initially demised hereunder shall be deemed to contain 210,506 rentable square feet and (ii) each floor of the Premises initially demised hereunder shall be deemed to contain the rentable square footages set forth on Exhibit A-2.

1.7. The term "Qualified Encumbrances" means (a) matters of record affecting the Premises, Building or Land on the date of this Lease or hereafter approved by the Tenant, which approval shall not be unreasonably withheld, (b) the underlying mortgages and underlying leases to which this Lease is subordinate pursuant to Article Thirteen, (c) any declaration of restrictions or other document in respect of the transfer of use of development rights, (d) any declaration or other document which subjects all or any portion of the Land and/or the Building to a condominium regime, and (e) any preservation or similar easement, declaration or agreement containing covenants, restrictions or agreements in respect of the maintenance of the Building and/or the Land as a landmark site with or held by a governmental agency or an entity designated or accepted by a governmental agency (each, a "Preservation Agreement") which, in the case of (c), (d) or (e) above, do not increase the financial obligations, increase any other obligations (other than to a de minimis extent) or derogate the rights (other than to a de minimis extent) of the Tenant under this Lease except, in the case of Preservation Agreements, for possible increases in the Cost of Operation and Maintenance. Each Qualified Encumbrance that, as of the date hereof, is not a matter of record is set forth on Exhibit H attached hereto. The Landlord represents and warrants to the Tenant that (i) it has not executed or granted any Qualified Encumbrance between September 27, 1993 and the date hereof except for leases of space other than the Premises, (ii) the term of each underlying lease has been or will be extended so that the term of each such underlying lease does not expire until the term of this Lease expires or until each Renewal Term under this Lease expires if the Tenant's renewal options are properly exercised and (iii) the New York City Industrial Development Agency (the "IDA"), NBC and Chadbourne & Parke have waived any right of first refusal or offer such party may have with respect to the Premises, the Option Space, the 50th Floor Option Space or the 51st Floor in writing.

ARTICLE TWO
Completion and Occupancy

2.1. The Tenant and its consultants have visually inspected the Premises and, subject to the provisions of this Section 2.1, the Tenant shall accept the Premises in their existing condition and state of repair. The Tenant understands that no work is to be performed by the Landlord in connection therewith except the Landlord's Work in the manner and to the extent same are set forth and subject to the provisions of Exhibits C-l and C-2 and this Article 2.

Notwithstanding the foregoing, the Landlord shall be obligated to repair latent defects in the Premises and to make such repairs and/or replacements as are required to be made by the Landlord pursuant to other provisions of this Lease. The Landlord, either through its own employees or through a contractor or contractors to be engaged by it for such purpose, will proceed with due dispatch, subject to delay due to Force Majeure, Tenant Delay and the failure of any present occupant of the Premises to vacate and surrender the same, to do all of the Landlord's Work in a good and workmanlike manner consistent with good construction practice during regular working hours and will use commercially reasonable efforts to substantially complete (a) the work (the "Initial Landlord's Work") described on Exhibit C-1 not later than the specific date hereinabove designated for the commencement of the term of this Lease and (b) the work (the "Subsequent Landlord's Work") described on Exhibit C-2 not later than the date (the "SLW Substantial Completion Date") that is 30 days after the term commencement date (it being stipulated, however, that the Landlord shall not be required hereunder to substantially complete item number 5 on Exhibit C-2 (entitled "Core Doors") until the date which is 60 days after the date on which the Landlord receives a notice from the Tenant requesting that the Landlord commence such work (which notice may only be given by the Tenant after the term commencement date) and the term "SLW Substantial Completion Date" with respect to such work shall mean said 60th day). The term "Landlord's Work" means, collectively, the Initial Landlord's Work and the Subsequent Landlord's Work. If the Landlord is required by this Lease to do any such Landlord's Work without expense to the Tenant and the cost of such Landlord's Work is materially increased due to any Tenant Delay and the Tenant fails to remedy such Tenant Delay within 24 hours after notice thereof from the Landlord, the Tenant shall pay to the Landlord an amount equal to such increase in cost. "Tenant Delay" means any delay in the substantial completion of the Landlord's Work or the availability of the Premises for possession by the Tenant or failure to deliver the Premises vacant and broom-clean which shall be due to any act or omission of the Tenant, any affiliate thereof or their respective agents, officers, partners, directors, contractors, employees, licensees or invitees, including, without limitation, delays due to changes in or additions to any work to be done by the Landlord or delays in submission of information, approving working drawings or estimates or giving authorizations or approvals, if any. The Landlord acknowledges that as of the date hereof: (i) the Tenant has not requested any changes in the Landlord's Work, (ii) the Tenant has no right hereunder to approve working drawings or estimates for Landlord's Work, (iii) the Tenant has hereby authorized Landlord's Work and (iv) the only information which the Tenant must provide is the location for the points of distribution for electrical power referenced in Section 4(e) of Exhibit C-2 and the allocation of power among such points, and that the Tenant need not provide such information until the Plan Delivery Date, but in no event later than 30 days after the giving of the Chem Vacate Notice by the Landlord. The Landlord and the Tenant shall, from and after the term commencement date, use all reasonable efforts to coordinate the performance of Tenant's Initial Alterations and the Subsequent Landlord's Work in accordance with good construction practice (it being stipulated, however, that the Tenant may request that the Landlord defer performance of certain portion(s) of the Subsequent Landlord's Work pending the performance of certain portion(s) of Tenant's Initial Alterations, in which case(s), the SLW Substantial Completion Date with respect to such portion(s) of the Subsequent Landlord's Work shall be reasonably postponed).

2.2. (a) Unless otherwise specifically provided in this Lease, if the Premises shall not be available for possession by the Tenant on the specific date hereinabove designated for the commencement of the term hereof for any reason, including, without limitation, noncompletion by the Landlord of the Initial Landlord's Work, then this Lease shall not be affected thereby but, in such case, the term commencement date shall be postponed until the date when the Initial Landlord's Work is substantially completed and the Premises are vacant and broom-clean and available for possession by the Tenant (it being stipulated that (i) the Landlord shall give the Tenant not less than 20 days' prior notice of the date (the "Anticipated S.C. Date") on which the Landlord reasonably anticipates that the Initial Landlord's Work shall be substantially completed and that the Premises shall be vacant and broom-clean and available for possession and (ii) if at any time the Landlord reasonably anticipates that the Initial Landlord's Work shall not be substantially completed or that the Premises shall not be vacant and broom-clean and available for possession, in either case, on or before the Anticipated S.C. Date, the Landlord shall have the right, by notice given to the Tenant, to postpone the Anticipated S.C. Date for not less than 5 days and such right may be exercised repeatedly by the Landlord until the Initial Landlord's Work is substantially completed and the Premises are vacant and broom-clean and available for possession), provided, that there shall be no such postponement of the term commencement date by reason of any Tenant Delay; it being understood that the Tenant shall have no claim against the Landlord, and the Landlord shall have no liability to the Tenant, by reason of the term commencement date not occurring on October 1, 1994 or any subsequent date (except as provided below). No part of the Premises shall be deemed unavailable for possession by the Tenant, nor shall any of the Initial Landlord's Work in such part of the Premises be deemed incomplete for the purpose of any adjustment of fixed rent payable under this Lease or for any other purpose, solely due to the noncompletion of details of construction, decoration or mechanical adjustments which are minor in character and the noncompletion of which does not materially interfere with the Tenant's use of such part of the Premises. The word "use" appearing in the immediately preceding sentence includes the ability of the Tenant to proceed with Tenant's Initial Alterations without material additional expense or delay. Furthermore, the Landlord shall cause the Premises and the Building to be free of any violation of any Requirement that would prevent the Tenant from (x) obtaining any permits for the performance of the Alterations which the Tenant intends to make to prepare the Premises for initial occupancy thereof ("Tenant's Initial Alterations"), (y) completing Tenant's Initial Alterations or (z) securing any governmental consent, certificate or permit required for the initial occupancy of the Premises for the uses permitted by Section 1.3.

(b) Subject to the obligation of the Landlord to use commercially reasonable efforts to complete Landlord's Initial Work and deliver the Premises in accordance with the provisions of this Article 2, the parties to this Lease expressly provide that, if the Premises are not available for possession by the Tenant on the specific date hereinabove designated for the commencement of the term hereof, the Tenant shall not have any claim against the Landlord nor any right to rescind this Lease, and the Landlord shall have no liability to the Tenant, by reason thereof. This Section 2.2 shall constitute "an express provision to the contrary" as such phrase is used in Section 223-a of the Real Property Law of the State of New York and shall constitute a waiver of the Tenant's rights pursuant to such Section 223-a and any other law of like import now or hereafter in force. Notwithstanding the foregoing, if for any reason and despite its

commercially reasonable efforts to do so, the Landlord does not tender possession of all of the Premises to the Tenant vacant and broom-clean and with all of the Initial Landlord's Work substantially completed by October 1, 1995 (as the same may be postponed by reason of Tenant Delay, the "Outside Delivery Date"), the Tenant may, as its sole and exclusive remedy therefor, by notice given on or prior to the 30th day following the Outside Delivery Date, elect to cancel this Lease, which cancellation shall be effective on the 91st day following the Landlord's receipt of such notice (as the same may be postponed by reason of Tenant Delay, the "Effective Date") if the Landlord shall not, prior to the Effective Date, have tendered vacant and broom-clean possession of the Premises to the Tenant with Initial Landlord's Work substantially completed. If the Tenant shall have effectively canceled this Lease in accordance with the preceding sentence, this Lease shall be null and void on the Effective Date and neither the Tenant nor the Landlord shall have any obligation with respect to each other arising out of the entering into of this Lease. The term "Force Maieure" as used herein shall mean fire, casualty, any strike, lock-out or other labor trouble, governmental preemption of priorities or other controls in connection with a national or other public emergency or shortages of fuel, supplies or labor resulting therefrom, or any failure or defect in the supply, quantity or character of electricity, water or any other service furnished to the Premises, by reason of any requirement, act or omission of the public utility or others serving the Building with electric energy, steam, oil, gas or water, or for any other similar reason, beyond the party in question's reasonable control.

(c) The Landlord and the Tenant and/or their representatives shall conduct a joint inspection of the Premises during the week prior to the Anticipated S.C. Date and prepare a punchlist listing any items of the Initial Landlord's Work that have not been completed by the Landlord (collectively, the "Punchlist Work"), all of which shall be promptly corrected and/or completed by the Landlord and, with respect to work performed after the Initial Landlord's Work is substantially completed and the Tenant is performing Tenant's Initial Alterations, at times during regular working hours. The Punchlist Work and the Subsequent Landlord's Work shall be performed in a manner which does not unreasonably interfere with the Tenant's performance of Tenant's Initial Alterations. If the cost of Tenant's Initial Alterations is materially increased or the substantial completion of Tenant's Initial Alterations is actually delayed in any material respect due to the Landlord's performance of any of the Landlord's Work after the term commencement date and the Landlord fails to modify or cease the performance of the relevant portion(s) of the Subsequent Landlord's Work causing such increased costs or delay, within 24 hours after notice thereof from the Tenant, the Landlord shall pay to the Tenant an amount equal to such increase in cost and/or the portion of the Initial Abatement properly allocable to such actual delay sustained by the Tenant. Either party may require any dispute between the Landlord and the Tenant with respect to what constitutes Punchlist Work to be referred to arbitration in accordance with Article 35.

2.3. The Tenant by taking possession of any part of the Premises shall be conclusively deemed to have agreed that the Landlord, up to the time of such possession, had performed all of its obligations under this Lease with respect to such part and that such part, except for latent defects, minor details of construction, decoration and mechanical adjustment referred to above (i.e., Punchlist Work) and the Subsequent Landlord's Work, was in satisfactory condition as of the date of such possession.

2.4. If the term commencement date shall not occur on the specific date hereinabove set forth for the commencement of the term of this Lease, then the parties hereto shall execute and deliver to each other an instrument prepared by the Landlord in form reasonably satisfactory to the Landlord and the Tenant confirming the term commencement date and expiration date of this Lease provided, that the failure of the Landlord to prepare or the parties to execute and deliver such instrument shall not affect the actual term commencement date.

ARTICLE THREE
Use of Premises

3.1. The Tenant shall not, except with the prior consent of the Landlord, use, or suffer or permit the use of, the Premises or any part thereof for any purpose other than the uses permitted in Article One, provided, that the portions, if any, of the Premises which are identified as toilets or utility areas (e.g. closets, conduits, etc.) shall be used by the Tenant only for the purposes for which they are designed and the portions, if any, of the Premises which are identified as storage areas shall be used only for storage purposes. None of the Premises initially demised hereunder is a storage area.

3.2. The Tenant shall not use, or suffer or permit the use of, the Premises or any part thereof in any manner or for any purpose or do, bring or keep anything, or suffer or permit anything to be done, brought or kept, therein (including, without limitation, the installation or operation of any electrical, electronic or other equipment) which (i) would violate any provision of this Lease or is unlawful or in contravention of the Certificate of Occupancy for the Building, or (ii) in the reasonable judgment of the Landlord may in any way impair or interfere (other than to a de minimis extent) with any of the Building services or the proper and economic heating, air conditioning, cleaning or other servicing of the Building or the Premises or impair or interfere (other than to a de minimis extent) with the use of any of the other areas of the Building by, or occasion (other than to a de minimis extent) discomfort, inconvenience or annoyance to, any other tenant of the Building or the Center or impair the appearance of the Building; nor shall the Tenant use, or suffer or permit the use of, the Premises or any part thereof in any manner, or do, or suffer or permit the doing of, anything therein or in connection with the Tenant's business or advertising which, in the reasonable judgment of the Landlord, may be prejudicial to the business of the Landlord or the reputation of the Landlord, the Building or the Center (it being understood that the Tenant's current operations in the Center are not so prejudicial) or, subject to Section 3.5, confuse or mislead the public as to any connection or relationship between the Landlord and the Tenant. The Landlord represents to the Tenant that attached hereto as Exhibit I is a true and correct copy of the current Certificate of Occupancy for the Building.

3.3. Unless otherwise specifically provided in this Lease, the Tenant will not use, or suffer or permit the use of, the Premises or any part thereof for any of the following purposes, whether or not incidental to the Tenant's business, namely: (a) manufacturing of any kind, (b) broadcasting or the business of broadcasting by wire or wireless of any programs or pictures of any sort similar to the business of the tenant under that certain lease (the "NBC

Lease") between the Landlord and NBC for space in the Center, or for the sale of apparatus or devices connected with the business of such broadcasting, (c) the retail sale of any item whatsoever, (d) an auction of any kind (other than any securities/merchant banking/investment banking auctions which are not open to the general public and are conducted in the ordinary course of the business of the originally named Tenant (i.e., Lazard Freres & Co.) or its permitted successors under Section 7.1(b) (collectively, the "Named Tenant")), or (e) the preparation, dispensation or consumption of food or beverages except that the Tenant may use any portion or portions of the Premises as kitchens, pantries, wet bars, executive dining rooms, lunch rooms or for vending machines or coffee or snack carts (collectively, the "Dining Facilities") upon the conditions that, and for so long as, (i) no food or beverages will be kept or prepared in any such portion of the Premises in a manner, or under any conditions, which shall be the occasion for fumes or odors being emitted from, or detectable outside of, the Premises, (ii) any such portion of the Premises shall, at the sole cost and expense of the Tenant, be at all times maintained by the Tenant in a clean and sanitary condition and free of refuse (including extermination service whenever required), (iii) the Tenant will keep all plumbing and sanitary systems and installations serving any such portion of the Premises in a good state of repair and operating condition to the points at which they connect with the main vertical risers and stacks of the Building, (iv) except in the kitchens hereinafter referred to, no cooking or other preparation of food (other than the heating of precooked foods and beverages or cooking by microwave oven) shall be done in the Premises, (v) the same shall only be for use by the Tenant's officers, employees and business guests (and not as a public facility) and (vi) with respect to any kitchen:

(x) the Tenant shall legally utilize, in compliance with all applicable rules, regulations and orders of all governmental authorities and insurance bodies having jurisdiction with respect thereto, an exhaust discharge at the 58th Floor gallery space to be constructed by the Tenant as part of Tenant's Initial Alterations,

(y) the Tenant, at its expense, shall install therein all required equipment, including, without limitation, ventilating hoods, duct work, risers, stacks and plumbing and sanitary systems, and all work and actions in connection with such installations shall be deemed to be part of Tenant's Initial Alterations, or, if installed or altered at a later date, be deemed an Alteration, and in all cases otherwise be subject to the applicable provisions of this Lease, and

(z) the Tenant, at its expense, will keep and maintain all ventilating hoods over ranges, ventilation shafts exclusively serving the Premises (including, without limitation, any such shafts located outside of the Premises) and cooking equipment and duct work and risers (including any related fans) clean and in a manner and under conditions reasonably satisfactory to the Landlord. The Landlord hereby acknowledges that, as part of Tenant's Initial Alterations (but without limiting the Tenant's obligation to comply with the requirements of this Lease regarding Tenant's Initial Alterations), the Tenant's kitchen shall be connected to a ventilation shaft that is located outside of, but which exclusively serves, the Premises.

3.4. If any governmental license or permit (including, without limitation, any public assembly permit) shall be required for the proper and lawful conduct of any business or other activity carried on in the Premises and, if the failure to secure such license or permit would, in any way, impose any liability on the Landlord, result in a lien or violation on the Building or the Center, or otherwise adversely affect the Landlord, the Building or the Center in any material respect, the Tenant shall promptly procure and thereafter maintain such license or permit, submit the same to inspection by the Landlord, and comply with the terms and conditions thereof.

3.5. Neither the Tenant nor any occupant of the Premises shall use the words "Rockefeller", "Center" or "Radio City", or any combination thereof, for any purpose whatsoever, including (but not limited to) as or for any corporate, firm or trade name, trademark or designation or description of merchandise or services, except that the foregoing shall not prevent the use, in a conventional manner and without emphasis or display, of the words "Rockefeller Center" and/or, where applicable, "Rockefeller Plaza" as part of the Tenant's business address. Neither the Tenant nor any occupant of the Premises shall use the name of the Building or the name of the entity for which the Building is named or any part or abbreviation (including initials) of either such name except that the foregoing shall not prevent the use of (a) the name of the Building or any part thereof, in a conventional manner and without emphasis or display, as a part of the Tenant's or such occupant's business address or by reference in the ordinary course of its business and (b) the word "Rock" in the name of any Affiliate of the Tenant.

3.6. The Tenant shall have the right, as part of Tenant's Initial Alterations (but without limiting the Tenant's obligation to comply with the requirements of this Lease regarding Tenant's Initial Alterations), to install (i) a 100 kilowatt emergency generator and a 275 gallon fuel tank (collectively, the "Emergency Generator Equipment") at a mutually agreed location in the Premises and (ii) a single remote radiator (the "Remote Radiator") at a mutually agreed upon location in the 58th Floor pipe gallery which permits the radiator to dispose of heat through existing louvers in the 58th Floor pipe gallery, provided that all such work shall be at the Tenant's sole cost and expense and shall comply with the provisions of this Lease and all Requirements.

ARTICLE FOUR
Fixtures

4.1. All fixtures, equipment, improvements and installations ("Fixtures") attached to, or built into, the Premises at the commencement of or during the term of this Lease, whether or not installed at the expense of the Tenant or by the Tenant, shall be and remain part of the Premises and be deemed the property of the Landlord and shall not be removed by the Tenant except as otherwise expressly provided in this Lease. All electric, plumbing, heating, sprinkling, dumbwaiter, elevator, fixtures and outlets, Venetian blinds, partitions, railings, gates, doors, vaults, stairs, built-in paneling (including display cases and cupboards recessed in built-in paneling), molding, shelving, fan coil enclosures, floors, and ventilating, silencing, air conditioning and cooling equipment shall be deemed to be included in Fixtures, to the extent attached to or built into the Premises. None of the Tenant's movable personal property shall be deemed to be the property of the Landlord and all or any portion of the Tenant's movable personal property may

be removed from the Building by the Tenant at any time. Notwithstanding the foregoing, the Tenant shall (i) close up any slab penetration in the Premises which is greater than six inches in diameter (other than (x) a maximum of three slab penetrations for the new internal staircase that the Tenant intends to construct as part of its Initial Alterations and (y) all five slab penetrations for the internal staircase existing on the date hereof), (ii) remove from the Building any safes, vaults, lead-lined rooms, conveyors, pneumatic tubes and internal elevators located in the Premises and (iii) remove from the Building the Emergency Generator Equipment and the Remote Radiator. The Tenant shall not be required to remove its mechanical and electrical rooms, telephone switchrooms or the equipment (including the Tenant's supplemental air conditioning equipment) located therein, except to the extent necessary to close slab penetrations as required hereunder. Except for the closing of (i) slab penetrations for internal staircase(s) and (ii) slab penetrations located in mechanical and electrical rooms (together, the "Staircase and Utility Room Penetrations") which are the responsibility of the Tenant under this Section 4.1, all such closing and removal shall be performed not later than the expiration or termination of this Lease and shall be performed subject to the provisions of this Lease, including, without limitation, subsection (e) of Section 6.1. The Landlord shall not require the Tenant to close or to pay for any Staircase and Utility Room Penetrations to be closed unless the closing of such penetrations is required to meet the needs of the next tenant(s) of the Premises, it being the intention of the parties that the Tenant not be required to pay for work which is not performed. If within one year after the expiration or earlier termination of this Lease the Landlord advises the Tenant that the Staircase and Utility Room Penetrations which the Tenant is obligated to close hereunder must be closed, the Tenant shall, at the Landlord's option, either close such penetrations in accordance with this Section 4.1 (in which case such work shall be performed subject to the provisions of this Lease, including, without limitation, subsection (e) of Section 6.1) or pay to the Landlord the sum required by the Landlord to perform such work within 30 days after demand therefor, which sum shall not exceed the market rate for comparable work by a material amount. If the Landlord does not so advise the Tenant within such one-year period, the Tenant shall not be required to close or to pay for any Staircase and Utility Room Penetrations to be closed. The Tenant shall repair any damage to the Premises or the Building arising from such closing and removal described in the preceding sentences or pay the cost thereof within 30 days after demand therefor. If any Fixture which as aforesaid may or is required to be removed by the Tenant is not so removed within the time above specified therefor, then the Landlord may at its election deem that the same has been abandoned by the Tenant to the Landlord, but no such election shall relieve the Tenant of its obligation to pay the cost and expense of removing the same or the cost of repairing damage arising from such removal. Notwithstanding the foregoing, the Landlord may, by notice to the Tenant, prohibit the closing of any slab penetration not theretofore closed and the removal of any or all items the Tenant is required to remove pursuant to this Section 4.1 but has not theretofore removed.

4.2. All the perimeter walls of the Premises, any balconies, terraces or roofs adjacent to the Premises (including any flagpoles or other installations on said walls, balconies, terraces or roofs), and any space in and/or adjacent to the Premises used for common (as opposed to interior, for the Tenant's sole and exclusive use) shafts, elevators, stairways, stacks, pipes, conduits, ducts, mail chutes, conveyors, electric or other utilities, sinks, fans or other Building and Center facilities, and the use thereof, as well as access thereto through the Premises for the purposes of such use and the operation, improvement, replacement, addition, repair, maintenance

or decoration thereof, are expressly reserved to the Landlord, provided that (a) except in an emergency, the Landlord shall give the Tenant reasonable prior notice of any need for access through or use of the Premises, (b) such access or use shall not unreasonably interfere with the Tenant's use of the Premises and (c) any such use, operation, improvement, replacement, addition, repair and maintenance shall be subject to the applicable provisions of Article Eight.

ARTICLE FIVE
Electric Current and Water

5.1. The Landlord shall furnish, through the existing transmission facilities or transmission facilities installed by it in the Building, not less than 1,085 kw of alternating electric current to the electric closets and panels provided by the Landlord and serving the Premises in accordance with Exhibit C-2. The 1,085 kw is intended to serve the entire Premises initially demised hereunder (but not the perimeter fan coil units, the chilled water pumps serving the perimeter fan coil units or the interior air handling units serving the Premises) and which shall be, to the extent that the Tenant can reasonably demonstrate its need for the same to the Landlord, increased in proportion to the rentable area of any space added to the Premises and brought to such space by the Landlord as of the date such space is so added. Such alternating electric current shall be measured by a meter or meters provided and installed by the Landlord either outside of the Premises, within the electrical closets located on the floors of the Premises or at such other such location or locations as the Landlord and the Tenant may agree, it being understood that the Landlord is responsible for the entire cost of the installation of meter service, including, without limitation, the meter and any CT cabinets, meter pans and associated wiring. The interior air handling units, perimeter fan coil units and chilled water pumps serving perimeter fan coil units within the Premises that are installed as part of Tenant's Initial Alterations shall be attached to the Landlord's electrical meter and service, not the Tenant's electrical meter and service, and the Tenant shall not be directly billed for the electricity consumed by such units and pumps hereunder (it being stipulated that the cost of such electricity shall be included in the Cost of Operation and Maintenance). The Tenant shall pay to the Landlord, as billed by the Landlord, at the end of each billing period of the public utility company then supplying electric current to the Center, an amount which shall be the sum of (i) 103% of the product obtained by multiplying (x) the actual number of kilowatt hours of electric current consumed by the Tenant in such billing period by (y) a fraction having as its numerator the amount charged the Landlord at said public utility's redistribution rate for the total number of kilowatt hours billable to the Landlord at such rate for the Center's use in such billing period and as its denominator said total number of kilowatt hours, as the same are derived from the electric bills rendered by said public utility for such billing period plus (ii) any taxes applicable to the amount determined pursuant to the foregoing clause (i). In any circumstances where any meter measures consumption of electricity by more than one tenant, the Landlord shall make a reasonable estimate of such consumption and allocate the cost thereof pro rata to the tenants (including the Tenant) which derive the benefit thereof in accordance with the respective rentable areas occupied by such tenants and subject to such shared metering. When requested by the Tenant (which requests may not be made more often than once in any 12-month period) within 12 months following the receipt by it of any electric bill, the Landlord, in substantiation of its determination of the amounts set forth in the electric bills for the

prior 12-month period, shall furnish to the Tenant such additional information as reasonably may be required for such purpose, and, as may be necessary for the verification of such information, shall permit the pertinent records of the Landlord to be examined at the office of the Landlord or its managing agent in New York, New York during normal business hours by an officer or qualified employee of the Tenant or by such regular (as opposed to temporary or "project") employees of a firm of independent certified public accountants as the Tenant may designate; it being expressly understood that the Landlord shall only preserve any such records and any data or material related thereto until the expiration of the 12-month period described above; and, if the Tenant shall have disputed the Landlord's determination of the amounts set forth in such bills within the 12-month period described above, the Landlord shall retain such records until the dispute is resolved. Either party may refer any such dispute to arbitration in accordance with Section 35.3.

5.2. If (a) required to do so by any Requirement, (b) any Requirement would have a material adverse impact on the Landlord if the Landlord continued to furnish electric current as required by this Lease or (c) the Landlord shall also discontinue the furnishing of electric current to all other office tenant(s) of the Building (other than NBC and affiliates of the Landlord) leasing at least one full floor of the Building, then the Landlord may, upon not less than 180 days' (or any such shorter time period required by any Requirement (but in no event less than 30 days')) prior notice to the Tenant, discontinue the furnishing of electric current to the Premises or any part thereof. In such event, the Tenant shall contract for the supplying of such electric current thereto with the public service company supplying electric current to the neighborhood, and the Landlord shall permit its risers, conduits and feeders serving the Premises, to the extent available, suitable and safely capable, to be used for the purpose of supplying such electric current (it being understood that the Tenant may, subject to all Requirements, continue to use the same to the same extent as it had been using the same prior to the discontinuance of the furnishing of electric current by the Landlord, unless the Landlord provides alternate risers, conduits and feeders).

5.3. If the Tenant shall require electric current for use in the Premises in excess of the quantity to be furnished as provided in Section 5.1 above, the Landlord shall reasonably cooperate with the Tenant to identify pathways through which risers can be run, which pathways shall lead from the Premises to the nearest available power distribution point with sufficient capacity to meet the additional need. In identifying shaft space, the Landlord shall have the right to (a) reasonably reserve capacity for current and future needs and (b) take into consideration the rights of other tenants in the Building. The Tenant shall pay (i) the Landlord's reasonable and customary one-time charge (currently $250 per KVA) for connection to the equipment located at such power distribution point, (ii) the cost of running Additional Electric Equipment from such distribution point to the Premises as set forth below and (iii) the consumption charges specified in Section 5.1. Upon identification of such pathways, the Landlord, upon request of the Tenant, will proceed with reasonable diligence to install such additional risers, conduits, feeders, switchboards and/or appurtenances as may be required to bring such additional power from such distribution points to the Premises (collectively, "Additional Electric Equipment") provided the same and the use thereof shall be permitted by all laws, ordinances, rules, orders and regulations of all

governmental and quasi-governmental authorities and of all insurance bodies, at any time duly issued and in force (collectively, "Requirements") applicable to the Land, the Building or the Premises or any part thereof, to the Tenant's use thereof or to the Tenant's observance of any provision of this Lease and shall not cause damage or injury to the Building or the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or repairs or unreasonably interfere with or disturb other tenants or occupants of the Building, and the Tenant shall pay all costs and expenses incurred by the Landlord in connection with such installation; provided that the Tenant may, at its expense, install such Additional Electric Equipment (and all work and actions in connection therewith shall be subject to the provisions of subsection (e) of Section 6.1). The Tenant shall purchase and install all lamps, starters and ballasts (including replacements thereof) used in the lighting fixtures in the Premises.

5.4. Water and steam will be furnished by the Landlord without additional charge for normal use in (x) lavatory and toilet facilities and (y) one executive kitchen (provided the same is comprised of less than 1,000 rentable square feet), if any, in the Premises. Where any water or steam is otherwise furnished by the Landlord, the Tenant shall pay (i) the cost of supplying, installing and maintaining a meter to measure the water or steam so furnished, (ii) the reasonable charges of the Landlord for the water or steam so furnished and, in the case of water, for any required pumping and heating thereof, and (iii) any taxes, sewer rent or other charges which may be imposed by any government or agency thereof based upon the quantity of water or steam so furnished or the charge therefor.

5.5. The Landlord shall permit the Tenant to tie a single kitchen in the Premises into the gas riser and/or other gas piping and apparatus serving the Building in accordance with all Requirements and the other provisions of this Lease, provided that the cost of all work required to do so (including installation of a gas meter) shall be paid by the Tenant as part of Tenant's Initial Alterations and the Tenant shall contract directly for such gas with the public service company supplying gas to the Building.

5.6. The Landlord shall in no way be liable for any failure, inadequacy or defect in the character or supply of electric current, water, gas or steam furnished to the Premises except to the extent that any actual damage suffered by the Tenant by reason of any such failure, inadequacy or defect is caused by the negligence of the Landlord.

ARTICLE SIX
Various Covenants

6.1. The Tenant shall

(a) take good care of the Premises, keep clean the portions of the Premises which the Landlord is not required by this Lease to clean, and make good or pay the cost of making good any injury, damage or breakage (including, without limitation, the cost of removing stains from floors and walls) done by the Tenant, any other occupant of the Premises (other than any Non-Tenant Party), any

affiliate of the Tenant or any such occupant, or any of their respective employees, officers, directors, partners, contractors, agents, licensees or Tenant Invitees (each, a "Tenant Party"), other than any damage occasioned by fire or other casualty or the elements provided that the Tenant has complied with its obligations under Sections 6. l(k) and 9.3. "Non-Tenant Parties" means the Landlord, any affiliate of the Landlord, any Landlord Invitees, any underlying lease landlord and any underlying mortgagee of the Landlord and the respective officers, directors, partners, employees, agents, licensees and contractors of any of the foregoing parties. "Tenant Invitees" means clients, potential clients and any person specifically invited to the Premises by direct (not implied) invitation of the Tenant to visit the Tenant (for so long as such person is there as a result of such invitation), it being understood that neither a person in the premises of a tenant or occupant (other than the Tenant) of the Center nor the general public shall be deemed to be a Tenant Invitee "Landlord Invitees" means any person specifically invited to the Center by direct (not implied) invitation of the Landlord to visit the Landlord (for so long as such person is there as a result of such invitation), it being understood that neither a person in the premises of a tenant or occupant (other than the Landlord) of the Center nor the general public shall be deemed to be a Landlord Invitee;

(b) observe and comply with the rules and regulations annexed to, and made a part of, this Lease as Exhibit D and such other and further reasonable rules and regulations as the Landlord hereafter at any time may make and communicate to the Tenant and which, in the reasonable judgment of the Landlord, shall be necessary or desirable for the reputation, safety, care or appearance of the Center, or the preservation of good order therein, or the operation or maintenance of the Center, or the equipment thereof, or the comfort of tenants or others in the Center; provided that (i) in the case of any conflict between the provisions of this Lease and any such rule or regulation, the provisions of this Lease shall control and (ii) the Landlord shall not discriminate against the Tenant in the enforcement of such rules and regulations;

(c) permit the Landlord, any landlord under any of the underlying leases, any mortgagee under any of the underlying mortgages and any other party designated by the Landlord, and their respective representatives, to enter the Premises, on reasonable prior telephonic notice so as to afford the Tenant an opportunity to have a representative present, for the purposes of inspection and permit them or any of their agents or contractors to enter at any time without notice in case of emergency involving imminent danger to persons or property and otherwise at any time, on reasonable prior notice so as to afford the Tenant an opportunity to have a representative present, for the purpose of complying with any Requirement or exercising any right reserved to the Landlord under Article Eight or elsewhere by this Lease on condition, however, that any such entry, inspection and compliance shall be accomplished and performed in such manner as not to unreasonably interfere with the conduct of the Tenant's business

(it being understood that the parties specified in this subsection are third-party beneficiaries of the covenants specified in this subsection in the event of the Landlord's breach of any obligation it may have to any such party to exercise a right of access on such party's behalf);

(d) make no claim against a Non-Tenant Party for any injury or damage to the Tenant or to any other person or for any damage to, or loss (by theft or otherwise) of, or loss of use of, any property of the Tenant or of any other person, irrespective of the cause of such injury, damage or loss, except to the extent caused by the negligence of such Non-Tenant Party;

(e) (i) make no alteration, change, addition, improvement, repair or replacement (an "Alteration") in, to, or about, the Premises, and do no work in such connection, without in each case the prior consent of the Landlord, and then only by workmen and contractors of the Landlord or by contractors of the Tenant approved by the Landlord, and in a manner and at times, approved by the Landlord, which consents and approvals shall not be unreasonably withheld (it being agreed that it shall be reasonable for the Landlord to withhold consent if the requested Alteration imposes a material burden on the Landlord which would require the Landlord to perform any work within, or outside of, the Premises). In the case of the Named Tenant only, the Landlord's consent or approval shall not be conditioned upon any requirement that the Named Tenant provide payment and/or performance bonds from its contractors and subcontractors or install any specific equipment or perform any work that is not required by applicable Requirements or the Tenant Alteration Guidelines. Notwithstanding the foregoing, the Tenant may, without the Landlord's consent, make Qualified Alterations in and to the Premises if the Tenant has theretofore provided the Landlord with (x) any necessary building notices, permits or other governmental filings, consents or approvals in connection with any proposed Qualified Alteration, (y) 15 business days' prior notice of any proposed Qualified Alteration and (z) reasonably detailed written descriptions, sketches or plans evidencing that such Alteration is in fact a Qualified Alteration (it being agreed that the foregoing clauses (y) and (z) shall not apply to purely decorative Qualified Alterations (i.e., painting, carpeting, etc.)). "Qualified Alteration" means any Alteration that (1) does not involve a change to the structural elements of the Building, (2) does not adversely affect the proper and efficient operation of the air conditioning, refrigeration, plumbing, electrical, heating or other systems of the Building or the Center serving space other than, or in addition to, the Premises, (3) does not affect any space (including common use areas) outside of the Premises, (4) does not affect any fire protection, life safety, sprinkler or other emergency system maintained and operated by the Landlord in the Building or the Center (other than the relocation (or addition) of fire alarms, speakers, strobes and other related devices on full floors of the Premises in accordance with all applicable Requirements, provided that if the Tenant shall vary or affect any point of contact relating thereto such action may not be taken without first obtaining the Landlord's consent thereto and such action must be coordinated

with the Landlord) and (5) is not visible from the exterior of the Building. Notwithstanding anything in this Lease to the contrary, the Tenant shall make all changes (once approved or deemed approved by the Landlord if the Landlord's consent is not required pursuant to any provision of this Lease), whether or not structural and whether or not in the Premises, required by any Requirement as a result of any Alteration made by the Tenant or by the Landlord on behalf of the Tenant at the Tenant's request and cost; pay as and when the same become due and payable all charges incurred by it in connection with any Alterations and pay to the Landlord its actual out-of-pocket costs (without mark-up by the Landlord and to the extent the same do not exceed the market rate for comparable services by a material amount) paid to third party consultants for making such reviews and inspections as it may reasonably deem necessary in connection with the consideration of the granting of, and compliance with, any such consent or approval; if any notice or claim of any lien be given or filed by or against the Building or the Land for any work, labor or services performed, or for any materials, products or equipment used, furnished or manufactured for use, therein or thereon or in connection with the performance of any Alteration, promptly, but in all events within 45 days, the Tenant shall discharge or remove the same by payment, bonding or otherwise or, with respect to the original named Tenant hereunder only, promptly obtain an effective order from a court of competent jurisdiction which stays the foreclosure of the lien (it being stipulated that if the Tenant obtains such a stay and the unrelated holder of an underlying mortgage or an underlying lease nonetheless requires the Landlord to discharge or remove the same by payment or bonding or to indemnify such holder with respect to such lien, then the Tenant shall promptly (but in all events within 10 days after demand) reimburse the Landlord for all costs and expenses incurred by the Landlord) and the Tenant shall fully indemnify the Landlord from and against all liability (statutory or otherwise), claims, suits, demands, damages, judgments, costs, interest and expenses (including reasonable counsel fees and disbursements) in connection therewith. The Tenant shall observe and comply with the current alteration standards, specifications and guidelines of the Landlord (a copy of which has been delivered to the Tenant) and such other and further reasonable standards, specifications and guidelines as the Landlord hereafter at any time may make and deliver to the Tenant and which, in the reasonable judgment of the Landlord, shall be necessary or desirable for the reputation, safety, care or appearance of the Center, or the preservation of good order therein, or the operation or maintenance of the Center, or the equipment thereof, or the comfort of tenants or others in the Center (the "Tenant Alteration Guidelines"), provided that in the case of any conflict between the provisions of this Lease and the Tenant Alteration Guidelines, the provisions of this Lease shall control. The Tenant shall deliver, within 30 days after completion of the Alteration, as-built plans and specifications of the Premises reflecting the Alteration which are suitable for computer scanning by the Landlord. In addition, if such as-built plans and specifications are prepared for the Tenant by the Tenant's architect or engineer on an Autocad Computer Assisted Drafting and Design ("CADD") System (or other computer system(s)), the Tenant shall also

deliver magnetic computer media of such "as-built" drawings and specifications to the Landlord. In the event of any dispute between the Landlord and the Tenant under this Section 6.1(e), either party may require such dispute to be referred to arbitration in accordance with Article 35;

(ii) not employ any labor in connection with the maintenance, cleaning or other servicing of the Premises, without in each case the prior consent of the Landlord and then only by workmen and contractors of the Landlord or by contractors of the Tenant approved by the Landlord, and in a manner and at times approved by the Landlord, which consents and approvals shall not be unreasonably withheld;

(iii) the Landlord shall grant or deny any such consent or approval requested under this Section 6.1(e) within 15 business days of request therefor (or, with respect to any revised plans and specifications that were previously disapproved, within 5 business days after the Landlord's receipt thereof). The Landlord shall not, other than with respect to any denial of approval for a contractor, deny any such consent or approval without setting forth reasons for any such denial in writing with reasonable specificity. If the Landlord shall fail to grant or deny the same within the time periods set forth above, then the Tenant shall have the right to give the Landlord a notice containing the following statement at the top of the first page thereof in large capitalized letters, namely, **"YOUR CONSENT TO OR APPROVAL OF THE PROPOSED [ALTERATION] [CONTRACTOR] SHALL BE DEEMED GIVEN IF YOU FAIL TO DENY IT WITHIN 5 BUSINESS DAYS OF YOUR RECEIPT OF THIS NOTICE"**, and if the Landlord shall not grant or deny the same within 5 business days after receipt of such a notice from the Tenant, then the Landlord shall be deemed to have consented to the Alteration or contractor in question). Time shall be of the essence with respect to the Landlord's response to such second request for consent with such specific language or approval. Notwithstanding any such consent or approval, the Tenant shall not permit the use of any contractors, workmen, labor, material or equipment in the performance of any thereof if the use thereof, in the Landlord's good faith judgment, will cause or contribute to a material dispute with any trade engaged in performing any other work, labor or service in or about the Building or the Center or contribute to any labor dispute (it being stipulated that the Landlord shall, at the request of the Tenant, orally share its reasons for any such good faith judgment); and the Tenant shall carry or cause to be carried appropriate workers compensation insurance for all workmen working in the Premises and performing an Alteration;

(f) not violate, or permit the violation by any party (other than a Non-Tenant Party) of, any condition imposed by the standard fire insurance policy issued for office buildings in the Borough of Manhattan, New York, N.Y., and not do, suffer or permit anything to be done by any party (other than a Non-Tenant Party), or keep, suffer or permit anything to be kept, in the Premises, which would

increase the fire or other casualty insurance rate on the Building or property therein, or which would result in insurance companies of good standing refusing to insure the Building or any such property in amounts and against risks as reasonably determined by the Landlord;

(g) permit the Landlord on reasonable prior telephonic notice to show the Premises at reasonable times during Business Hours to any lessee, or any prospective purchaser, lessee, mortgagee or assignee of any mortgage or underlying lease, of the Building and/or the Land or of the Landlord's interest therein, and their representatives, and during the 12 months preceding the expiration of this Lease with respect to any part of the Premises similarly show such part to any person contemplating the leasing of all or a portion of the same;

(h) at the expiration or any earlier termination of this Lease with respect to any part of the Premises, terminate its occupancy of, and quit and surrender to the Landlord, such part of the Premises broom-clean and in as good condition as it was at the commencement of such term, except for (1) ordinary wear and tear, and (2) loss or damage by fire or other casualty provided that the Tenant shall have complied with its obligations under Section 6.1(k) and Section 9.3;

(i) comply, as shall the Landlord, with the following provisions of this subsection (i): at any time and from time to time upon not less than 10 days' prior notice either party may request the other party to execute, acknowledge and deliver to the requesting party a statement of such other party (or if such other party is a corporation or a partnership, an appropriate officer or partner, as the case may be, of such other party) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications and the dates thereof), and the dates to which the Rent has been paid in advance, if any, stating whether or not to the best knowledge of the signer of such certificate the requesting party is in default in the keeping, observance or performance of any provision contained in this Lease and, if so, specifying each such default, and such other information as the requesting party may reasonably request, it being intended that any such statement may be relied upon, if the requesting party is the Landlord, by any landlord under any underlying lease or any lessee or mortgagee, or any prospective purchaser, lessee, mortgagee or assignee of any underlying mortgage or any other third party with whom the Landlord is dealing and to whom the Landlord wishes to provide such statement, and, if the Tenant is the requesting party, any such statement may be relied upon by any lender, investor, purchaser, subtenant or other third party with whom the Tenant is dealing and to whom the Tenant wishes to provide such statement;

(j) subject to Section 6.2, indemnify, and save harmless, the Landlord, and its agents and partners and its and their respective contractors, licensees, invitees, servants, officers, directors, agents and employees, any mortgagee under

any underlying mortgage and any landlord under any of the underlying leases (the "Indemnitees") from and against all liability (statutory or otherwise), claims, suits, demands, damages, judgments, costs, interest and expenses (including reasonable counsel fees and disbursements incurred in the defense thereof) to which any Indemnitee may be subject or suffer whether by reason of, or by reason of any claim for, any injury to, or death of, any person or persons or damage to property (including any loss of use thereof) or otherwise arising from or in connection with any act, omission or negligence of the Tenant or any Tenant Party or from any work or thing whatsoever done in any part of the Premises or the Center by the Tenant or any Tenant Party during the term of this Lease or during the period of time, if any, prior to the commencement of such term that the Tenant may have been given access to such part for the purpose of doing work or otherwise, or as a result of any Tenant Party performing any such work or otherwise that subjects any Indemnitee to any Requirement to which such Indemnitee would not otherwise be subject, or arising from any condition of the Premises due to or resulting from any default by the Tenant in the keeping, observance or performance of any provision contained in this Lease or from any act or negligence of any Tenant Party, provided, that (i) this indemnity shall not apply to any claim or damage to the extent the same results from the negligence or willful misconduct of the Landlord or any Indemnitee and (ii) in the event any action or proceeding is brought against the Landlord or any Indemnitee for which indemnification from the Tenant may be sought or forthcoming pursuant to the provisions of this subsection (j), the Landlord or such Indemnitee shall promptly notify the Tenant and afford the Tenant opportunity to resist and defend such action or proceeding by counsel reasonably satisfactory to the Landlord or such Indemnitee. Counsel designated or provided by the Tenant's insurance carrier shall be deemed to be satisfactory to the Landlord and any such Indemnitee provided that such insurance carrier acknowledges in writing that it is obligated to provide defense for both the Landlord (and such Indemnitee(s)) and the Tenant; and

(k) maintain, at all times during the term of this Lease and during any other times the Tenant is granted access to the Premises, a policy or policies of comprehensive general public liability insurance (with an endorsement or other provision covering the Tenant's contractual liability under this Lease) with the premiums fully paid on or before the due date, issued by a reputable insurance company licensed to do business in the State of New York, having a minimum rating A- by A.M. Best & Company (or if A.M. Best & Company no longer rates insurance companies, such other financial rating as the Landlord at any time reasonably determines is comparable to the foregoing rating). Such insurance shall afford minimum limits as the Landlord may reasonably designate from time to time (with minimum limits not greater than what is required by other landlords of comparable buildings in midtown Manhattan for comparable premises), but in no event less than $3,000,000 per occurrence with a $5,000,000 aggregate in respect of injury or death to any number of persons and not less than $3,000,000 for damage to or loss of use of property in any one occurrence. Each such policy shall

provide that it cannot be canceled except upon 30 days' prior notice to the Landlord and shall name the Indemnitees that have been identified to Tenant in writing, on not less than 30 days' prior notice to the Tenant, as additional insureds thereunder. The Tenant shall furnish original certificates of such insurance to the Landlord prior to the term commencement date (or any date on which the Tenant is granted earlier access) and thereafter not less than 30 days prior to the expiration of each such policy and any renewals or replacements thereof.

6.2. Except as otherwise provided in Section 25.7, neither the Landlord, any mortgagee under any underlying mortgage, any landlord under any of the underlying leases, the Tenant nor any of their respective employees, officers, directors, partners, contractors, agents, servants, licensees or invitees shall be liable to the other (or any person claiming through or under such other party), even if negligent, for consequential damages arising out of or in connection with this Lease, the Center, the Building, the Premises, the use (or loss of use) of the Premises or any equipment, facilities or other property therein.

6.3. The Landlord shall at all times during the term of this Lease (i) carry rent insurance and (ii) carry "broad form" or "extended coverage" insurance insuring the Building against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicle and smoke in amounts sufficient to satisfy the applicable coinsurance requirements, in each case to the extent and with such commercially reasonable deductibles as such insurance is carried by a majority of landlords of similar commercial properties in Manhattan. Such policies shall be issued by companies of recognized responsibility licensed to do business in New York State having a minimum rating of A- by A.M. Best & Company, or such lower rating as shall be acceptable to any mortgagee that is unaffiliated with the Landlord. At the request of the Tenant (but not more frequently than once a year), the Landlord shall furnish original certificates (or other reasonable evidence) of such insurance to the Tenant.

ARTICLE SEVEN
Assignment, Mortgaging, Subletting, etc.

7.1. (a) The Tenant covenants, for the Tenant and its successors, assigns and legal representatives, that neither this Lease nor the term and estate hereby granted, nor any part hereof or thereof, will be assigned, mortgaged, pledged, encumbered or otherwise transferred (it being agreed that the (x) issuance by the Tenant of stock and/or the transfer of already-issued stock/partnership interests, in one or more transactions so as to transfer control or transfer 50% or more of an interest in the Tenant, other than through over-the-counter or national securities exchange transactions by those holding less than a 5% interest in the Tenant or (y) sale or transfer of 50% or more of the assets of the Tenant in one or more transactions, other than in the ordinary course of business, shall, in either event, be deemed an assignment of this Lease), and that neither the Premises, nor any part thereof, will be encumbered in any manner by reason of any act or omission on the part of the Tenant, or will be used or occupied, or permitted to be used or occupied, or utilized for desk space, for mailing privileges or as a concession, by anyone other than the Tenant, or will be sublet, or offered or advertised for subletting, except in each case as

permitted by or in accordance with the provisions of this Article 7. The Landlord acknowledges that the Tenant buys and sells securities of all kinds in the ordinary course of its business.

(b) Notwithstanding anything contained to the contrary in Section 7.1(a), (A) the assignment or transfer of this Lease, and the term and estate hereby granted, to any entity (i) into which the Tenant is merged, (ii) with which the Tenant is consolidated or (iii) to which all or substantially all of the assets of the Tenant are transferred (such entity being hereinafter in this Article called the "Assignee") without the prior consent of the Landlord shall not be deemed to be prohibited hereby and (B) no (i) transfer or issuance of stock, partnership interests or other beneficial interests in the Tenant, or (ii) sale or transfer of 50% or more of the assets of the Tenant (it being stipulated that this Lease may not be transferred in connection with such sale or transfer unless the same is a sale or transfer of all or substantially all of the Tenant's assets, in which case the foregoing clause (A) and the subsequent clause (y) shall each apply), shall be deemed to be an assignment of this Lease, if in the case of both clauses (A) and (B), and upon the express conditions that, (x) the primary purpose for such merger, consolidation, transfer, issuance or sale is other than the transfer of this Lease, (y) any such Assignee, within 15 business days of such merger, consolidation, transfer, issuance or sale, executes and delivers to the Landlord an agreement in form and substance reasonably satisfactory to the Landlord whereby the Assignee assumes all the obligations set forth in this Lease on the part of the Tenant to be kept, observed or performed, and whereby the Assignee expressly agrees that the provisions of this Article shall, notwithstanding such merger, consolidation, transfer, issuance or sale, be binding upon it with respect to all future assignments and transfers and (z) the net worth of the entity holding the tenant's interest under this Lease (computed in accordance with GAAP) immediately following such merger, consolidation, transfer, issuance or sale is not less than $100,000,000 and the Assignee or the Tenant, as applicable, within 15 business days of said merger, consolidation, transfer, issuance or sale, delivers to the Landlord evidence reasonably satisfactory to the Landlord of such net worth.

(c) Notwithstanding anything contained to the contrary in Section 7.1(a), the Landlord will consent to the Tenant (i) permitting the Premises to be used and occupied for the purposes specified in, and subject to the provisions of, this Lease, by, or sublet to, any Affiliate of the Tenant and (ii) assigning this Lease to any Affiliate of the Tenant, but, in each case, only for so long as the occupant, subtenant or assignee remains an Affiliate of the Tenant, provided, in each case, that (1) the Tenant provides reasonable evidence of the relationship of the Affiliate to the Tenant (it being agreed that, with respect to the Named Tenant only, a certificate of a partner or an officer of the Named Tenant to such effect shall be deemed reasonable evidence, provided that, in the case of an assignment of this Lease or a subletting of all or substantially all of the Premises, the Named Tenant shall, upon request of the Landlord, deliver to the Landlord reasonable evidence in support of such certificate), (2) in the Landlord's reasonable judgment the Affiliate is of a character and engaged in a business which is in keeping with the standards in those respects for the Building and its occupancy (it being agreed that any such determination shall be made by reference to the Landlord's then standard office leasing practice (giving due regard to tenants under leases of space in the Center existing at the time in question)), (3) in the case of an assignment to an Affiliate, said Affiliate shall have executed and delivered an agreement whereby said Affiliate shall agree to be bound by and upon all the provisions set forth in this Lease on the

part of the Tenant to be kept, observed or performed, and whereby said Affiliate shall expressly agree that the provisions of this Article shall, notwithstanding such assignment, continue to be binding upon it with respect to all future assignments and transfers and (4) the Tenant shall not enter into sublease(s) pursuant to this Section 7.1(c) or Section 7.1(e) with Affiliate(s) which demise (or permit Affiliate(s) to use and occupy) in the aggregate more than 33% of the Premises then demised hereunder (the "Affiliate Sublet Space Cap"). "Affiliate" means, as to any designated person or entity, any person or entity which controls, is controlled by, or is under common control with, such designated person or entity. A person or entity shall not be deemed to "control" another entity unless it owns at least 25% of the outstanding equitable interests of such entity and has the power to control the management and affairs of such other entity. With respect to the Named Tenant only, "Affiliate" as used in clause (i) of this Section 7.1(c) shall also mean any entity (A) in which a general partner or a former general partner in the Tenant is a general partner or principal, such as the Taylor-Simpson Group, Inc., (B) which owns a direct or indirect interest in the Tenant, such as Pearson, Inc., (C) which manages or has a contract to manage a significant investment made by the Tenant and/or any general partners of the Tenant, (D) with which the Tenant has an investment advisory contract or a direct and substantial investment advisory relationship or (E) any foreign bank or investment or merchant bank doing business under a name which includes the name "Lazard" or any acronym for or derivative of "Lazard Freres & Co.". Any portion of the Premises sublet to the Subtenants pursuant to Permitted Subleases in accordance with Section 7.1(e) shall, for purposes of calculating the Affiliate Sublet Space Cap, be deemed to be sublettings to Affiliates pursuant to this Section 7.1 (c).

(d) Notwithstanding anything contained to the contrary in Section 7.1(a), if the Tenant is a partnership, the admission or withdrawal of partners in the ordinary course of business shall not constitute an assignment of this Lease provided that the primary purpose of the foregoing is not to circumvent the restrictions on assignment set forth in this Article 7.

(e) Notwithstanding anything contained to the contrary in Section 7.1(a), the Landlord hereby, subject to the Affiliate Sublet Space Cap, consents to the subletting by the Tenant of portions of the Premises to Jupiter Partners, L.P., Corporate Advisors, L.P., Taylor Simpson Group, Inc., Centre Partners, L.P. and Pearson, Inc. (collectively, the "Permitted Subleases") effective as of the term commencement date, provided that, with respect to each such subletting, the Tenant and said subtenants (herein collectively called the "Subtenants") shall agree that this consent and such sublettings are subject to and upon the following terms and conditions.

(i) The portion(s) of the Premises so sublet shall (subject to all the terms and conditions of this Lease) be used solely for the purposes permitted by Section 1.3.

(ii) The Tenant shall be and remain liable and responsible for the due keeping, performance and observance, throughout the term of this Lease, of all of the covenants, agreements, terms, provisions and conditions therein set forth on the part of the Tenant to be kept, performed and observed and for the payment of the fixed rent, additional rent and all other Rent now and/or hereafter becoming

payable thereunder, expressly including as such additional rent any and all charges for any property, material, labor, utility or other services furnished or rendered by the Landlord in or in connection with the Premises, whether for, or at the request of, the Tenant or the Subtenants.

(iii) The Permitted Subleases shall be subject and subordinate at all times to this Lease, and to all of the covenants, agreements, terms, provisions and conditions of this Lease and of this consent, and the Subtenants shall not do, permit or suffer anything to be done in, or in connection with the Subtenants' use or occupancy of, the portions of the Premises so sublet which would violate any of said covenants, agreements, terms, provisions and conditions.

(iv) This consent shall not be construed as a consent by the Landlord to, or as permitting, any other or further subletting by the Tenant (to the Subtenants or any other party) or the Subtenants or any assignment of the aforesaid subleases.

(v) Upon the expiration or any earlier termination of the term of this Lease with respect to the portions of the Premises so sublet or in case of the surrender of this Lease by the Tenant to the Landlord, the aforesaid subleases and the term and estate thereby granted shall terminate as of the effective date of such expiration, termination or surrender, and the Subtenants shall vacate such portions of the Premises on such date.

(vi) The Tenant shall receive no rent, payment or other consideration in connection with the Permitted Subleases in excess of the Rent payable by the Tenant hereunder in respect of the applicable portions of the Premises, together with reimbursement for any unamortized sums expended by the Tenant on tenant improvements to the space sublet (determined in accordance with GAAP) and not reimbursed by the Landlord pursuant to the terms of this Lease.

(vii) The Tenant shall, prior to the term commencement date, deliver true and complete copies of the Permitted Subleases to the Landlord and true and complete copies of each amendment thereto to the Landlord within 10 business days after the execution and delivery thereof by the parties thereto, it being understood that the Landlord shall not be deemed to be a party to the Permitted Subleases or any such amendment nor bound by any of the terms or conditions thereof and that neither the execution and delivery of this Lease nor the receipt by the Landlord of a copy of the Permitted Subleases or a copy of any such amendment shall be deemed to change any provision of this Lease or to be a consent to, or an approval by the Landlord of, any term or condition contained in the Permitted Subleases or any such amendment.

(f) The Tenant covenants that, notwithstanding any assignment or transfer of this Lease or any subletting of all or any portion of the Premises, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Rent by the Landlord from an

assignee, transferee, subtenant or any other party, the Tenant shall remain fully liable for the payment of the Rent and for the performance and observance of other obligations of this Lease on the part of the Tenant to be performed or observed.

7.2. Without in any way suggesting permission for the Tenant to assign the Lease, if the Lease is nonetheless assigned with or without the consent of Landlord required by this Article 7, by the order of a court or otherwise (but not as permitted by Section 7.1(b) or (c) above), the Tenant shall pay to the Landlord 50% of any consideration received by the Tenant for the assignment of this Lease, net of brokerage commissions and legal fees incurred by the Tenant in connection therewith and not reimbursed by the assignee. The amounts to be paid to the Landlord under this Section shall be deemed to be deferred rent payable only out of amounts collected by the Tenant in connection with an assignment and shall be deemed forgiven if no such assignment occurs.

7.3. The Landlord will, at the request of the Tenant, maintain listings on the Building directory of the names of the Tenant, any Affiliates of the Tenant who are permitted hereunder to occupy a portion of the Premises, any permitted subtenants of the Tenant and the names of the officers or employees of the Tenant, such Affiliates and any such permitted subtenants as may be designated by the Tenant; provided, however, that the number of names so listed shall not exceed 100 or, if the Landlord maintains a CRT/video display screen type directory for the Building or the Center, 700 names. Without implying any right to do so, the listing of any name other than that of the Tenant or such Affiliates, whether on the doors or windows of the Premises, on the Building directory, or otherwise, shall not operate to vest any right or interest in this Lease or in the Premises or be deemed to be the consent of the Landlord referred to in Section 7.1.

7.4. (a) In the event the Tenant desires the Landlord's consent to an assignment of this Lease or a subletting of all or any part of the Premises for any part of the term of this Lease (and such desired assignment or subletting does not come within the purview of Section 7.1(b) or (c), as to which the provisions of Sections 7.4(a), (b), (d) and (e) shall be inapplicable), the Tenant shall notify the Landlord of the name of the proposed assignee or sublessee, as the case may be, provide such information as to the proposed assignee's or sublessee's business, financial responsibility and standing as the Landlord may reasonably require, and of the salient business terms and conditions of the proposed assignment or subletting and shall request the Landlord's consent thereto.

(b) The Landlord will not unreasonably withhold or delay its consent to the proposed assignment or subletting referred to in said notice on the terms and conditions set forth therein; provided, however, that the Landlord shall not in any event be obligated to consent to any such proposed assignment or subletting unless:

(i) the assignee or sublessee under any such subletting shall be a person, firm or corporation as in the Landlord's reasonable judgment is of a character and engaged in a business such as is in keeping with its standards in those respects for the Building and its occupancy (it being agreed that any such determination shall

be made by reference to the Landlord's then standard office leasing practice giving due regard to the tenants under leases of space in the Center existing at the time in question) and shall not be (x) a government or a governmental authority or a subdivision or an agency of any government or any governmental authority or (y) a tenant of the Building, but only if the Landlord then has comparable space available for lease in the Building and is prepared to and actually does offer the same for lease to such tenant (it being understood that this clause (y) shall not be applicable in the case of the Tenant proposing to sublease to any tenant leasing or occupying space elsewhere in the Center (as opposed to in the Building));

(ii) the Tenant shall not have advertised the rental rate for such proposed assignment or subletting (but the foregoing prohibition shall not preclude advertising in real estate brokers' pamphlets or fliers that are only distributed to real estate brokers); and

(iii) the Tenant and the sublessee shall agree that the sublessee will not, without the prior consent of the Landlord, assign the sublease or under-sublet the space so sublet or any part thereof (it being stipulated that the sublessee shall have the same rights to assign the sublease and under-sublet such space as the Tenant has to assign this Lease and to sublease all or parts of the Premises).

The Landlord shall use commercially reasonable efforts to respond to the Tenant's request for consent within 10 business days after it is made and, if the Landlord denies such consent, it shall set forth its reasons for such denial with reasonable specificity. In the event that the Landlord does not respond to the Tenant's request for consent within 10 business days, the Tenant shall have the right to give the Landlord a notice containing the following statement on the first page thereof in large capitalized letters, namely, "YOUR CONSENT TO THE PROPOSED [SUBLEASE] [ASSIGNMENT] SHALL BE DEEMED GIVEN IF YOU FAIL TO DENY SUCH CONSENT WITHIN FIVE BUSINESS DAYS OF YOUR RECEIPT OF THIS NOTICE", and if the Landlord shall not grant or deny the same within five business days of its receipt of such a notice from the Tenant, then the Landlord shall be deemed to have consented to the assignment or sublease in question. Time shall be of the essence with respect to the Landlord's response to such second request for consent containing such specific language. If the Tenant disputes the Landlord's determination pursuant to Section 7.4(b)(i) that a proposed assignee or sublessee is not of a character and engaged in a business such as is in keeping with the Landlord's standards in those respects for the Building and its occupancy, such dispute may be submitted to arbitration by either party in accordance with the procedure set forth in Article 35.

(c) Any consent granted by the Landlord pursuant to this Article 7 shall be evidenced by the delivery of, and shall be subject to the terms and conditions of, a "Consent to Assignment" or a "Consent to Sublease", as the case may be, duly executed by the Landlord, the Tenant and the assignee or sublessee, as the case may be, and on such customary form of the Landlord as is adopted by it for such purpose, which shall not be materially less favorable to the Tenant or any such subtenant or assignee than the forms thereof attached hereto as Exhibit J and shall permit the subtenant (other than any Affiliate pursuant to Section 7.1(c) or any Subtenant

pursuant to Section 7.1(e)) to sublet and assign its lease on the same terms that the Tenant (but not the same terms that are only available hereunder to the Named Tenant) may sublet and assign this Lease pursuant to this Article 7, for which the Tenant shall pay to the Landlord a reasonable processing charge in connection therewith not to exceed $2,500 (as such sum shall be Adjusted by CPI on each anniversary of the date hereof). All of the terms and conditions of any such "Consent to Assignment" and "Consent to Sublease" so executed by the Landlord, the Tenant and the assignee or sublessee, as the case may be, shall be deemed to be terms and conditions of this Lease and the violation by the Tenant or the assignee or sublessee, as the case may be, of any term or condition of such "Consent to Assignment" or "Consent to Sublease", as the case may be, shall entitle the Landlord to all the rights and remedies provided for in this Lease or by law in the case of any violation of a term or condition of this Lease. Notwithstanding anything herein contained to the contrary, no assignment or sublease shall be valid, no "Consent to Assignment" or "Consent to Sublease" shall be deemed effective and no assignee or subtenant shall take possession of the Premises or any part thereof, unless and until a copy of a binding original counterpart of the assignment or sublease in question which (i) is dated and executed within 180 days of the date the Landlord executes and delivers its consent, (ii) is executed by the Tenant and the proposed assignee or subtenant, as the case may be, and (iii) complies with the requirements of this Article 7, has been delivered to the Landlord.

(d) If the aggregate amount payable as rent (including, without limitation, all amounts payable on account of changes in Real Estate Taxes, operating costs, maintenance costs, labor rates, indexes or other formulas contained in the sublease, but excluding any rent that may be imputed during any free rent period during which the sublessee is not required to pay any rent) with respect to any calendar year (or partial calendar year) by a sublessee under a sublease of any part of the Premises made by the Tenant shall be in excess of Tenant's Basic Cost for such period for such part of the Premises, then, promptly after the collection by the Tenant of such amounts so payable for such period under such sublease, the Tenant will pay to the Landlord, as additional rent hereunder, an amount equal to 50% of the excess of such amounts so collected for such part of the Premises over the Tenant's Basic Cost for such part of the Premises for such part of the term. The term "Tenant's Basic Cost", as used herein with respect to any period for which any part of the Premises is sublet, shall mean the sum of (i) fixed rent for each square foot of the rentable area of such part of the Premises payable hereunder, (ii) the additional rent payable by the Tenant to the Landlord for such period with respect to such part of the Premises, including, without limitation, pursuant to Articles Five, Twenty and Twenty-four hereof, (iii) any reasonable brokerage commissions, advertising expenses and legal fees to the extent (x) paid by the Tenant to unaffiliated third parties and not reimbursed by the subtenant and (y) not theretofore used to offset amounts collected under the sublease and (iv) the out-of-pocket costs incurred by the Tenant in connection with any improvements made by the Tenant to prepare the subleased space for occupancy by the sublessee (and the amount of any consideration paid or allowed by the Tenant to sublessee in the nature of allowances for improvements to be made by the sublessee to the subleased space) and any other reasonable and customary tenant inducements to the extent (x) not reimbursed by the subtenant and (y) not theretofore used to offset amounts collected under the sublease. Notwithstanding the foregoing, the Tenant hereby agrees that the costs incurred by the Tenant in the performance of Tenant's Initial Alterations in any portion(s) of the Premises that the Tenant sublets (to the extent paid or reimbursed out of Landlord's Contribution (which for

purposes of this Section 7.4(d) shall be deemed to be at least $60 per rentable square foot of any such sublet portion of the Premises initially demised hereunder)) shall not in any case be deemed a component of Tenant's Basic Cost. The Tenant shall diligently enforce all rights it has under any sublease and at law to collect all amounts payable by the sublessee in a commercially reasonable manner.

(e) The Tenant shall deliver to the Landlord a statement within 60 days after the end of each calendar year in which any part of the term of this Lease occurs specifying as to such calendar year, and within 60 days after the expiration or earlier termination the term of this Lease specifying with respect to the elapsed portion of the calendar year in which such expiration or termination occurs, (a) each sublease in effect during the period covered by such statement and as to each sublease, the date of its execution and delivery, the number of square feet of the rentable area demised thereby, the term thereof, and a computation in reasonable detail showing whether or not anything is payable by the Tenant to the Landlord pursuant to this Article with respect to such sublease for the period covered by such statement; and (b) whether or not anything is payable by the Tenant to the Landlord pursuant to this Article with respect to any payments received from a sublessee during such period but which relate to an earlier period and showing in reasonable detail the computation of the amount so payable.

(f) Each sublease of the Premises or a portion thereof shall be subject and subordinate to the provisions of this Lease (including, without limitation, Article Three hereof) and the rights of the Landlord under this Lease and any violation of any provision of this Lease, whether by act or omission, by any sublessee shall be deemed a violation of such provision by the Tenant, it being the intention of the parties that the Tenant shall assume and be liable to the Landlord for any and all acts and omissions of all sublessees if such act or omission, if made by the Tenant, would be a violation of any provision of this Lease. No sublease shall provide for a term which extends beyond the day prior to the then expiration date of this Lease. In the event of the Tenant's default in the payment of any fixed rent and/or additional rent or other Rent under this Lease continuing uncured for 30 days after notice thereof, the Landlord may collect all rents, additional rents and other sums from any sublessee so long as such default shall continue, and the Landlord may apply the same to the curing of any such default under this Lease in any order of priority the Landlord may select, any unapplied balance thereof to be applied by the Landlord against subsequent installments of Rent, but the Landlord's collection of Rent from a sublessee shall not constitute a recognition by the Landlord of attornment by such sublessee or a waiver by the Landlord of any default by the Tenant.

(g) As security for the performance of the Tenant's obligations under this Lease, the Tenant hereby agrees that if and only for so long as the Tenant shall be in default in the payment of fixed rent and/or additional rent payable under this Lease beyond any applicable period of grace, the Tenant shall assign (and, subject to the conditions set forth herein, hereby does assign) to the Landlord all of the Tenant's interest in and to all present and future subleases of space in the Premises, together with all modifications, renewals and extensions thereof now existing or hereafter made, and also together with the rights to sue for, collect and receive all rents, additional rents and other sums payable to the Tenant under such subleases.

ARTICLE EIGHT
Changes or Alterations by the Landlord

8.1. The Landlord reserves the right to make such changes, alterations, additions, improvements, repairs or replacements in or to the Building (including the Premises) and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages, elevators, escalators and stairways and other parts of the Building and the Center, and to erect, maintain and use pipes, ducts and conduits in and through the Premises, all as it may reasonably deem necessary or desirable; provided, that the exercise of such rights shall not result in an unreasonable obstruction of the means of access to the Premises or unreasonable interference with the use of the Premises or, except to the extent that (i) it is required by any Requirement and (ii) there is no commercially reasonable alternative, deprive the Tenant of use of more than an immaterial portion of the Premises. Any pipes, ducts and conduits installed by the Landlord in the Premises shall wherever reasonably possible be concealed behind walls, above false ceilings or, where such concealment is not possible, installed adjacent to walls and ceilings and "boxed-in" by the Landlord in a manner reasonably consistent with the Tenant's decor. All work in connection with such installation shall be performed expeditiously in a good and workmanlike manner which avoids unreasonable interference with and disruption of the Tenant's business operation conducted within the Premises. No materials or tools may be stored in the Premises without the Tenant's consent (which consent shall not be unreasonably withheld) but the Landlord may bring into the Premises each day those materials and tools required in the Landlord's reasonable discretion for such day's work. Nothing in this Section or in Article Six shall be deemed to relieve the Tenant of any duty, obligation or liability to make any repair, replacement or improvement or comply with any Requirement, except, subject to the other provisions of this Lease, any such repairs, replacements or improvements or required compliance with any Requirement, to the extent necessitated solely by reason of any change, alteration, addition, improvement, repair or replacement made by the Landlord on its own behalf and not at the request of the Tenant, which shall be the Landlord's responsibility and the Tenant shall have no obligation with respect thereto.

8.2. The Landlord reserves the right to change the name of the Building at any time (but the Landlord shall not voluntarily change the address of the Building, which shall remain 30 Rockefeller Plaza unless and only if changed by any Requirement). Notwithstanding the preceding sentence, provided the named Tenant herein (i.e., Lazard Freres & Co.) shall not be in monetary or material non-monetary default hereunder beyond the expiration of any applicable notice or cure period and shall be in actual occupancy of at least 70% of the Premises initially demised hereunder for trading, investment banking or merchant banking purposes, the Landlord covenants that it shall not name the Building after any Direct Competitor, nor shall any Direct Competitor have the right to install a sign or signs in the Building lobby or on the outside face of the Building except in connection with the use of a concourse, ground floor or mezzanine retail location; provided that (i) the foregoing shall in no event limit the rights of the tenant under the NBC Lease (A) to change the name of the Building, or to determine the name or names of the Building, to identify it with NBC or the General Electric Company or (B) to make changes to the signage of the Building and (ii) Kidder, Peabody & Co. (and any successor entity) shall have the

right to install a sign in a lobby store at the Avenue of the Americas entrance to the Building. "Direct Competitor" means an entity primarily engaged in the business of trading, investment banking or merchant banking (as such businesses may evolve over the term of this Lease).

8.3. Neither this Lease nor any use by the Tenant shall give the Tenant any right or easement to the use of any door or any passage connecting the Building with any subway or any other building or to the use of any public conveniences, and the use of such doors, passages and conveniences may be regulated or discontinued at any time by the Landlord; provided that the Landlord shall not discriminate against the Tenant in the enforcement of any such regulation or discontinuance.

ARTICLE NINE
Damage by Fire, etc.

9.1. If any part of the Premises shall be damaged by fire or other perils, the Tenant shall give prompt notice thereof to the Landlord and the Landlord shall, subject to adjustment and collection of any insurance proceeds (it being stipulated that the Landlord shall proceed with reasonable diligence in the adjustment and collection of any insurance proceeds, including rent insurance proceeds) and the provisions of any Qualified Encumbrance, promptly commence and diligently pursue the repair and restoration of such damage, and, if any part of the Premises shall be rendered untenantable by reason of such damage (including untenantability due to lack of access thereto), the annual fixed rent payable under this Lease, to the extent that such fixed rent relates to such part of the Premises, shall be abated for the period from the date of such damage to the date when such part of the Premises shall have been made tenantable or to such earlier date upon which either such part of the Premises would have been tenantable but for Tenant Delay or the full term of this Lease shall expire or terminate, unless such fire or other damage shall have resulted from the negligence of any Tenant Party in which case the fixed rent payable under this Lease shall be abated only to the extent that the Landlord actually collects the proceeds of any applicable rent insurance; provided that such abatement shall be made only to the extent that it is in excess of the annual rate of any other existing abatement of fixed rent relating thereto under any provision of this Lease (other than the Initial Abatement). The Landlord shall not be liable for any inconvenience or annoyance to the Tenant or injury to the business of the Tenant resulting in any way from such damage or the repair thereof. The Landlord shall perform or cause such repairs to be performed in a prudent manner reasonably intended to minimize interference with the Tenant's conduct of its business. The Tenant understands that the Landlord will not carry insurance of any kind on (w) the Tenant's goods, furniture or furnishings, (x) on any Fixtures removable by the Tenant as provided in this Lease, (y) on the Tenant improvements or betterments or (z) on any property in the care, custody and control of the Tenant, and that the Landlord shall not be obligated to repair any damage thereto or replace the same.

9.2. (a) If the Building shall be so damaged that the cost of restoring those portions of the Building not leased to National Broadcasting Company, Inc. or its successors or assigns ("NBC") is reasonably estimated to be in excess of 30% of the full insurable value of those portions of the Building not leased to NBC (whether or not the Premises shall have been damaged

by such fire or other casualty), then, on condition that the Landlord has terminated or shall simultaneously with the termination of this Lease terminate the leases demising substantially all of the office space in the Building (other than any lease(s) demising office space to (i) NBC or (ii) any affiliates of the Landlord), to the extent that the Building has been damaged such that the Landlord has the right thereunder to do so, this Lease and the term and estate hereby granted may be terminated by the Landlord by a notice, given to the Tenant within 60 days of such damage specifying a date, not more than 30 days if all or substantially all of the Premises has been damaged, or less than 120 days if less than all or substantially all of the Premises has been so damaged, after the giving of such notice, for such termination.

(b) In addition, if a substantial part of the Premises is rendered untenantable as a result of such damage by fire or other peril then, within 90 days after such damage to the Premises, the Landlord shall deliver to the Tenant a statement prepared in good faith by a reputable contractor setting forth such contractor's estimate as to the time required to repair such damage. If the estimated time period exceeds 15 months from the date of such statement, the Tenant may elect to terminate this Lease by notice to the Landlord given not later than 30 days following receipt of such statement. If the Tenant shall have had the right to terminate this Lease pursuant to the preceding sentence and shall not have elected to terminate this Lease as aforesaid and restoration of the Premises is not substantially completed by the Landlord by the date 60 days after the expiration of the estimated time period set forth in the contractor's statement (as the same may be extended by reason of any Force Majeure delays (the "Outside Date")) the Tenant may elect to terminate this Lease by notice to the Landlord given not later than 5 days following the Outside Date, but in any event prior to the substantial completion of the restoration of the Premises.

(c) In the event that the Landlord or the Tenant shall duly give notice of termination of this Lease pursuant to and in accordance with this Section 9.2, this Lease and the term and estate hereby granted shall expire as of the date specified in such notice with the same effect as if such date were the date initially specified in this Lease as the expiration date, and the fixed rent payable under this Lease shall be apportioned as of such date of termination, subject to abatement, if any, as and to the extent above provided.

9.3. The Landlord and the Tenant hereby release each other with respect to any liability which the released party might otherwise have to the releasing party for any damage to the Building or the Premises or the contents thereof by fire or other peril occurring during the term of this Lease to the extent of the proceeds received under a policy or policies of insurance permitting such release. Each party will use best efforts to cause its property and/or other applicable insurance policy to include a provision permitting such a release of liability; provided, that if such a provision is obtainable from such insurer only at an additional expense, the insured party shall notify the other party and, unless the other party pays such additional expense within 10 days thereafter, the insured party shall thereafter be free of its waiver of subrogation so long as an additional cost is required under the policy in question.

9.4. This Lease, including, without limitation, Articles 9 and 10, shall be considered an express agreement governing any case of damage to or destruction of, or any part

of, the Building or the Premises by fire or other peril, and Section 227 of the Real Property Law of the State of New York providing for such a contingency in the absence of express agreement, and any other law of like import now or hereafter in force, shall have no application in such case.

ARTICLE TEN
Condemnation

10.1. If all of the Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, this Lease and the term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title in such condemnation or taking. If only a part of the Premises shall be so condemned or taken, then the term and estate hereby granted with respect to such part of the Premises shall forthwith cease and terminate as of the date of vesting of title in such condemnation or taking and the annual fixed rent payable under this Lease, to the extent that such fixed rent relates to such part of the Premises, shall be abated for the period from the date of such vesting of title to the date specified in this Lease for the expiration of the full term of this Lease with respect to such part of the Premises, but only to the extent that such abatement is in excess of the annual rate of any other existing abatement of fixed rent relating thereto under any other provision of this Lease (other than the Initial Abatement). If only a part of the Building shall be so condemned or taken, then (a) if such part of the Building is in excess of 30% of the rentable area of those portions of the Building not leased to NBC, on condition that the Landlord has or shall simultaneously terminate the leases demising substantially all of the office space in the Building (other than any lease(s) demising office space to NBC or any affiliates of the Landlord), to the extent that the Building has been condemned or taken such that the Landlord has the right thereunder to do so, this Lease and the term and estate hereby granted may be terminated by the Landlord within 60 days following the date on which the Landlord shall have received notice of such vesting of title, by a notice to the Tenant specifying a date, not less than 60 days nor more than one year after the Landlord's notice, for such termination; provided, however, that the Tenant, by notice given to the Landlord within 60 days of receipt of the Landlord's notice, may elect to remain in possession of that portion of the Premises not taken (and have the term of the Lease continued with respect thereto) for a period of up to 18 months from the date of such vesting or any earlier date as the Tenant shall specify in the Tenant's notice to the Landlord (but not less than 30 days after receipt of the Landlord's notice), or (b) if such condemnation or taking shall be of a substantial part of the Premises or of a substantial part of the means of access thereto, this Lease and the term and estate hereby granted may be terminated by the Tenant, within 60 days following the date upon which the Tenant shall have received notice of such vesting of title, by a notice to the Landlord specifying a date, not less than 30 days after the Tenant's notice, for such termination, or (c) if neither the Landlord nor the Tenant elects to terminate this Lease, this Lease shall not be affected by such condemnation or taking, except that this Lease and the term and estate hereby granted with respect to the part of the Premises so condemned or taken shall expire on the date of the vesting of title to such part and except that the fixed rent payable under this Lease shall be abated to the extent, if any, hereinabove provided in this Article. If only a part of the Premises shall be so condemned or taken and this Lease and the term and estate hereby granted with respect to the remaining portion of the Premises are not terminated, the Landlord will proceed with reasonable diligence and continuity, subject to the

provisions of any Qualified Encumbrance and without requiring the Landlord to expend more than it collects as an award therefor, to restore the remaining portion of the Premises as nearly as practicable to the same condition as it was in prior to such condemnation or taking

10.2. The termination of this Lease and the term and estate hereby granted in any of the cases specified in this Article shall be with the same effect as if the date of such termination were the date originally specified for the expiration of the full term of this Lease, and the fixed rent payable under this Lease shall be apportioned as of such date of termination.

10.3. If there is any condemnation or taking of all or a part of the Building, the Landlord shall be entitled to receive the entire award in the condemnation proceeding, including any award made for the value of the estate vested by this Lease in the Tenant, and the Tenant hereby expressly assigns to the Landlord any and all right, title and interest of the Tenant now or hereafter arising in or to any such award or any part thereof, and the Tenant shall be entitled to receive no part of such award; provided, that the Tenant shall not be precluded from intervening for the Tenant's own interest in any such condemnation proceeding to claim or receive from the condemning authority any compensation to which the Tenant may otherwise lawfully be entitled in such case in respect of property removable by the Tenant under Article Four or for moving expenses, but only to the extent such compensation does not reduce the award otherwise payable to the Landlord.

10.4. If the whole or any part of the Premises, or of the Tenant's leasehold estate, shall be taken in condemnation proceedings or by any right of eminent domain for temporary use or occupancy, the foregoing provisions of this Article Ten shall not apply and the Tenant shall continue to pay, in the manner and at the times herein specified, the full amount of the rent and other charges payable by the Tenant under this Lease, and, except only to the extent that the Tenant may be prevented from so doing pursuant to the terms of the order of the condemning authority, the Tenant shall perform and observe all of the other provisions of this Lease upon the part of the Tenant to be performed and observed, as though such taking had not occurred. In the event of any taking referred to in this Section 10.4. the Landlord shall be entitled to receive any portion of the condemnation proceeds paid as compensation for the cost of restoration of the Building and the Tenant shall be entitled to receive the balance of the condemnation proceeds paid for such taking, whether paid by way of damages, rent or otherwise, unless such period of temporary use or occupancy shall extend beyond the expiration or termination of this Lease, in which case the balance of the condemnation proceeds shall be apportioned between the Landlord and the Tenant as of the date of the expiration or termination of this Lease. The Landlord shall, upon the expiration of any such period of temporary use or occupancy, restore the Building, as nearly as may be reasonably possible within the balance of the term of this Lease, to the condition in which the same was immediately prior to such taking, subject to the provisions of any Qualified Encumbrance and without requiring the Landlord to expend more than it collects as an award therefor.

ARTICLE ELEVEN
Compliance with Laws

11.1. (a) The Tenant shall comply with all Requirements (other than, subject to the second succeeding sentence, Requirements having as their primary purpose the benefit of disabled persons) applicable to the Premises or any part thereof (and applicable to the core bathrooms located on each full floor of the Premises), to the Tenant's use thereof or to the Tenant's observance of any provision of this Lease, except that the Tenant shall not be under any obligation to comply with any Requirement requiring (x) any alteration of, or addition to, the base Building systems, vents or stacks (other than those exclusively serving the Tenant's kitchen) or (y) any structural alteration of or in connection with the Premises solely by reason of the use thereof for any of the purposes permitted in Article One and not by reason of (i) a condition which has been created by, or at the instance of, any Tenant Party or (ii) a breach by any Tenant Party of any provision of this Lease. The Tenant shall have the option to discontinue any particular use of the Premises requiring its compliance with a Requirement in lieu of complying with such Requirement if permitted thereunder. In addition, the Tenant shall cause the Premises (including the core bathrooms on each full floor of the Premises), considered as a whole, to comply with any Requirement having as a primary purpose the benefit of disabled persons, provided that this sentence shall not place any responsibility on the Tenant for the compliance of any other portions of the Building, the Building's elevators or any base Building systems, vents or stacks with any such Requirement. Where any structural alteration of or in connection with the Premises or any alteration of or addition to the base Building systems is required by any such Requirement, and, by reason of the express exception specified above, the Tenant is not under any obligation to make such alteration, then the Landlord shall make such alteration or addition if (1) the failure to make such alteration or addition would have a material and adverse effect on (x) the Tenant's use and enjoyment of the Premises or the common areas of the Building or (y) the Tenant's ability to comply with Requirements within the Premises and (2) the expense of making the same, together with all expenses incurred by the Landlord in the immediately preceding 12 months for alterations or additions of or in connection with the Premises required by any Requirement, is not in excess of the fixed rent payable for the immediately preceding twelve months (the "Compliance Limit") or, if the expense of making such alteration, together with the expense of all such other alterations or additions in the immediately preceding 12 months, is in excess of the Compliance Limit, then the Landlord shall have the option of making such alteration or of terminating this Lease and the term and estate hereby granted by giving to the Tenant not less than 30 days' prior notice of such termination; provided, that, if within 15 days after the giving of notice of termination, the Tenant shall agree in writing to pay all costs incurred in making such alteration or addition in excess of the Compliance Limit which do not exceed "market" or competitive prices for comparable work by a material amount, then such notice of termination shall be ineffective; the Landlord shall proceed with reasonable diligence to make such alteration; and the Tenant shall pay to the Landlord all costs and expenses incurred by the Landlord in excess of the Compliance Limit in connection therewith and shall maintain on deposit with the Landlord such security for the payment of such costs and expenses as the Landlord shall from time to time request. For purposes of this Article, providing and installing of sprinklers shall be deemed to be a non-structural alteration.

(b) The Named Tenant shall have the right, after giving notice to the Landlord within 15 days after the Landlord's giving of a notice of termination pursuant to Section 11.1 (a), to contest by appropriate proceedings prosecuted diligently and in good faith, the legality or applicability of any Requirement(s) that were the basis for the Landlord's giving of such notice of termination, but only to the extent such Requirement(s) relates to the Premises, provided that and for so long as (i) the Landlord (or any Indemnitee) shall not be subject to imprisonment or to prosecution for a crime, nor shall the Center or any part thereof be subject to being condemned or vacated, nor shall the certificate of occupancy for the Building or the Premises be suspended or be subject to written threat of suspension by reason of such non-compliance or by reason of such contest, (ii) before the commencement of such contest, if the Landlord or any Indemnitee may be subject to any civil fines, economic penalties or other criminal economic penalties, or interest on any of the foregoing, or if the Landlord may be liable to any third party as a result of such non-compliance, the Tenant shall indemnify the Landlord (and any Indemnitee) against all liability (statutory or otherwise), claims, suits, demands, damages, judgments, costs (including, without limitation, any incremental costs incurred by the Landlord in complying with such Requirement(s) as a result of the postponement of compliance with such Requirement(s)), interest and expenses (including reasonable counsel fees and disbursements relating to any civil or criminal enforcement proceeding (as opposed to the contest itself) or any related proceeding brought against the Landlord) to which the Landlord (or any Indemnitee) may be subject or suffer by reason of, or otherwise arising from or in connection with, such contest or non-compliance, (iii) the Tenant shall regularly advise the Landlord as to the status of such proceedings, (iv) such contest does not cause the Landlord to be in default under any "underlying mortgage" or "underlying lease" (as defined in Article 13) which is held by an entity that is not an Affiliate of the Landlord and (v) such contest shall be undertaken at no cost or expense to the Landlord (unless the Tenant agrees to pay all of such costs and expenses on behalf of the Landlord). Without limiting the applicability of the foregoing, the Landlord (or any Indemnitee) shall be deemed subject to prosecution for a crime if the Landlord (or any Indemnitee) is charged with a crime of any kind whatsoever, unless such charges are withdrawn 30 days before the Landlord (or any Indemnitee) is required to plead or answer thereto. If the Tenant successfully contests any such Requirement(s) in accordance with this Section 11.1 (b), then the notice of termination given by the Landlord pursuant to Section 11.1(a) shall be deemed to have not been given. If the Tenant unsuccessfully contests any such Requirement(s) or fails to contest such Requirement(s) in accordance with this Section 11.1(b), then the notice of termination given by the Landlord pursuant to Section 11.1(a) shall be deemed to have been given on the date on which such contest is finally determined adversely to the Tenant.

11.2. If a notice of termination shall be given by the Landlord under this Article and such notice shall not become ineffective as above provided, this Lease and the term and estate hereby granted shall terminate on the date specified in such notice with the same effect as if such date were the date originally specified for the expiration of this Lease, and the fixed rent payable under this Lease shall be apportioned as of such date of termination.

ARTICLE TWELVE
Accidents to Sanitary and Other Systems

12.1. The Tenant, on acquiring knowledge thereof, shall give to the Landlord prompt notice of any damage to, or defective condition in, any part or appurtenance of the Building's sanitary, electrical, heating, air conditioning, ventilating or other systems serving, located in, or passing through, the Premises. Any such damage or defective condition shall be remedied by the Landlord with reasonable diligence except to the extent the Tenant is specifically required to remedy same under the terms of this Lease, but if such damage or defective condition (other than any damage with respect to which the Tenant is relieved from liability pursuant to Section 9.3) was caused by, or by the improper use by, any Tenant Party or is with respect to any Fixture installed by or at the request of the Tenant (not including Landlord's Work) or as part of Tenant's Initial Alterations or any subsequent Alteration, the reasonable cost of the remedy thereof shall be paid by the Tenant within 30 days after demand. The Tenant shall not be entitled to claim any damages against the Landlord arising from any such damage or defective condition except to the extent that the same shall have been caused by the negligence of the Landlord in the operation or maintenance of the Premises or the Building and the same shall not have been remedied by the Landlord with reasonable promptness and diligence after notice from the Tenant; nor shall the Tenant be entitled to claim any damages against any other party (including, without limitation, any third-party vendor or other supplier of services to the Landlord) arising from any such damage or defective condition except to the extent that the same shall have been caused by the negligence of such party in the operation or maintenance of the Premises or the Building and the same shall not have been remedied by such party with reasonable promptness and diligence after notice thereof; nor shall the Tenant be entitled to claim any eviction by reason of any such damage or defective condition unless the same shall have been directly caused by the negligence of the Landlord in the operation or maintenance of the Premises or the Building and shall not have been made tenantable by the Landlord with reasonable promptness and diligence after notice from the Tenant.

ARTICLE THIRTEEN
Subordination

13.1. This Lease and the term and estate hereby granted are and shall be subject and subordinate to the lien of each mortgage and to any ground or net lease of all or substantially all of the Building or the Center or the land thereunder which may now or at any time hereafter affect the Premises, the Building and/or the Land, or the Landlord's interest therein (collectively, as the same may be modified, amended, supplemented, restated and renewed, the "underlying mortgages" and "underlying leases"), provided that this subordination to the lien of any underlying mortgage or to any underlying lease hereafter entered into by the Landlord shall be upon the condition that the mortgagee or lessor thereunder shall execute, acknowledge and deliver to the Tenant an instrument (a "Non-Disturbance Agreement") in recordable form, on the mortgagee's or lessor's standard form, provided that such form shall be reasonably acceptable to the Tenant, and shall, from a substantive point of view, provide substantially the same protection to the Tenant as the form of Non-Disturbance Agreement attached hereto as Exhibit K-1 or K-2, as

applicable. Notwithstanding anything to the contrary contained in the preceding sentence or in Section 13.2, if the Tenant is entitled pursuant to this Section 13.1 to receive a Non-Disturbance Agreement in recordable form relating to any unrecorded underlying mortgage, such Non-Disturbance Agreement shall be delivered to Fried, Frank, Harris, Shriver & Jacobson (the "Escrow Agent") to be held in escrow in accordance with that certain escrow agreement among the Landlord, the Tenant and the Escrow Agent, a copy of which is attached hereto as Exhibit N. If any unrecorded mortgage for which a Non-Disturbance Agreement has been previously delivered to, and received by, the Escrow Agent is subsequently recorded, then the Landlord and the Tenant shall jointly instruct the Escrow Agent to deliver such Non-Disturbance Agreement to the Tenant. If the Escrow Agent misplaces any Non-Disturbance Agreement with respect to any unrecorded mortgage that has been delivered to, and received by, the Escrow Agent, the Landlord shall replace the same. If such a form of Non-Disturbance Agreement is offered to the Tenant for execution, the Tenant shall promptly execute and return the same and if the Tenant fails to execute and return the same within 15 business days, the requirement that a Non-Disturbance Agreement be delivered to the Tenant shall be deemed satisfied. If any part of the Premises is situated in the building known as 30 Rockefeller Plaza and 1250 Avenue of the Americas, this Lease and the term and estate hereby granted are and shall be subject and subordinate to the Declaration Establishing a Plan for Condominium Ownership of The Rockefeller Center Tower Condominium (and the by-laws annexed thereto) dated as of December 1, 1988, as the same may have been or may hereafter be amended (the "Condominium Documents"). Subject to the Landlord's obligation under this Section 13.1 to cause a Non-Disturbance Agreement to be delivered to the Tenant, the foregoing provisions for the subordination of this Lease and the term and the estate hereby granted shall be self-operative and no further instrument shall be required to effect any such subordination; provided that the Tenant agrees that it shall, from time to time, upon request by the Landlord, execute and deliver any and all instruments that may be necessary or proper to effect such subordination or to confirm or evidence the same. If the Landlord's interest in the Building or the Land shall be sold or conveyed to any person, firm or corporation which is not an Affiliate of the Landlord (each a "Successor Landlord") upon the exercise of any remedy provided for in any underlying mortgage or by law or equity, or if the Landlord's interest in this Lease is assigned or conveyed to the landlord under any ground lease as a result of a default by the tenant under the ground lease and a resulting termination thereof, such Successor Landlord and each person, firm or corporation thereafter succeeding to such Successor Landlord's interest in the Building or the Land or this Lease shall not be (i) liable for any previous act or omission of the Landlord under this Lease, (ii) subject to any offsets, defenses, claims or counterclaims that the Tenant may have against the Landlord or any predecessor landlord (provided that, notwithstanding the foregoing, the Successor Landlord, and anyone claiming by, through or under any Successor Landlord, shall be bound by any offsets that the Tenant may have which are expressly set forth in this Lease), (iii) bound by any covenant to perform or complete any construction (including, without limitation, repairs and restoration following damage or destruction or any condemnation involving any property of the Tenant, the Premises and/or the Building) in connection with said property, the Premises and/or the Building or to pay any sums to the Tenant in connection therewith, (iv) bound by any prepayment of more than one (1) month's rent or other charges under this Lease unless such payment shall have been expressly approved in writing by the holder of such underlying mortgage or such underlying lease (or their nominees, successors or assigns) and except for payments made pursuant to Article 24 of this

Lease in connection with Real Estate Taxes, (v) liable for any security deposit payable under this Lease unless such security deposit shall have been received by the Successor Landlord, or (vi) bound by any amendment, modification, extension, expansion, termination, cancellation or surrender of the Lease not expressly provided for in the Lease unless approved in writing by the holder of such underlying mortgage or such underlying lease (or their nominees, successors or assigns). Notwithstanding the foregoing, (x) to the extent that any repair or restoration required by this Lease as a result of damage, destruction or condemnation affecting the Premises can be accomplished with the net proceeds of any insurance or condemnation award actually received by, or made available to the Successor Landlord, the Successor Landlord shall be obligated to perform such repair or restoration in accordance with the terms of this Lease, but only to the extent of such net proceeds and (y) except in the case of damage, destruction or condemnation as set forth in the preceding clause (x), no Successor Landlord shall be relieved of its obligations to comply with those provisions of this Lease which require the Landlord to maintain and repair the Building and the building systems.

13.2. (a) This Lease is made expressly subject to, and shall not become effective for any purpose unless and until, the holder of the existing underlying mortgages has provided its written consent. The Landlord shall use commercially reasonable efforts to obtain such consent, provided that the Landlord shall not be required to make any payments (other than on account of reimbursing such holder for its expenses) or commence any action or proceeding in order to obtain such consent and shall not be liable to the Tenant for any failure to obtain the same if it uses commercially reasonable efforts as set forth above. The Tenant shall fully cooperate with the Landlord to obtain such consent including, but not limited to, supplying such information and/or documentation as the Landlord or such holder may reasonably request in connection therewith. In the event such consent is denied, this Lease shall thereupon terminate and be of no further force or effect. If such consent is not obtained within 60 days after the execution of this Lease, then either party may, upon notice to the other, cancel this Lease. In the event of a termination of this Lease pursuant to this Section 13.2(a), neither the Landlord nor the Tenant shall have any further liability under this Lease (other than under Section 27.1) or with respect to the Premises or any work performed by the Landlord or the Tenant in the Premises except to the extent that any provision of this Lease expressly states that it is to survive the expiration or sooner termination of this Lease. The Landlord shall provide a copy of any such consent granted by the holder of the existing underlying mortgages to the Tenant promptly after it is received.

(b) The Landlord shall use commercially reasonable efforts to obtain and provide to the Tenant, on or prior to the date 60 days after the execution of this Lease (the "Outside ND Date"), Non-Disturbance Agreements in favor of the Tenant from all holders of existing underlying mortgages and underlying leases and from the board or other authorized representative of the owners of the condominium units created by the Condominium Documents (the "Condo Representative"), provided that the Landlord shall not be required to make any payments (other than on account of reimbursing any such holder for its expenses) or commence any action or proceeding in order to obtain such Non-Disturbance Agreements and shall not be liable to the Tenant for any failure to obtain any of the same. If the Landlord shall fail to obtain and provide to the Tenant Non-Disturbance Agreements from the holders of all existing

underlying mortgages and underlying leases and a non-disturbance agreement in the form annexed hereto as Exhibit K-3 from the Condo Representative on or prior to the Outside ND Date, the Tenant shall have the right, as its sole and exclusive remedy therefor, by notice given to the Landlord prior to the delivery to the Tenant of such Non-Disturbance Agreements, to cancel this Lease at such time or, subject to the next sentence, at the expiration of any further period that the Tenant, in its sole discretion, may allow the Landlord to obtain such Non-Disturbance Agreements. If, despite the use of commercially reasonable efforts as set forth above, the Landlord shall fail to obtain and provide to the Tenant each of such Non-Disturbance Agreements on or prior to the Outside ND Date, the Landlord shall have the right at any time thereafter to require the Tenant, within 60 days after the giving of such notice, to either exercise or waive the cancellation right described in the preceding sentence. If the Tenant does not exercise such cancellation right within such 60-day period, then the Tenant shall be deemed to have waived such right and it shall be null, void and of no further force or effect. In the event of a termination of this Lease because of the Landlord's failure to provide the required Non-Disturbance Agreements, neither the Landlord nor the Tenant shall have any further liability under this Lease (other than under Section 27.1) or with respect to the Premises or any work performed by the Landlord or the Tenant in the Premises except to the extent that any provision of this Lease expressly states that it is to survive the expiration or sooner termination of this Lease.

13.3. If this Lease and the term and estate hereby granted are subject and subordinate to any underlying lease, then the Tenant hereby agrees (a) subject to the Landlord's obligation under Section 13.1 to cause a Non-Disturbance Agreement to be delivered to the Tenant, that it will attorn to the lessor under said underlying lease effective as of the expiration or earlier termination of the term of said underlying lease and will recognize said lessor as the Landlord under this Lease, and (b) that, notwithstanding such expiration or earlier termination of the term of said underlying lease, this Lease shall continue for the balance of the term of this Lease in accordance with its provisions.

ARTICLE FOURTEEN
Notices

14.1. Except as expressly provided to the contrary in this Lease, any notice, consent, approval, request, communication, bill, demand or statement (collectively, "Notices") under this Lease by either party to the other party shall be in writing and shall be deemed to have been duly given when delivered personally or by reputable overnight courier service providing dated evidence of delivery (e.g., Federal Express) to such other party and a receipt has been obtained or on the third day after being mailed in a postpaid envelope (registered or certified, return receipt requested) addressed to such other party, which address for the Landlord shall be as above set forth and for the Tenant shall be the Premises (or the Tenant's address as above set forth if mailed prior to the date upon which the Tenant occupies the Premises for the conduct of its business, of which occupancy the Tenant shall notify the Landlord with reasonable promptness) or if the address of such other party for notices shall have been duly changed as hereinafter provided, if so mailed to such other party at such changed address. Either party may at any time change the address for Notices by a Notice stating the change and setting forth the changed address. Notices to the Tenant shall be directed to the attention of Melvin L. Heineman with a

copy to Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, N.Y. 10019, Attention of John Gerhard, Esq. until changed as set forth above. If the term "Tenant" as used in this Lease refers to more than one person, any Notice to any one of such persons shall be deemed to have been duly given to the Tenant unless the Tenant specifically designates otherwise. If and to the extent requested by the Landlord, the Tenant shall give copies of all Notices to the Landlord to holders of not more than four underlying mortgages and two underlying leases of which the Tenant has been given notice or from which the Tenant has received a Non-Disturbance Agreement.

ARTICLE FIFTEEN
Conditions of Limitation

15.1. This Lease and the term and estate hereby granted are subject to the limitation that:

(a) if the Tenant shall default in the payment of any Rent and any such default shall continue for 5 days after a first notice and 3 days after a second notice,

(b) if the Tenant shall default in observing any provision of Article Three or of subsection (e) or (f) of Section 6.1 (and any of same shall (x) place the Building, the Premises or the Center or the persons therein in imminent danger or (y) materially and adversely affect the operation of the Building or the Center) and such default shall continue and shall not be remedied by the Tenant within 5 days after notice,

(c) if the Tenant shall default in observing any provision of this Lease (other than a default of the character referred to in subsection (a) or (b) of this Section), and if such default shall continue and shall not be remedied by the Tenant within 30 days after notice or, if such default is susceptible of cure but cannot, for causes beyond the Tenant's reasonable control, with due diligence be cured within said period of 30 days, if the Tenant (i) shall not, within 5 days after request by the Landlord, give the Landlord notice of the Tenant's intention to duly institute all steps necessary to remedy such default, (ii) shall not duly institute and thereafter diligently prosecute the curing of such default to completion all steps necessary to remedy the same, or (iii) shall not remedy the same within a reasonable time after the date of the giving of said notice by the Landlord, which period shall in no event exceed 120 days,

(d) if any other lease that demises office space to the Tenant from the Landlord or any affiliate of the Landlord shall expire or terminate (whether or not the term thereof shall then have commenced) as a result of the default of the tenant thereunder in the payment of fixed rent or escalations on account of real estate taxes and/or operating expenses, or

(e) when and to the extent permitted by law, if a petition in bankruptcy shall be filed by or against the Tenant, or if the Tenant shall make a general assignment for the benefit of its creditors, or the Tenant shall receive the benefit of any insolvency or reorganization act, or if a receiver or trustee is appointed for any portion of the Tenant's property and such appointment is not vacated within 90 days, or if an execution or attachment shall be issued under which the Premises shall be taken or occupied by anyone other than the Tenant,

then in any of said cases (provided that the notices delivered pursuant to this Section 15.1 upon which such termination is based included a reference to a potential termination of this Lease pursuant to this Article 15 in large capital letters on the first page thereof), the Landlord may give to the Tenant a notice of intention to end the term of this Lease, and, if such notice is given, this Lease and the term and estate hereby granted (whether or not the term shall theretofore have commenced) shall terminate upon the expiration of 5 days from the date the notice is deemed given with the same effect as if the last of said 5 days were the date originally specified as the expiration of the full term of this Lease, but the Tenant shall remain liable for damages as provided in this Lease or pursuant to law. If this Lease shall have been assigned, the term "Tenant", as used in subsections (a) to (e), inclusive, of this Section 15.1, shall be deemed to include the assignee and the assignor or either of them under any such assignment unless the Landlord shall, in connection with such assignment, release the assignor from any further liability under this Lease, in which event the term "Tenant", as used in said subsections, shall not include the assignor so released.

ARTICLE SIXTEEN
Re-entry by the Landlord

16.1. If this Lease shall terminate under Article Fifteen, or if the Tenant shall default in the payment of any Rent on any date upon which the same becomes due, and if such default shall continue for 7 days after the Landlord shall have given to the Tenant a notice specifying such default, the Landlord or the Landlord's agents and servants may immediately or at any time thereafter re-enter the Premises, or any part thereof in the name of the whole, either by summary dispossess proceedings or by any suitable action or proceeding at law or in equity, without being liable to indictment, prosecution or damages therefor, and may repossess the same, and may remove any persons therefrom, to the end that the Landlord may have, hold and enjoy the Premises again as and of its first estate and interest therein. The words "re-enter", "re-entry", and "re-entering" as used in this Lease are not restricted to their technical legal meanings.

16.2. If this Lease shall terminate under the provisions of Article Fifteen or if the Landlord undertakes any summary dispossess or other proceeding or action or other measure for the enforcement of its right of re-entry (any such termination of this Lease or undertaking by the Landlord being a "Default Termination"), the Tenant shall thereupon pay to the Landlord the Rent up to the time of such Default Termination, and shall likewise pay to the Landlord all such damages which, by reason of such Default Termination, shall be payable by the Tenant as

provided in this Lease or pursuant to law. Also in the event of a Default Termination the Landlord shall be entitled to retain all moneys, if any, paid by the Tenant to the Landlord, whether as advance rent or as security for rent, but such moneys shall be credited by the Landlord against any Rent due from the Tenant at the time of such Default Termination or, at the Landlord's option, against any damages payable by the Tenant as provided in this Lease or pursuant to law.

16.3. In the event of a breach or threatened breach on the part of the Tenant of any of its obligations under this Lease, the Landlord shall also have the right of injunction. The specified remedies to which the Landlord may resort under this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which the Landlord may lawfully be entitled at any time, and the Landlord may invoke any remedy allowed at law or in equity as if specific remedies were not provided for in this Lease.

ARTICLE SEVENTEEN
Damages

17.1. If there is a Default Termination of this Lease, the Tenant will pay to the Landlord as damages, at the election of the Landlord, either:

(a) a sum which, at the time of such Default Termination, represents the then present value (such computation to be made by using a rate one percentage point greater than the then prevailing rate of most recently issued bonds or notes issued by the United States Treasury having a maturity closest to but not exceeding the period commencing with the day following the date of such Default Termination and ending with the date originally specified as the expiration date of this Lease (the "Remaining Period")) of the excess, if any, of (1) the aggregate of the fixed rent and the additional rent under Article Twenty-four (if any) which, had this Lease not so terminated, would have been payable under this Lease by the Tenant for the Remaining Period over (2) the aggregate fair market rental value of the Premises for the same period, or

(b) sums equal to the aggregate of the fixed rent and the additional rent under Article Twenty-four (if any) which would have been payable by the Tenant had this Lease not terminated by such Default Termination, payable upon the due dates therefor specified in this Lease following such Default Termination and until the date originally specified as the expiration of this Lease, provided, that if the Landlord shall relet all or any part of the Premises for all or any part of the Remaining Period (the Landlord having no obligation to so relet the Premises), the Landlord shall credit the Tenant with the net rents received by the Landlord from such reletting, such net rents to be determined by first deducting from the gross rents as and when received by the Landlord from such reletting the expenses incurred by the Landlord in terminating this Lease and re-entering the Premises and of securing possession thereof, as well as the expenses of reletting, including altering and preparing the Premises for new tenants, brokers' commissions, and all

other expenses properly chargeable against the Premises and the rental therefrom in connection with such reletting, it being understood that any such reletting may be for a period equal to or shorter or longer than said period; provided, further, that (i) in no event shall the Tenant be entitled to receive any excess of such net rents over the sums payable by the Tenant to the Landlord, (ii) in no event shall the Tenant be entitled, in any suit for the collection of damages pursuant to this subsection (b), to a credit in respect of any net rents from a reletting except to the extent that such net rents are actually received by the Landlord prior to the commencement of such suit, and (iii) if the Premises or any part thereof should be relet in combination with other space, then proper apportionment on a square foot rentable area basis shall be made of the rent received from such reletting and of the expenses of reletting.

17.2. For the purposes of this Article, the amount of additional rent which would have been payable by the Tenant under Article Twenty-four shall, for each Computation Year (as defined in Article Twenty-four) ending after such Default Termination, be deemed to be an amount equal to the amount of additional rent payable by the Tenant for the Computation Year immediately preceding the Computation Year in which such Default Termination occurs or if the Default Termination occurs prior to the end of the first Computation Year, then the Landlord's reasonable estimate of what additional rent would have been had this Lease commenced one year earlier, and in either case deemed increased each year by the percentage increase in additional rent for the immediately preceding Computation Year over the additional rent for the twelve-month period prior thereto or, if this Lease term did not occur throughout such prior years, Landlord's reasonable estimate of what such increase would have been had the term occurred during such years Suit or suits for the recovery of any damages payable by the Tenant, or any installments thereof, may be brought by the Landlord from time to time at its election, and nothing in this Lease shall be deemed to require the Landlord to postpone suit until the date when the term of this Lease would have expired but for such Default Termination.

17.3. Subject to Section 6.2, nothing in this Lease shall be construed as limiting or precluding the recovery by the Landlord against the Tenant of any sums or damages to which, in addition to the damages specified above, the Landlord may lawfully be entitled by reason of any default under this Lease on the part of the Tenant.

ARTICLE EIGHTEEN
Waivers by the Tenant

18.1. The Tenant, for itself and all other Tenant Parties, and on behalf of any and all persons, firms, entities and corporations claiming through or under any Tenant Party, including, without limitation, creditors of all kinds, does hereby waive and surrender all right and privilege which they or any of them might have under or by reason of any present or future law to redeem the Premises or to have a continuance of this Lease for the full term hereby demised after the Tenant is dispossessed or ejected therefrom by process of law or under the terms of this Lease or after the expiration or termination of this Lease as provided in this Lease or pursuant to law.

The Tenant also waives (a) the right of the Tenant to trial by jury in any summary dispossess or other proceeding that may hereafter be instituted by the Landlord against the Tenant with respect to the Premises or in any action that may be brought to recover rent, damages or other sums payable under this Lease, and (b) the provisions of any law relating to notice in levy of execution in case of an eviction or dispossess of a tenant for nonpayment of rent, and of any other law of like import now or hereafter in effect. If the Landlord commences any such summary dispossess proceeding, the Tenant will not interpose any counterclaim of whatever nature or description in such proceeding, other than a compulsory counterclaim (i.e., a counterclaim which would be deemed waived and so prejudiced if not asserted).

ARTICLE NINETEEN
Tenant's Removal

19.1. Any personal property which shall remain in any part of the Premises after the expiration or termination of the term of this Lease with respect to such part shall be deemed to have been abandoned, and either may be retained by the Landlord as its property or may be disposed of in such manner as the Landlord may see fit at the Tenant's cost; provided, that the Tenant will, upon request of the Landlord, remove from the Building any such personal property by the later of the expiration or termination of this Lease or 30 days after the Landlord's request.

19.2. If during the last month of the term of this Lease, with respect to any floor of the Premises, such floor of the Premises shall no longer be occupied by the Tenant in the conduct of its business, the Landlord may, and the Tenant hereby irrevocably grants to the Landlord a license to, enter such floor of the Premises and make such alterations in and redecorate such floor of the Premises as the Landlord shall determine in its sole discretion, and the Tenant shall not be entitled to any abatement of fixed rent or other compensation on account thereof.

ARTICLE TWENTY
Elevators, Cleaning, Services, etc.

20.1. (a) From and after the date on which the Tenant shall occupy the Premises for the conduct of business, the Landlord will (i) supply passenger elevator service during Business Hours to each floor, above the street floor of the Building on which the Premises are, or any portion thereof is, located (through, with respect to the Premises initially demised hereunder, the eight passenger elevators currently serving the Premises initially demised hereunder), with not less than one of said elevators being subject to call for such service during hours other than Business Hours (it being stipulated that (x) no passenger elevator currently serving the Premises initially demised hereunder shall be dedicated for the exclusive use of another tenant of the Building, provided that up to two of such elevators can be dedicated for exclusive access to the 64th and/or 65th floors of the Building during such hours as are reasonably appropriate in connection with the operation of a restaurant and/or private club thereon and (y) the Landlord shall not make any alterations to the Building to permit such passenger elevators to

serve floors in addition to the floors they serve today (other than any alteration to permit such passenger elevators to serve other floors in the Building demised to the Tenant)), (ii) supply an elevator for the transmission of freight to said floor or floors during Business Hours (it being stipulated that the Landlord shall also supply such freight elevator during Business Hours during the performance of Tenant's Initial Alterations), (iii) subject to any applicable policies or regulations adopted by any utility or governmental authority, supply during Business Hours (x) steam for the warming of the Premises whenever required by outside temperatures sufficient to satisfy the requirements specified in Exhibit L and (y) heat for the public portions of the Building during the heating season (it being stipulated that the Landlord shall also supply such steam and heat during Business Hours during the performance of Tenant's Initial Alterations), (iv) subject to any applicable policies or regulations adopted by any utility or governmental authority, supply during Business Hours on a year-round basis chilled water sufficient to satisfy the requirements specified in Exhibit L (it being stipulated that the Landlord shall also supply such chilled water during Business Hours during the performance of Tenant's Initial Alterations), (v) supply ventilation in accordance with the design of the Premises HVAC System (it being agreed however that the Tenant shall be fully responsible for the compliance of such design with all applicable Requirements) (it being stipulated that the Landlord shall also supply such ventilation during the performance of Tenant's Initial Alterations), (vi) clean all portions of the Premises which are located on a floor above the street floor of the Building in accordance with the cleaning specifications attached as Exhibit M and (vii) clean all public areas of the Building and the Center in accordance with the standard set forth in Section 20.6. Subject to the provisions of Section 20.2(a), the Landlord shall use commercially reasonable efforts to provide such additional freight elevator service, including service outside of Business Hours, as the Tenant shall reasonably require during the construction of Tenant's Initial Alterations. The Tenant must, to the extent they are missing therefrom, install window blinds or shades on all windows of the Premises and must lower and close such window blinds or shades on all windows facing the sun whenever said air conditioning system is in operation and the Tenant will at all times comply with all regulations and requirements which the Landlord may reasonably prescribe for the proper functioning and protection of said air conditioning system. The Tenant expressly acknowledges that it shall install the Premises HVAC System as part of Tenant's Initial Alterations and a comparable system (the "Option System") in any space demised to the Tenant pursuant to Articles 31, 33 and/or 34, and that, notwithstanding anything to the contrary herein contained, it accepts all responsibility for the design, performance, installation and acceptance of the Premises HVAC System and each Option System (it being stipulated that the Premises HVAC System and each Option System must pass an acceptance test conducted by the Tenant's engineer as a condition precedent to the performance by the Landlord of any of its obligations hereunder with respect thereto) subject, in the case of such performance, to Landlord's obligation to comply with clauses (iii), (iv) and (v), above. No representation is made by the Landlord with respect to the adequacy or fitness of such air conditioning or ventilation to maintain temperatures that may be required for, or because of, the operation of any computer, data processing or other equipment of the Tenant and where air conditioning or ventilation is required for any such purpose and the Landlord assumes no responsibility, and shall have no liability for any loss or damage however sustained, in connection therewith. Without limiting any other conditions set forth in this Lease with respect to the installation of the Premises HVAC System and each Option System, each such system shall be compatible with the current Building heating, air conditioning and ventilation system. The

Landlord shall operate and, subject to Article 12, maintain the perimeter fan coil units, the chilled water pumps serving the perimeter fan coil units and the interior air handling units serving the Premises and any additional space leased by the Tenant pursuant to Articles 31, 33 and/or 34 (the "Landlord-Maintained HVAC Equipment") as part of its responsibilities under this Section 20.1, except to the extent operation is adversely affected by or maintenance is required as a result of the acts or omissions of any Tenant Party; provided that the Landlord shall not be obligated to maintain the controls on the perimeter fan coil units unless they are provided and installed by Control System International, Inc. The Tenant shall, prior to taking occupancy of the Premises initially demised hereunder and prior to taking occupancy of any space demised under Articles 31, 31 and/or 34 for the conduct of business, provide the Landlord with the original industry standard guaranties/warranties in favor of the Landlord provided by the manufacturers/vendors of the respective Landlord-Maintained HVAC Equipment (which shall be equivalent to or better than the industry standard warranties provided by York, Trane or Carrier) together with such registration forms as may be required for the Landlord to register each such guaranty and/or warranty with the applicable manufacturer or vendor. In addition, the Tenant shall also provide the Landlord with a separate guaranty (in form and substance reasonably satisfactory to the Landlord) in favor of the Landlord from its contractor or HVAC subcontractor guaranteeing that the respective Landlord-Maintained HVAC Equipment has been installed in accordance with the Working Drawings or shall secure such a guaranty in its contract and/or the subcontract for the applicable work and enforce it at the request of and for the benefit of the Landlord. Unless otherwise expressly provided in this Lease, "Business Hours" means the hours of 8:00 A.M. through 6:00 P.M. of days other than Saturdays, Sundays and, as established in good faith by the Landlord, holidays. The following are the holidays established by the Landlord for 1993:

New Year's Day	Friday, January 1
Presidents' Day	Monday, February 15
Memorial Day	Monday, May 31
Independence Day (Observed)	Monday, July 5
Labor Day	Monday, September 6
Thanksgiving Day	Thursday, November 25
Christmas Day	Friday, December 24

In the event that the Tenant exercises any of its options to lease additional space pursuant to Articles 31, 33 and/or 34, the requirements specified in Exhibit L for purposes of Section 20.1(a)(iii), (iv) and (v) shall be deemed to be increased pro rata to equitably take into account the leasing of such additional space.

(b) If from time to time the Tenant is not satisfied with the cleaning services provided by the Landlord, the Tenant shall give the Landlord a notice specifying in reasonable detail those respects in which the Landlord has failed to comply with the requirements of Section 20.1 and Exhibit M. If, at any time not less than 30 (and not more than 120) days after the Landlord's receipt of such first notice, the Tenant gives the Landlord a second notice stating that the Landlord has failed to adequately correct such failure(s) in the provision of cleaning services and specifying such failures in reasonable detail, the Landlord shall have a final period of 60 days within which to correct such failures. If, within 30 days after the end of such 60-day period, the

Tenant shall send the Landlord a final notice stating that the Landlord has failed to adequately correct such failures, either party shall have the right to refer the matter to arbitration as provided in Article 35. The arbitrators shall have the right to jointly inspect the Premises from time to time during the 30-day period following the appointment of the last arbitrator with representatives of both the Landlord and the Tenant. In the event that the arbitrators determine that the Landlord has not provided cleaning services in accordance with the terms of this Lease, the Tenant shall have the right, upon three months' prior notice to the Landlord given within 90 days after the arbitrators' decision, to elect to provide its own cleaning services by a contractor approved by the Landlord in accordance with Section 6.1(e). If the exercise of the foregoing right by the Tenant is both proper and effective, (i) the Tenant's cleaning shall be performed by union personnel in compliance with all Requirements and subject to any reasonable rules and regulations promulgated by the Landlord, (ii) the Landlord and the Tenant shall reasonably cooperate with each other to coordinate the use of janitorial closets within the Premises so as to allow each party access thereto as needed and (iii) the use of the freight elevators serving the Premises by the Tenant's cleaning contractor shall at all times be subject and subordinate to the other provisions of this Lease and the use of the same by the Landlord and its cleaning personnel or contractor (it being stipulated, however, that the Landlord shall not arbitrarily refuse access to such freight elevators by the Tenant's cleaning contractor for the purpose of prohibiting, or interfering with, the cleaning of the Premises if use of such freight elevators by the Tenant's contractor does not interfere with the cleaning of the balance of the Building). In the event that the Tenant properly and effectively exercises its right to clean its own space as aforesaid, (x) the fixed rent payable under this Lease shall be reduced by an amount per rentable square foot equal to 85% of the actual cost incurred by the Landlord or its affiliates with respect to the cleaning of office space leased to tenants in the Center for the Computation Year commencing January 1, 1994 and ending December 31, 1994 divided by the number of square feet of office space so cleaned, (y) Base COM shall be reduced by the actual cost incurred by the Landlord or its affiliates with respect to the cleaning of office space leased to tenants in the Center for the Computation Year commencing January 1, 1994 and ending December 31, 1994 and (z) cleaning costs with respect to office space leased to tenants in the Center shall not be included in the Cost of Operation and Maintenance, in each case, from and after the date upon which the Tenant actually begins to provide its own cleaning services.

20.2. (a) The Landlord shall, when and to the extent reasonably requested by the Tenant, furnish additional elevator, heating, air conditioning, ventilating and/or cleaning services upon such reasonable terms and conditions as shall be determined by the Landlord, including the payment by the Tenant of the Landlord's reasonable charge therefor. The Tenant will also pay the Landlord's reasonable charge for (i) any additional cleaning of the Premises required because of the failure of any Tenant Party to observe usual and customary standards of order and cleanliness applicable to office work in a first-class office building or because of the unusual nature of any Tenant Party business, and (ii) the removal of any refuse and rubbish of any Tenant Party from the Premises and the Building, except wastepaper and other normal office waste placed by the Tenant in wastepaper baskets and left for emptying as an incident to the Landlord's normal cleaning of the Premises. If the cost to the Landlord for cleaning the Premises shall be increased due to the use of any part of the Premises during hours other than Business Hours or due to there being installed in the Premises, at the request of or by any Tenant Party, any

materials or finish other than those which are of the standard adopted by the Landlord for the Building, the Tenant shall pay to the Landlord an amount equal to the actual increase in such cost.

(b) The Landlord shall provide chilled water to the portion of the Premises located only on Floors 57 through 63 between the hours of 6:00 P.M. and 8:00 A.M., Monday through Friday (exclusive of holidays), and the hours of 7:00 A.M. and 7:00 P.M., Saturdays, Sundays and holidays, and the Tenant shall pay the Landlord for such service, as additional rent, in equal monthly installments, in advance, on the first day of each month during the term of this Lease, an amount equal to the product of (x) $25,000 multiplied by (y) the Adjustment Factor. In addition, if the Tenant gives at least 24 hours' prior notice to the Landlord that it wishes to order chilled water to the portion of the Premises located only on Floors 57 through 63 for any hour between the hours of 7.00 P.M. and 7.00 A.M., Saturdays, Sundays and holidays, then the Landlord shall provide such chilled water and the Tenant shall pay for such services, as additional rent, within 30 days after demand therefor, an amount equal to $105 (as the same shall be adjusted by the Adjustment Factor, the "Hourly Fan System Charge") for each full or partial hour of additional service/operation of each fan and associated perimeter fan coil system serving that portion of the Premises on Floors 57 through 63. The Landlord and the Tenant acknowledge that there are (or will be) two such fan and associated perimeter fan coil systems, one serving the east side of the Premises and the second serving the west side of the Premises. The term "Adjustment Factor" shall mean, as of each January 1 occurring during the term of this Lease, 100% plus the following sum, expressed as a percentage: (1) one-half of the percentage increase in the RAB Labor Rate for such calendar year over the RAB Labor Rate for the calendar year 1994 plus (2) one-half of the percentage increase in the average rate for electricity charged by the public utility company serving the Center for such calendar year over the rate in effect on January 1, 1994. The term "RAB Labor Rate" as used in this paragraph shall mean the wages, health benefits, pension, annuity, sick pay, training fund and other benefits prescribed for engineers working 40 hours per week in other comparable first-class office buildings in midtown Manhattan (said office buildings being herein called "Class A Office Buildings") in effect pursuant to an agreement between the Realty Advisory Board on Labor Relations, Incorporated (or any successor thereto) and Local 94-94A-94B of the International Union of Operating Engineers, AFL-CIO (or any successor thereto), covering the wage rates of engineers in Class A Office Buildings; provided, however, that if there is no such agreement prescribing such rates for any portion of the term of this Lease, the rate being paid by the Landlord for such engineers for such portion of the term shall be, for all purposes hereof, deemed to be such rate prescribed by such an agreement and in effect for such portion of the term of this Lease.

(c) The Tenant intends to install a chilled water supplemental air conditioning system within the Premises as part of Tenant's Initial Alterations. The Landlord shall provide the Tenant, at no additional charge, with 10 tons of chilled water for said supplemental system at no additional charge during Business Hours and during all additional hours for which the Tenant is receiving chilled water pursuant to Section 20.2(b). The Landlord shall, within 60 days after the Tenant's request therefor, provide the Tenant with additional chilled water (but not to exceed an additional 65 tons) for said supplemental system during Business Hours and during all additional hours for which the Tenant is receiving additional chilled water pursuant to Section 20.2(b), for which the Tenant shall pay the Landlord an annual charge equal to the product of (x) $450 per ton

of connected capacity multiplied by (y) the Adjustment Factor, which amount shall be payable in equal monthly installments, in advance, on the first day of each month during the relevant period. Tenant may purchase chilled water from Landlord in an amount up to 25 tons of connected capacity in order to cool its other critical equipment outside the hours set forth above at the rates set forth above upon 30 days' notice to Landlord. If and to the extent that the Tenant properly exercises its option hereunder to lease the Option Space, the 50th Floor Option Space, the Option B Space and/or the Option C Space and the same is demised to the Tenant hereunder, the Landlord will provide up to an additional 20 tons of chilled water per full floor (appropriately prorated in the case of a partial floor) upon the same terms and conditions upon request by the Tenant.

(d) The Landlord acknowledges that a large kitchen is presently located on the 64th floor of the Building and that certain hot and cold water lines and drains, etc., serving such kitchen are located under the 64th floor slab at ceiling level on the 63rd floor, which floor comprises a part of the Premises. The Landlord has agreed to take certain steps to eliminate existing leaks from these water lines and drains as provided in Exhibit C-l. The Landlord agrees to keep these water lines and drains free from leaks and the underside of the 64th floor slab dry during the entire term of this Lease. The Landlord agrees that promptly after its receipt of written or telephonic notice from the Tenant that such a leak exists the Landlord will commence and diligently pursue to completion the repair and elimination of such leak and/or "wet" condition on the underside of the 64th floor slab at its sole cost and expense (it being stipulated, however, that the cost of such work may be included in the Cost of Operation and Maintenance to the extent permitted by Article 24). The Landlord agrees that a "collection system" which catches any such leaks or drips and channels liquids to a pump which ejects them from the Premises is not in and of itself an acceptable solution to this problem, but the Landlord shall have the right, at any time during the term of this Lease, to install such a "collection system" for precautionary purposes. The Landlord shall in good faith use commercially reasonable efforts to enforce its rights under its lease with the current tenant of the 64th floor to require such tenant to minimize unreasonable noise levels originating therefrom, provided that the Landlord shall not be required to (i) terminate (or take any action to terminate) said lease, (ii) make any payments or (iii) commence any action or proceeding in order to enforce such rights, and the Landlord shall not be liable to the Tenant for any failure by such tenant to minimize such noise levels so long as the Landlord continues to use commercially reasonable efforts as set forth above.

20.3. All or any of the elevators in the Building may, at the option of the Landlord, be manual or automatic elevators, and the Landlord shall be under no obligation to furnish an elevator operator or starter for any automatic elevator, but if the Landlord shall furnish any elevator operator or starter for any automatic elevator, the Landlord may discontinue furnishing such elevator operator or starter.

20.4. The Landlord reserves the right, without liability to the Tenant and without constituting any claim of constructive eviction, to stop or interrupt any heating, elevator, escalator, lighting, ventilating, air conditioning, power, water, cleaning or other service and to interrupt the use of any Building facilities, at such times as may be necessary and for as long as may reasonably be required by reason of accidents, strikes, the making of repairs, alterations or

improvements, inability to secure a proper supply of fuel, steam, water, electricity, labor or supplies, or by reason of any other cause beyond the reasonable control of the Landlord; provided, that any such stoppage or interruption for the purpose of making any discretionary alteration or improvement shall be made at such times and in such manner as shall not unreasonably interfere with the Tenant's use of the Premises.

20.5. The Landlord shall provide the Tenant with access to the Premises 24 hours a day, 7 days a week.

20.6. The Landlord shall staff, maintain, repair and operate the Building 24 hours a day, 7 days a week in accordance with the standards of a Class A Office Building and in a manner consistent with the reputation of the Center to the extent that the Landlord's failure to do so would have an adverse impact on the Premises or would have a material and adverse impact on the common areas of the Building, provided that the foregoing shall not obligate the Landlord to perform any work for the benefit of any other tenant or occupant of the Building. In connection with the foregoing, the Landlord shall respond to the Tenant's complaints of unreasonable noise emanating from the base Building systems as appropriate for a Class A Office Building with the reputation of the Center.

ARTICLE TWENTY-ONE
Lease Contains All Agreements - No Waivers

21.1. This Lease contains all of the understandings relating to the leasing of the Premises and the obligations of the Landlord and the Tenant in connection therewith, and neither the Landlord nor the Tenant nor any agent or representative of either of the Landlord or the Tenant has made or is making, and the Landlord and the Tenant in executing and delivering this Lease are not relying upon, any warranties, representations, promises or statements whatsoever, except to the extent expressly set forth in this Lease. All understandings and agreements, if any, heretofore had between the parties are merged in this Lease, which alone fully and completely expresses the agreement of the parties.

21.2. The failure of the Landlord or the Tenant to insist in any instance upon the strict keeping, observance or performance of any provision of this Lease or to exercise any election in this Lease shall not be construed as a waiver or relinquishment for the future of such provision, but the same shall continue and remain in full force and effect. No waiver or modification by the Landlord or the Tenant of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by the Landlord or the Tenant, as applicable. No surrender of possession of the Premises or of any part thereof or of any remainder of the term of this Lease shall release the Tenant from any of its obligations under this Lease unless accepted by the Landlord in writing. The receipt and retention by the Landlord of Rent from anyone other than the Tenant shall not be deemed a waiver of the breach by the Tenant of any provision in this Lease, or the acceptance of such other person as a tenant, or a release of the Tenant from its further observance of the provisions of this Lease. The receipt and retention by the Landlord of

Rent with knowledge of the breach of any provision of this Lease shall not be deemed a waiver of such breach.

ARTICLE TWENTY-TWO
Parties Bound; Exculpation

22.1. The provisions of this Lease shall bind and benefit the respective successors, assigns and legal representatives of the parties to this Lease except that (1) no violation of the provisions of Article Seven shall operate to vest any rights in any successor, assignee or legal representative of the Tenant and (2) the provisions of this Article shall not be construed as modifying the conditions of limitation contained in Article Fifteen. The obligations of the Landlord under this Lease shall not, however, be binding upon the Landlord herein named (or any transferee of its interest in the Building or the Premises) with respect to the period (i) subsequent to the transfer of its respective interest in the Building or the Premises to an unrelated third party (a lease of the entire interest to an unrelated third party being deemed such a transfer), or (ii) subsequent to the expiration or earlier termination of the term of any underlying lease to which this Lease and the term and estate hereby granted may be subject and subordinate and wherein the lessor thereunder has agreed to recognize this Lease in case the term of said underlying lease expires or terminates prior to the expiration or termination of the term of this Lease if the Landlord would not then be entitled to terminate this Lease pursuant to said Article Fifteen or to exercise any dispossess remedy provided for in this Lease or by law; and in any such event those covenants shall, subject to Article Thirteen, thereafter be binding upon the transferee of such interest in the Building or the Premises or the lessor under said underlying lease, as the case may be, until the next such transfer of such interest.

22.2. The Tenant shall look solely to the Landlord's interest in the Land and the Building (or the proceeds thereof) for the satisfaction of any monetary claim under this Lease, or for the collection of any judgment (or other judicial process) based thereon, and no other property or assets of the Landlord (or any affiliate, shareholder, director, officer, employee, partner, agent, representative, or beneficiary of the Landlord, disclosed or undisclosed) shall be subject to levy, execution or other enforcement procedure for the satisfaction of such claim or judgment (or other judicial process).

22.3. The Landlord shall look solely to the assets of the Tenant for the satisfaction of any monetary claim under this Lease, or for the collection of any judgment (or other judicial process) based thereon, and no property or assets of any partner, affiliate, shareholder, director, officer, employee, agent, representative or beneficiary of the Tenant, disclosed or undisclosed, shall be subject to levy, execution, or other enforcement procedure for the satisfaction of such claim or judgment (or other judicial process). Nothing herein is intended to impair the Landlord's rights, pursuant to applicable law, arising by reason of a fraudulent conveyance. The provisions of this Section 22.3 shall only be applicable with respect to Lazard Freres & Co. (and its Affiliates and its successors by merger or consolidation if any such entity becomes the Tenant hereunder) and shall not in any case be applicable to any other person, party

or entity whatsoever, including, without limitation, any assignee of this Lease or any licensee or subtenant of any Tenant hereunder.

ARTICLE TWENTY-THREE
Curing the Tenant's Defaults - Additional Rents

23.1. If the Tenant shall default in the observance of any provision of this Lease, the Landlord, without thereby waiving such default, may perform the same for the account and at the expense of the Tenant (a) immediately or at any time thereafter and without notice in the case of emergency or in case such default will result in the revocation of the Certificate of Occupancy for the Building or in a cancellation of an insurance policy maintained by the Landlord, and (b) in any other case if such default continues after 30 days from the date of the giving by the Landlord of notice of the Landlord's intention so to perform the same. All reasonable costs and expenses incurred by the Landlord in connection with any such performance and all costs and expenses, including reasonable counsel fees and disbursements incurred by the Landlord in any successful action or proceeding (including any summary dispossess proceeding) brought by the Landlord to enforce any obligation of the Tenant under this Lease and/or right of the Landlord in or to the Premises, shall be paid by the Tenant to the Landlord within 30 days after demand. If any cost, expense, charge, amount or sum referred to in this Section or elsewhere in this Lease are not paid when due as provided in this Lease, the same shall become due by the Tenant as additional rent under this Lease. If any Rent or damages payable under this Lease are not paid when due, the same shall bear interest at the Interest Rate (but in no event at a rate in excess of that permitted by law) from the due date thereof until paid, and the amount of such interest shall be deemed additional rent under this Lease. If there is a nonpayment by the Tenant of any such additional rent and/or any other additional rent becoming due under this Lease, the Landlord, in addition to any other right or remedy, shall have the same rights and remedies as in the case of default by the Tenant in the payment of the fixed rent. If the Tenant is in arrears in payment of Rent continuing uncured beyond the expiration of any applicable grace period, the Tenant waives the Tenant's right, if any, to designate the items against which any payments made by the Tenant are to be credited, and the Landlord may apply any payments made by the Tenant to any items the Landlord sees fit, irrespective of and notwithstanding any designation or request by the Tenant as to the items against which any such payments shall be credited. The Landlord reserves the right, without liability to the Tenant and without constituting any claim of constructive eviction, to suspend furnishing or rendering to the Tenant any property, material, labor, utility or other service (other than any item that is included within the Cost of Operation and Maintenance), wherever the Landlord is obligated to furnish or render the same at the expense of the Tenant, in the event that (but only so long as) the Tenant is in arrears in paying the Landlord for such property, material, labor, utility or other service at the expiration of 7 days after the Landlord shall have given to the Tenant notice demanding the payment of such arrears.

ARTICLE TWENTY-FOUR
Adjustments for Changes in the Landlord's
Costs and Expenses

24.1. If for any Computation Year the RE. Tax Share of the Real Estate Taxes shall be greater than Base Real Estate Taxes, or the O.E. Share of the Cost of Operation and Maintenance shall be greater than the Base COM, then the Tenant shall pay to the Landlord, as additional rent, an amount equal to the product obtained by multiplying such excess or excesses by Tenant's Area.

24.2. In order to provide for current payments on account of the additional rent which may be payable to the Landlord pursuant to Section 24.1 for any Computation Year, the Tenant agrees to make such payments on account of said additional rent for and during such Computation Year, as the case may be, as follows:

(a) With respect to Real Estate Taxes for each Tax Year, the Tenant shall pay its share thereof in two semiannual installments in advance on the first day of June and December, each equal to the product of (i) Tenant's Area multiplied by (ii) one-half of the excess of (x) the R.E. Tax Share of the Real Estate Taxes for the Tax Year in which the Landlord's corresponding tax payment falls over (y) the Base Real Estate Taxes, it being understood that if the tax bill for the following Tax Year is not received in time to bill the June 1 payment, the Landlord may estimate the payment due on June 1 based on the Landlord's estimate of the Real Estate Taxes for such following Tax Year, based on the Assessed Valuation applicable to such Tax Year and the Landlord's reasonable estimate of the Tax Rate for such Tax Year (any such estimate of the Real Estate Taxes shall not be more than 6% greater than the Real Estate Taxes for the then current Tax Year). If, upon issuance of the tax bill for such following Tax Year, such estimated amount results in an underpayment, the Tenant shall pay to the Landlord the amount of the underpayment within 30 days after demand. If, upon issuance of the tax bill for such following Tax Year, such estimated amount results in an overpayment, the Landlord shall, within 60 days after the Landlord's receipt of such bill, pay to the Tenant an amount equal to the overpayment. If the Landlord fails to pay such overpayment to the Tenant on or before said 60th day, the Landlord shall pay interest to the Tenant at the Interest Rate on the entire amount of the overpayment from such 60th day until the overpayment and such interest are paid to the Tenant. In addition, if the estimated amounts paid by the Tenant were more than 105% of the actual amount owed by the Tenant hereunder with respect to Real Estate Taxes for such Tax Year, then such overpayment shall be paid to the Tenant with interest thereon at the Interest Rate from the date the payment and/or partial payment in question was made by the Tenant to the date such repayment and the interest thereon are paid to the Tenant, subject to a credit for any amounts paid pursuant to the immediately preceding sentence to avoid any double-counting of interest Notwithstanding the foregoing, the Landlord shall have no obligation to pay to the Tenant any interest on any repayment referred to

in the two preceding sentences if the Landlord actually paid the overpayment in question to the appropriate taxing authority, said authority then refunded or credited the same to the Landlord and the Landlord then refunded such overpayment to the Tenant within 60 days after the Landlord's receipt thereof (or after the date on which the Landlord was actually notified that the same was credited by said authority). If there shall be any increase in Real Estate Taxes for any Tax Year, whether during or after such Tax Year, or if there shall be any decrease in the Real Estate Taxes for any Tax Year, whether during or after such Tax Year, the Tenant shall pay its share of any increase, or, to the extent the decrease does not reduce the R.E. Tax Share of Real Estate Taxes below the Base Real Estate Taxes, receive its share of any decrease, in substantially the same manner as provided above. If, during the term of this Lease, Real Estate Taxes are required to be paid (either to the appropriate taxing authorities or as a tax escrow to the unrelated holder of an underlying lease or an underlying mortgage), on any other date or dates than as presently required, then the Tenant's payments toward Real Estate Taxes shall be correspondingly accelerated or revised so that such payments are due at least 30 days prior to the date payments are due to the taxing authorities or to the holder of an underlying lease or underlying mortgage. The Tenant shall be paid or credited with its share of any interest earned on such escrow account as and when the Landlord is paid or credited with such interest, in the manner set forth above. When requested by the Tenant within six months following the end of any Tax Year, the Landlord, in substantiation of its determination of the amounts billed to the Tenant pursuant to this Section 24.2(a), shall make available to the Tenant copies of the pertinent tax bills for such Tax Year to be examined at the office of the Landlord or its managing agent in New York, New York during normal business hours by an officer or qualified employee of the Tenant or by such regular (as opposed to temporary or "project") employees of a firm of independent certified public accountants or legal counsel as the Tenant may designate; it being expressly understood that the Landlord shall only preserve any such tax bills until the expiration of the six-month period described above; and, if the Tenant shall have disputed the Landlord's determination of the amounts billed to the Tenant pursuant to this Section 24.2(a), within the six-month period described above, the Landlord shall retain such records until the dispute is resolved. If the Landlord shall not have copies of all of said pertinent tax bills, then the six-month period referred to in the preceding sentence shall be extended for such time as is reasonably necessary for the Tenant to obtain the same from the appropriate taxing authority. Either party may refer any dispute under this Section 24.2(a) to arbitration in accordance with Section 35.3.

(b) With respect to Cost of Operation and Maintenance for each Computation Year, the Tenant shall pay an amount each month equal to the product of the Tenant's Area multiplied by 1/12th of the excess of the O.E. Share of the Cost of Operation and Maintenance for such Computation Year as reasonably estimated by the Landlord in good faith over the Base COM, the installment for each calendar month to be due and payable upon the receipt from

the Landlord of a bill for the same, provided that the Landlord shall give the Tenant at least 30 days' prior notice of any increase in such estimated operating payments during the course of any Computation Year. Within 120 days after the end of each Computation Year, the Landlord shall deliver a statement for such Computation Year (the "Escalation Statement"). If, as set forth in the Escalation Statement, the amount of additional rent payable by the Tenant to the Landlord pursuant to this subsection for such Computation Year shall be greater than (resulting in an underpayment) or be less than (resulting in an overpayment) the aggregate of all the installments so paid on account to the Landlord by the Tenant for such Computation Year, then, in performance of its obligations under Section 24.1, the Tenant shall, in case of such an underpayment, pay to the Landlord, within 30 days after receipt of the Escalation Statement for such Computation Year, an amount equal to such underpayment, or in case of such an overpayment, the Landlord shall, within 60 days after the giving of the Escalation Statement for such Computation Year, pay to the Tenant an amount equal to such overpayment. If the Landlord fails to pay such overpayment to the Tenant on or prior to said 60th day, the Landlord shall pay interest to the Tenant at the Interest Rate on the entire amount of the overpayment from such 60th day until the overpayment and such interest are paid to the Tenant. In addition, if such estimated installments paid by the Tenant were more than 105% of the actual amount owed by the Tenant hereunder with respect to the Cost of Operation and Maintenance for such Computation Year, then such overpayment shall be paid to the Tenant with interest thereon at the Interest Rate from the date the payment and/or partial payment in question was made by the Tenant to the date such repayment and the interest thereon are paid to the Tenant, subject to a credit for any amounts paid pursuant to the immediately preceding sentence in order to avoid any double-counting of interest. The annual Escalation Statement shall be a reasonably detailed statement showing the major categories of the Cost of Operation and maintenance for such Computation Year, but in all events showing at least the categories set forth on the form of Escalation Statement attached hereto as Exhibit P.

(c) The Tenant shall have the right, in accordance with this Section 24.2(c), to dispute the amount of any payments made to the Landlord under this Article 24 if the Tenant gives the Landlord notice describing the nature of such dispute with reasonable specificity prior to the expiration of the six-month period immediately following the delivery of the Escalation Statement to the Tenant with respect to such Computation Year. If the Tenant shall not give such notice within such six-month period, then the Escalation Statement in question shall be conclusive and binding upon the Tenant. If any such dispute has not been resolved by agreement between the Landlord and the Tenant within 60 days after the expiration of the six-month period described above, either party may require arbitration of such dispute in accordance with Section 35.3. When requested by the Tenant within six months following the receipt by it of any Escalation Statement, the Landlord, in substantiation of its determination of the amounts set

forth in such Escalation Statement, will furnish to the Tenant such additional information as reasonably may be required for such purpose, and, as may be necessary for the verification of such information, will permit all pertinent records of the Landlord to be examined at the office of the Landlord or its managing agent in New York, New York during normal business hours by an officer or qualified employee of the Tenant or by such regular (as opposed to temporary or "project") employees of a firm of independent certified public accountants or legal counsel as the Tenant may designate. At the Tenant's request, the Landlord shall furnish copies of reasonably requested records at the Tenant's expense (which expense shall be reasonable). The Landlord shall preserve any such records, or any data or material related thereto, at least until the expiration of the six-month period described above and, if the Tenant gives the Landlord written notice of a dispute prior to the expiration of such period as set forth above, until such dispute has been finally resolved. The Tenant shall keep (and shall cause its certified public accountants, if any, or legal counsel, if any, to keep) confidential all of the Landlord's records except in connection with any judicial proceeding or arbitration to resolve a dispute under this Lease. Pending the resolution of any dispute regarding an Escalation Statement, the Tenant shall pay the amount required thereby and, in the event the dispute is resolved in the Tenant's favor, the Landlord shall, within 30 days after the final resolution thereof, pay to the Tenant the amount of any overpayment and, if the amount paid by the Tenant with respect to the Computation Year in question is finally resolved to be more than 105% of the actual amount owed by the Tenant hereunder with respect thereto, such overpayment shall be paid to the Tenant with interest thereon at the Interest Rate from the date the payment and/or partial payment in question was made by the Tenant to the date such repayment together with such interest is made to the Tenant (in which case the accruals of interest referred to in Section 24.2(b) shall not be applicable to the extent necessary to avoid double-counting of interest).

24.3. As used in this Article:

(a) "Computation Year" shall mean each calendar year in which occurs any part of the term of this Lease and, in the case of a Default Termination of this Lease, in which would have occurred any part of the full term of this Lease except for such Default Termination.

(b) "Tax Year" shall mean each twelve-month period commencing July 1 of each year, or such other twelve-month period as may be duly adopted as the fiscal year for real estate tax purposes in The City of New York in which occurs any part of the term of this Lease and, in the case of a Default Termination of this Lease, in which would have occurred any part of the full term of this Lease except for such Default Termination.

(c) "Tenant's Area" shall mean the number of square feet of rentable area in the Premises (including any space demised to the Tenant hereunder after the date hereof).

(d) "R.E. Tax Share" shall mean a fraction whose numerator is one and whose denominator is the number of square feet of the rentable area of the Center (excluding from such denominator the number of rentable square feet in any portion of the Center (i) not leased to the Tenant and for which Real Estate Taxes are not payable in full, or (ii) for which the Real Estate Taxes are payable directly in whole or in part by any person, firm or corporation other than the Landlord, without reimbursement by the Landlord, or (iii) at the Landlord's election, constituting a condominium unit not wholly or partially leased to the Tenant); provided that the Landlord may elect to limit the denominator to only the number of square feet in the rentable area of the Building if the Landlord makes a similar election for all buildings it owns in the Center. The parties agree that as of the date hereof the denominator to be used in calculating the R.E. Tax Share shall be 6,784,036, which the parties agree represents the rentable square footage of the Center (and which the Landlord represents has been calculated in a manner consistent with the measurement of the Premises) less (A) 1,436,136 rentable square feet in respect of the condominium unit in the Building owned by the New York City Industrial Development Agency and leased to NBC and (B) 6,021 rentable square feet in respect of the subway concourse running underneath the Avenue of the Americas. Any adjustment in the denominator of the R.E. Tax Share shall be made using the same standard of measurement as was used in determining the rentable square footages set forth above in this Section 24.3(d).

(e) "O.E. Share" shall mean a fraction whose numerator is one and whose denominator is the number of square feet in the rentable area of all buildings in the Center exclusive of the rentable area of any such building or any portion of any such building operated and maintained by and at the expense of any person, firm or corporation (other than the Landlord or, at Landlord's election, any affiliate of the Landlord) or of any theater or garage located in the Center; provided, that the Landlord may elect to limit the denominator to only the number of square feet in the rentable area of the Building if the Landlord makes a similar election for all buildings it owns in the Center. The parties agree that as of the date hereof the denominator to be used in calculating the O.E. Share shall be 7,414,055, which the parties agree represents the rentable square footage of the Center (and which the Landlord represents has been calculated in a manner consistent with the measurement of the Premises) less (A) 252,255 rentable square feet in respect of the commercial parking garage, (B) 548,250 rentable square feet in respect of the building commonly known as Radio City Music Hall, (C) 6,021 rentable square feet in respect of the subway concourse running underneath the Avenue of the Americas and (D) 5,612 rentable square feet in respect of (1) the building on the Avenue of the Americas leased to Hurleys restaurant (Block 1265, Part of Lot 1093) and (2) a portion of the premises leased to Lindys restaurant located on the

Avenue of the Americas (Block 1265, Lot 71). Any adjustment in the denominator of the O.E. Share shall be made using the same standard of measurement as was used in determining the rentable square footages set forth above in this Section 24.3(e). The Landlord agrees to give the Tenant prompt notice of any change in the rentable square footages set forth in Section 24.3(d) and this Section 24.3(e) based on the alteration of any building located in the Center, the purchase, sale, demolition or construction of any building in the Center or any other cause and to make appropriate adjustments to the rentable square footages therein set forth based on such change as of the date of such change.

(f) (i) "Real Estate Taxes" shall mean the taxes ("Taxes") and assessments imposed upon the Center (to the extent that (i) the Center is included in the calculation of R.E. Tax Share and (ii) the Landlord does not make the election to limit the denominator of the R.E. Tax Share to the number of rentable square feet in the Building contained in the proviso of subsection (d) above, in which event only the items described in this definition of Real Estate Taxes that relate to the Building shall be included), including, without limitation, assessments made as a result of the Center or part thereof being within a business improvement district (other than any interest or penalties imposed in connection therewith), and all expenses, including fees and disbursements of counsel and experts, reasonably incurred by, or reimbursable by, the Landlord in connection with any application for a particular Tax Year for a reduction in the assessed valuation for the Center or for a judicial review thereof (but in no event shall such expenses be included in Base Real Estate Taxes). The current tax blocks and lots for those portions of the Center applicable to the calculation of Real Estate Taxes on the date hereof are set forth on Exhibit O. At the request of the Tenant (which requests may not be made more frequently than once in any given Tax Year), the Landlord shall give the Tenant notice of any tax blocks and/or lots added to or deleted from the calculation of Real Estate Taxes since the last statement delivered by the Landlord to the Tenant pursuant to Section 24.2(a). If due to a future change in the method of taxation any franchise, income, profit or other tax shall be levied against the Landlord in substitution in whole or in part for or in lieu of any tax which would otherwise constitute a Real Estate Tax (as opposed to a decision by the taxing authority to increase or impose any such additional tax rather than increasing real estate taxes, as any such decision may be evidenced by the terms of the legislation imposing such additional tax or the legislative history thereof), such franchise, income, profit or other tax shall be deemed to be a Real Estate Tax for the purposes of this Lease. Real Estate Taxes shall not include any portion thereof (x) allocable to an area not leased to the Tenant and for which what would otherwise be Real Estate Taxes are not payable in full, (y) payable directly, in whole or in part, by a person, firm, entity or corporation other than the Landlord, without reimbursement by the Landlord, or (z) allocable to a condominium unit that the Landlord elects pursuant to subsection (d) above to exclude from the calculation of R.E Tax Share.

(ii) Notwithstanding the foregoing, if one or more Transfers shall occur on or prior to December 31, 2008, the following formula (the "Alternative Computation Formula") shall be used to compute Taxes for the Affected Tax Year and each Tax Year subsequent thereto to and including the earlier of (i) the Tax Year in which the Assumed Valuation multiplied by the Tax Rate is equal to or greater than the Taxes for such Tax Year and (ii) the last day of the sixth Tax Year following the Affected Tax Year:

> Taxes shall be an amount equal to the product of (x) the Tax Rate in effect in the respective Tax Year multiplied by (y) the Assumed Valuation for the respective Tax Year.

"Affected Tax Year" shall mean the Tax Year subsequent to the first delivery of "assessment rolls" following the Transfer. "Transfer Tax Year" shall mean the Tax Year in which the Transfer in question occurs. Notwithstanding the foregoing, the Alternative Computation Formula shall not be used with respect to any Tax Year as the result of a particular Transfer unless (a) the product of the gross sales proceeds times the Factor for the Tax Year immediately preceding the Transfer Tax Year exceeds (b) the product of 110% times the Target Valuation in such preceding Tax Year. The "Factor" shall mean the percentage (or fraction, as the case may be) generally known to be utilized by the City of New York in deriving the assessed value from the fair market value with respect to Class A Office Buildings for purposes of the Real Property Tax Law of the State of New York. In addition, if the Landlord identifies a significant number of comparable Class A Office Buildings in midtown Manhattan (collectively, the "Comparison Buildings") which were not subject to a sale during the Tax Year in which the Transfer in question occurred but which experienced increases in their Target Valuations for the Affected Tax Year of approximately the same (or greater) magnitude as the increase in the Target Valuation for the Center (or, if the Landlord has made the election in the proviso of subsection (d) above, the Building and the Land) for the Affected Tax Year, then the Tenant shall only be entitled to the benefits of the Alternative Computation Formula with respect to the Transfer in question if such Transfer directly resulted in an increased Target Valuation for the Center (or, if the Landlord has made the election in the proviso of subsection (d) above, for the Building and the Land) which would not have occurred but for such Transfer.

(iii) "Transfer" shall mean a sale to any person or entity of (x) any direct or indirect interest in the Landlord or (y) all or substantially all of the Landlord's interest in the Center or any tax lot in the Center (or, if the Landlord has made the election in the proviso in subsection (d) above, all or substantially all of the Landlord's interest in the Building (or any tax lot in the Building) and/or the Land only), provided, in each case, that a return was required to be filed in respect of such sale pursuant to Article 31 or Article 31B of the New York State Tax Law or Chapter 21 of the Administrative Code of the City of New York or any

amendments thereof or successors thereto (other than a return showing that such sale was exempt from taxation thereunder).

(iv) "Transitional Valuation" shall mean, for any Tax Year, the actual assessment for such Tax Year for the Center (or, if the Landlord has made the election in the proviso in subsection (d) above, for the Building and the Land) after application of Section 1805 of the Real Property Tax Law or any successor statute (Section "1805"), commonly known as the "transitional assessment", as finally determined under the Real Property Tax Law of the State of New York or under any successor law (i.e., the value for the Center (or for the Building and the Land) upon which Taxes are based for such Tax Year if the Center (or the Building and the Land) are taxable or, if all or any portion of the Center (or the Building or the Land) is exempt, the value upon which Taxes would have been based but for such exemption). "Target Valuation" shall mean, for any Tax Year, the actual assessment for such Tax Year for the Center (or, if the Landlord has made the election in the proviso in subsection (d) above, for the Building and the Land) prior to application of Section 1805. With respect to the Comparison Buildings only, all references to the Center, the Building and the Land in the foregoing definitions of "Target Valuation" and "Taxes" shall be deemed to refer to the Comparison Building and the land under the Comparison Building in question.

(v) "Average Percentage Increase" shall mean the sum of: (x) the percentage obtained by dividing (1) the excess, if any, of the Target Valuation for the Transfer Tax Year over the Target Valuation for the Tax Year which is five Tax Years prior to the Transfer Tax Year (the "Comparison Year") by (2) the product of five times the Target Valuation for the Comparison Year, provided that the amount determined pursuant to this clause (x) shall in no event be less than zero and adding (y) one (1%) percent to the amount determined in accordance with clause (x) (e.g., if the Target Valuation in the Transfer Tax Year were $110,000,000 and the Target Valuation in the Comparison Year were $100,000,000, the Average Percentage Increase would be obtained by dividing $10,000,000 by $500,000,000, which equals .02 (i.e., 2%), plus one (1%) percent, for a total Average Percentage Increase of three (3%) percent).

(vi) "Tax Rate" shall mean, as to each Tax Year, the real estate tax rate of the City of New York applicable to the Building and/or the Land during such Tax Year.

(vii) "Assumed Valuation" shall mean, as to any Tax Year, the Transitional Valuation that would have resulted for the Tax Year if such Target Valuation had increased in the Affected Tax Year and each Tax Year subsequent thereto by the Average Percentage Increase, plus the increase in the Transitional Valuation that would result from any increase in the Target Assessment occurring

subsequent to the Affected Tax Year over the Target Assessment for the respective preceding Tax Year.

(g) "Cost of Operation and Maintenance" shall mean the actual cost incurred by the Landlord or its affiliates with respect to the ownership, operation, maintenance and repair of the Center (to the extent the Center is included in the calculation of O.E. Share, it being understood that if less than the entire Center is included in such calculation, then Cost of Operation and Maintenance shall include a portion of the common area expenses of the Center in the same proportion as the rentable area of the building or buildings included in the calculation of O.E. Share bears to the aggregate rentable area in all buildings in the Center) and the curbs and sidewalks adjoining the same, including, without limitation, the cost incurred for air conditioning; mechanical ventilation; heating; interior and exterior cleaning; rubbish removal; window washing (interior and exterior, including inside partitions); elevators; escalators; hand tools and other movable equipment to the extent same are not required to be capitalized in accordance with generally accepted accounting principles ("GAAP"); porter and matron service; electric current, steam, water and other utilities; association fees and dues; protection and security service; repairs; maintenance; compliance with any Preservation Agreement to the extent same are not required to be capitalized in accordance with GAAP; fire, extended coverage, boiler, sprinkler, apparatus, rental income, public liability and property damage insurance; supplies; wages, salaries, disability benefits, pensions, hospitalization, retirement plans and group insurance respecting service and maintenance employees, building superintendents, concierges, managers, their assistants and clerical staffs, and persons to the extent engaged in supervision of the foregoing with respect to the Center and any other buildings which are owned by the Landlord (or by an affiliate of the Landlord) and are located in the vicinity of the Center (not above the grade of Senior Vice President - Operations (it being agreed that if any supervisory personnel do not exclusively devote their time to the Center, then their time (and the cost thereof) shall be reasonably allocated by the Landlord between the Center and any other buildings which they may service provided that such other buildings are owned by the Landlord (or by an affiliate of the Landlord) and are located in the vicinity of the Center)), uniforms and working clothes for such employees and the cleaning thereof; expenses imposed pursuant to any collective bargaining agreement with respect to such employees; payroll, social security, unemployment and other similar taxes with respect to such employees; sales, use and other similar taxes; vault charges; franchise fees payable in connection with the concourse levels of the Center; water rates; sewer rents; charges of any independent contractor who does any work with respect to the operation, maintenance and repair of the Center and the curbs and sidewalks adjoining the same the cost of which would be included in the Cost of Operation and Maintenance if it was performed by the Landlord; legal, accounting and other professional fees; management fees (it being stipulated that the amount of such management fees included in the Cost of Operation and Maintenance in any given Computation Year shall equal (x) 2% of the total rents

payable by tenants of the Center or (y) if the Landlord is not required to make public filings of the total rents payable by tenants of the Center, the result obtained by multiplying (i) the total rents payable by tenants of the Center in the last such public filing by (ii) (A) the sum of one plus (B) the decimal equivalent of one-half of the percentage by which the CPI in effect for the month of December of such Computation Year (or such other month as may be the last month [or partial month] in any partial Computation Year) (each, an "Adjustment Date") exceeds the CPI in effect for the last month in the year to which such public filing relates (the "Base Date")); decorations; and the annual depreciation or amortization over the useful life thereof (as opposed to the remaining term of this Lease) on a straight-line basis of the costs, including actual financing costs, incurred for any Chargeable Capital Improvement; provided, that the term "Cost of Operation and Maintenance" shall not include (1) Real Estate Taxes, unincorporated business taxes, inheritance taxes, foreign ownership or control taxes, special assessments, franchise taxes or taxes imposed upon or measured by the income or profits of the Landlord, (2) except for depreciation and amortization specifically provided for in this subsection with respect to Chargeable Capital Improvements, the cost of any item which is, or should in accordance with GAAP be, capitalized on the books of the Landlord, (3) the cost of any electricity furnished to the Premises or any other space in the Center demised to other tenants, (4) the cost of any work or service performed for any tenant of space in the Center (including the Tenant) for which such tenant is obligated to reimburse the Landlord in addition to and separately from such tenant's obligation to pay its share of the Cost of Operation and Maintenance, (5) the costs of building, installing, operating, maintaining or repairing any specialty facility such as a garage, luncheon, health or athletic club, night club (including the Rainbow Room), restaurant, movie theater (including Radio City Music Hall); provided that the Cost of Operation and Maintenance with respect to any such facility may be included in the Cost of Operation and Maintenance if the tenant or occupant of such facility is obligated to pay its proportionate share of the Cost of Operation and Maintenance, (6) advertising and promotional expenditures directly related solely to the leasing or sale of space in the Center (it being understood that the cost of holiday decorations, gardens, landscaping, free events open to the public and other promotional items that enhance the environment of the Center may be included in the Cost of Operation and Maintenance), (7) any funds or money given to the Tenant or other tenants in cash, by offset or otherwise, or the cost of work done for other tenants, in each case, in connection with the leasing of space in the Center, (8) brokerage commissions or finder's fees or other expenses in connection with obtaining tenants for space in the Center, (9) financing and refinancing costs in respect of any indebtedness of the Landlord, whether secured or unsecured, including legal and accounting fees and expenses, prepayment penalties and interest and amortization payments, (10) rent and additional rent under any underlying lease (it being agreed that any sums paid under any underlying lease on account of items which would otherwise be included in the Cost of Operation and Maintenance, are not excluded from the Cost of Operation and Maintenance even if denominated as "rent" under

any underlying lease), (11) costs incurred in connection with the transfer or disposition of direct or indirect ownership interests in the Building, the Center or the Landlord, (12) any fee or compensation paid to Affiliates of the Landlord to provide goods, services or financing for Chargeable Capital Improvements to the Center to the extent in excess of market rates for materials or services of comparable quality or comparable financing, (13) costs incurred in connection with the making or enforcement of leases or resolution of disputes with tenants, including, without limitation, court costs and attorneys' fees and disbursements in connection with any summary proceedings to dispossess any tenant, (14) depreciation and other non-cash charges (other than with respect to Chargeable Capital Improvements as set forth herein), (15) the cost of any services or other benefits which are supplied to other tenants in the Center at the Landlord's expense, to the extent that such service or benefit is materially in excess of any service or benefit that the Landlord is obligated to furnish the Tenant hereunder at the Landlord's expense, (16) the rental cost of any item which, if purchased, would not properly be considered to be part of the Cost of Operation and Maintenance, (17) the costs of restoration of the demised premises, the Building or the Center after any casualty loss, damage or destruction to the extent (A) reimbursed by insurance that the Landlord is obligated to carry hereunder and (B) in excess of the amount attributable to any deductible thereunder, (18) the costs of construction of any addition to the Center that are required to be capitalized in accordance with GAAP (other than Chargeable Capital Improvements), and (19) expenses for repairs or maintenance to the extent the Landlord is reimbursed from or pursuant to insurance or condemnation proceeds, warranties, service contracts or otherwise. If during any period for which the Cost of Operation and Maintenance is being computed the Landlord is not for all or any part of such period furnishing any particular work or service (the cost of which if performed by the Landlord would constitute a Cost of Operation and Maintenance) to a portion of the Center due to the fact that such portion is not leased to a tenant or that the Landlord is not obligated to perform such work or service in such portion, then to the extent that such cost is a variable cost (as opposed to a fixed cost) which increases or decreases based upon the number of tenants it is provided to, the amount of the Cost of Operation and Maintenance for such period shall be deemed, for the purposes of this Article, to be increased by an amount equal to the additional Cost of Operation and Maintenance which would reasonably have been incurred during such period by the Landlord if it had furnished such work or service.

(h) "Base Real Estate Taxes" shall mean the R.E. Tax Share of the Real Estate Taxes for the Tax Year commencing July 1, 1994 and ending June 30, 1995.

(i) "Base COM" shall mean the O.E. Share of the Cost of Operation and Maintenance for the Computation Year commencing January 1, 1994 and ending December 31, 1994.

(j) "Interest Rate" shall mean a rate which is two percentage points per annum in excess of the "Prime Rate". "Prime Rate" shall mean the annual rate of interest from time to time publicly announced by The Chase Manhattan Bank (National Association) (or any successor thereto) as its prime or base lending rate, except that if The Chase Manhattan Bank (National Association) (or any successor thereto) no longer publishes its prime or base lending rate, then the "Prime Rate" shall be the prime or base lending rate of the largest bank, by assets, located in Manhattan to publish its prime or base lending rate, as in effect from time to time. Each change in the Prime Rate shall be effective as of the date it is publicly announced.

(k) "Chargeable Capital Improvement" shall mean any equipment, device, capital improvement or any other item which is or should in accordance with GAAP be, capitalized on the books of the Landlord which is (i) intended as a labor saving measure or to effect other economies in the operation, maintenance or repair of the Building or the Center and the curbs and sidewalks thereof, provided that the annual amount on account of amortization, depreciation, leasing and financing costs to be included in the Cost of Operation and Maintenance during any Computation Year with respect to a particular Chargeable Capital Improvement shall not exceed the savings in labor cost or other economies reasonably anticipated by the Landlord to be obtained during such Computation Year as a result of such item or (ii) required as the result of any Requirement (x) imposed or promulgated after the date hereof or (y) imposed prior to the date hereof, but only to the extent compliance with such previously imposed Requirement was not required to be performed pursuant to the provisions of the Requirement in question on or prior to the date hereof.

24.4. If the term commencement date shall be a day other than a January 1 or the date fixed for the expiration of the full term of this Lease shall be a day other than December 31, or if there is any abatement of the fixed rent payable under this Lease (other than any abatement under Article One hereof) or any termination of this Lease (other than a Default Termination), or if there is any increase or decrease in the Tenant's Area, then in each such event in applying the provisions of this Article 24 with respect to any Tax Year or Computation Year to which such event or change is properly applicable, the amounts payable under this Article 24 shall be prorated, apportioned, abated or adjusted in an equitable manner on a basis consistent with the principles underlying the provisions of this Article, taking into consideration (i) the portion of such Tax Year or Computation Year, as the case may be, which shall have elapsed prior to or after such event, (ii) the rentable area of the Premises affected thereby, and (iii) the duration of such event, it being the intention of the parties that the amounts payable under this Article 24 shall be abated to the same extent that fixed rent is abated pursuant to the terms of this Lease (except in the case of any abatement under Article One hereof).

24.5. The Tenant shall not (and hereby waives any and all rights it may now or hereafter have to) institute or maintain any action, proceeding or application in any court or other

body having the power to fix or review assessed valuations, for the purpose of reducing the Real Estate Taxes.

24.6. In the event the Landlord fails to bill the Tenant for the Tenant's share of Real Estate Taxes or Cost of Operation and Maintenance by the time such amounts would otherwise be due and payable hereunder, the Tenant shall pay the amount most recently billed for the item in question, subject to subsequent adjustment to reflect the correct amount due.

ARTICLE TWENTY-FIVE
Miscellaneous

25.1. If the Landlord shall consent to the omission or removal of any part of, or the insertion of any door (other than to a public corridor) or other opening in, any wall separating the Premises from other space adjoining the Premises, then (a) the Tenant shall be deemed to have assumed responsibility for all risks (including, without limitation, damage to, or loss or theft of, property) incident to the use of said door or other opening or the existence thereof, and shall indemnify and save the Indemnitees harmless from and against any claim, demand or action for, or on account of, any such loss, theft or damage, and (b) upon the expiration or termination of this Lease or any lease of said adjoining space, the Landlord may enter the Premises and close up such door or other opening by erecting a wall to match the wall separating the Premises from said adjoining space, and the Tenant shall pay the reasonable cost thereof and such work may be done during Business Hours and while the Tenant is in occupancy of the Premises and the Tenant shall not be entitled to any abatement of fixed rent or other compensation on account thereof; provided, that nothing shall be deemed to vest the Tenant with any right or interest in, or with respect to, said adjoining space, or the use thereof, and the Tenant hereby expressly waives any right to be made a party to, or to be served with process or other notice under or in connection with, any proceeding which may hereafter be instituted by the Landlord for the recovery of the possession of said adjoining space. This Section 25.1 is not intended to apply to floors on which the Tenant has leased all of the rentable area.

25.2. Without incurring any liability to the Tenant, the Landlord may permit access to the Premises and open the same, whether or not the Tenant shall be present, upon demand of any receiver, trustee, assignee for the benefit of creditors, sheriff, marshal or court officer with appropriate credentials entitled to, or reasonably purporting to be entitled to, such access for the purpose of taking possession of, or removing, the Tenant's property or for any other purpose (but this provision and any action by the Landlord hereunder shall not be deemed a recognition by the Landlord that the person or official making such demand has any right or interest in or to this Lease, or in or to the Premises), or upon demand of any representative of the fire, police, building, sanitation or other department of the city, state or federal government. The Landlord shall, to the extent practicable, attempt to give the Tenant reasonable prior notice of any such demand for access to the Premises, but the failure to give such notice shall not result in any liability for the Landlord.

25.3. If an excavation shall be made upon any land adjacent to the Building, or shall be authorized to be made, the Tenant shall afford to the person causing or authorized to cause such excavation a license to enter upon the Premises for the purpose of doing such work as said person shall deem necessary to preserve the Building from injury or damage, all without any claim for damages or indemnity against the Landlord or diminution or abatement of rent.

25.4. The Tenant shall not be entitled to exercise any right of termination or other option granted to it by this Lease at any time when the Tenant is in monetary or material non-monetary default beyond the expiration of any notice and cure period. With respect to any such exercise, time shall be of the essence.

25.5. The headings of the Articles of this Lease are for convenience only and are not to be considered in construing said Articles.

25.6. As used in this Section, the term "facility" means stores, restaurants, cafeterias, rest rooms, and any other facility of a public nature in the Building. The Tenant will not discriminate by segregation or otherwise against any person or persons because of race, creed, color, sex (except as appropriate in the case of rest rooms) or national origin in furnishing, or by refusing to furnish, to such person or persons the use of any facility in the Premises, including any and all services, privileges, accommodations, and activities provided thereby. The Tenant's noncompliance with the provisions of this Section shall constitute a material breach of this Lease. In the event of such noncompliance, the Landlord may take appropriate action to enforce compliance, may terminate this Lease in accordance with the provisions of this Lease, or may pursue such other remedies as may be provided by law. In the event of termination, the Tenant shall be liable to the Landlord for damages in accordance with the provisions of this Lease. This Section 25.6 shall not require the Tenant to open its facilities which are not otherwise open to the public within the Premises to the public.

25.7. If the Tenant holds-over in the Premises after the expiration or termination of this Lease without the consent of the Landlord, the Tenant shall:

(a) pay as hold-over rental for each month of the hold-over tenancy an amount equal to the greater of (i) one and one-quarter times the fair market rental value of the Premises for such month (as reasonably determined by the Landlord) or (ii) one and one-quarter times the Rent which the Tenant was obligated to pay for the month immediately preceding the expiration or termination of this Lease;

(b) if such holdover exceeds 60 days, be liable to the Landlord for (i) any payment or rent concession which the Landlord may be required to make to any tenant obtained by the Landlord for all or any part of the Premises (a "New Tenant") in order to induce such New Tenant not to terminate its lease by reason of the holding-over by the Tenant and (ii) the loss of the benefit of the bargain if any New Tenant shall terminate its lease by reason of the holding-over by the Tenant; and

(c) if such holdover exceeds 120 days, indemnify the Landlord against all claims for damages by any New Tenant.

Notwithstanding anything to the contrary contained in the preceding Sections 25.7(b) and (c), if (i) the Tenant shall have entered into a lease (or a letter of intent for a new lease) which demises adequate space (taking into account the Tenant's then space needs) for the Tenant's possession on or prior to the expiration or termination of this Lease and (ii) possession of substantially all of said space is not delivered to the Tenant on or prior to the expiration or termination of this Lease or the Tenant experiences Force Majeure delays which actually delay the construction of its tenant improvements, if any, in said space that are customarily required by comparable tenants prior to the occupancy of space (it being stipulated that the ordinarily anticipated time period necessary for the construction of any such tenant improvements shall not be deemed to be a Force Majeure delay), then provided that (x) if the Tenant shall have entered into only a letter of intent for a new lease in accordance with clause (i) above, the Tenant shall have entered into a lease within 120 days of the expiration or termination of this Lease and (y) the Tenant shall be acting in good faith, including, without limitation, enforcing any right it may have to obtain possession of its new space, the time periods referred to in Sections 25.7(b) and (c) shall be deemed to be extended until substantially all of said space is delivered to the Tenant and the Tenant has completed the construction of such tenant improvements, if any, and moved into its new space within a reasonable and customary time, but in no event shall said time periods be extended to more than 455 days.

No holding-over by the Tenant, nor the payment to the Landlord of the amounts specified above, shall operate to extend the term of this Lease.

25.8. Any obligation of the Landlord or the Tenant which by its nature or under the circumstances can only be, or by the provisions of this Lease may be, performed after the expiration or earlier termination of this Lease, and any liability for a payment which shall have accrued to or with respect to any period ending at the time of such expiration or termination, unless expressly otherwise provided in this Lease, shall survive the expiration or earlier termination of this Lease.

25.9. If any provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

25.10. Notwithstanding anything to the contrary herein contained, no term or provision of this Lease which may be or become inconsistent with the provisions of Section 9-1.1 of the Estates, Powers and Trusts Law of the State of New York, or any successor thereto in effect during the term of this Lease, shall be operative following twenty-one years after the death of the last to die of those descendants of John D. Rockefeller, Sr. in being on the date of this Lease.

25.11. It is the intention of the Landlord and the Tenant to create the relationship of landlord and tenant, and no other relationship whatsoever, and nothing herein shall be construed to make the Landlord and the Tenant partners or joint venturers, or to render either party hereto liable for any of the debts or obligations of the other party.

25.12. The Landlord and the Tenant acknowledge that (i) improvements (including Fixtures) made or installed by the Tenant in the Premises do not constitute consideration for the granting of this Lease to the Tenant and (ii) there has been no adjustment in the fixed or additional rent payable under this Lease on account of such improvements (including Fixtures).

25.13. If there is any payment required to be made by the Tenant under this Lease for which no time period is stated within which the payment must be made, such payment shall be made within thirty (30) days after demand by the Landlord. Upon request of the Tenant, the Landlord shall, with respect to any payment of additional rent hereunder (other than pursuant to Article 5 or 24, as to which the Tenant is granted independent audit rights by this Lease), provide the Tenant with reasonable evidence in support thereof.

25.14. The term "Adjusted by CPI" means that the amount in question shall be adjusted on the date in question (the "CPI Adjustment Date") by adding to the amount in question an amount equal to the product of (i) such amount and (ii) the percentage increase, if any, in the CPI for the month in which the CPI Adjustment Date occurs over the CPI for the month in which this Lease is executed. The term "CPI" shall mean as of any particular date the Consumer Price Index for All Urban Consumers for N.Y. - Northern N.J. - Long Island, NY - NJ - CT published by the Bureau of Labor Statistics of the U.S. Department of Labor with a 1982-84 = 100 base, provided, however, that (a) if such index (or any index substituted therefor as hereinafter provided) shall cease to be published, then there shall be substituted for such index such other index of a similar kind published by a governmental or other nonpartisan organization as may be reasonably selected by the Landlord, (b) if there is any change in the computation of said index or of any such substituted index (including a change in the base year or included items), then such index as so changed shall be substituted for the index in effect prior thereto, and (c) if the base period or date for any such substituted index is prior to an Adjustment Date (or the date on which a sum is to be Adjusted by CPI) but on or subsequent to the Base Date (or the base date with respect to which a sum is to be Adjusted by CPI), then such substituted index shall for all purposes of any computation with respect to such Adjustment Date (or the date on which a sum is to be Adjusted by CPI) be recomputed to arrive at the substituted index for the Base Date (or the base date with respect to which a sum is to be Adjusted by CPI) and such other adjustments shall be made as shall be required, if any, to carry out the intent of such computation, all in such manner as shall be reasonably determined by the Landlord.

ARTICLE TWENTY-SIX
Memorandum

26.1. Concurrently with the execution hereof, the Landlord and the Tenant shall execute, acknowledge and deliver a memorandum hereof in the form of Exhibit O, sufficient for recording. Such memorandum shall not in any circumstance be deemed to change the provisions of, or be deemed a construction of, this Lease. Upon the expiration or sooner termination of the term of this Lease, the Tenant shall execute, acknowledge and deliver to the Landlord any writing necessary to remove such memoranda from record. This Article 26 shall survive the expiration or earlier termination of this Lease.

ARTICLE TWENTY-SEVEN
Brokerage Commission

27.1. Each of the Landlord and the Tenant represents to the other that the only brokers with which it has dealt in connection with this Lease are Julien J. Studley, Inc., having an office at 300 Park Avenue, New York, New York and Rockefeller Center Management Corporation. Each of the Landlord and the Tenant shall defend, indemnify and save harmless the other (and in the case of indemnification of the Landlord by the Tenant, the Indemnitees) from and against all liability, claims, suits, demands, judgments, costs, interest and expenses (including reasonable counsel fees and disbursements incurred in the defense thereof) to which the other (and in the case of indemnification of the Landlord by the Tenant, the Indemnitees) may be subject or suffer by reason of any claim made by any person, firm or corporation other than the aforementioned brokers claiming by or through the indemnifying party for any commission, expense or other compensation as a result of the execution and delivery of this Lease or the demising of the Premises by the Landlord to the Tenant pursuant to this Lease. The parties agree to reasonably cooperate in the defense of any such claim and to permit the indemnifying party to control the defense of any such claim.

ARTICLE TWENTY-EIGHT
Quiet Enjoyment

28.1. If, and so long as, the Tenant performs each and every provision in this Lease on the part of the Tenant to be performed, the Tenant shall quietly enjoy the Premises without hindrance or molestation by the Landlord or by any other person lawfully claiming the same, subject, however, to the provisions of this Lease, the Qualified Encumbrances and any Non-Disturbance Agreements provided hereunder to the Tenant and executed and delivered by all the parties thereto.

ARTICLE TWENTY-NINE
Hazardous Substances

29.1. The Tenant shall not (i) cause to be brought to (or permit any Tenant Party to bring to) the Building, the Land or the Center any hazardous substances, (ii) cause or permit the storage or use of hazardous substances by any Tenant Party in any manner not permitted by any Requirements applicable to the Land, the Building or the Premises or any part thereof, to the Tenant's use thereof or to the Tenant's observance of any provision of this Lease, or (iii) cause or permit any Tenant Party to cause the escape, disposal or release of any hazardous substances on or in the vicinity of the Building, Land or Center; provided, that nothing herein shall prevent the Tenant's use of any hazardous substances customarily used in the ordinary course of office work if such use is for such ordinary course of office work and is in accordance with all Requirements applicable to the Land, the Building or the Premises or any part thereof, to the Tenant's use thereof or to the Tenant's observance of any provision of this Lease.

29.2. "Hazardous substances" are (i) any "hazardous wastes" as defined by the Resource, Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.), as amended, and regulations promulgated thereunder; (ii) any "hazardous, toxic or dangerous waste, substance or material" specifically defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), as amended, and regulations promulgated thereunder; and (iii) any hazardous, toxic or dangerous chemical, biological or other waste, substance or material as defined in any so-called "superfund" or "superlien" law or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning such waste, substance or material; including, without limiting the generality of the foregoing, asbestos, radon, urea formaldehyde, polychlorinated biphenyls, and petroleum products including gasoline, fuel oil, crude oil and various constituents of such products. Without limiting the generality of Section 6.1(j) hereof, the Tenant agrees that the covenants and warranties contained in this Article are included within the matters as to which the Indemnitees shall be indemnified pursuant to said Section 6.1(j).

29.3. The covenants contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE THIRTY
Work by the Tenant

30.1. (a) On or before the Plan Delivery Date, the Tenant shall submit to the Landlord, for the Landlord's approval, complete architectural and mechanical construction drawings and specifications (in form for filing with and acceptance by the New York City Department of Buildings) showing Tenant's Initial Alterations of the Premises as desired by the Tenant compatible with the design, construction and equipment of the Building and otherwise complying with Section 6.1(e), all in such form and in such detail as may be reasonably required by the Landlord ("Tenant's Initial Plans"). Tenant's Initial Plans shall comply with the Tenant

Alteration Guidelines and all applicable Requirements, shall be compatible with the Building's structural and mechanical systems and equipment and shall provide, inter alia, for the (i) installation of a sprinkler system (including, without limitation, sprinkler loops) for the Premises utilizing the sprinkler risers and capped outlets on each floor to be provided by the Landlord as set forth on Exhibit C-l, (ii) closing of all slab penetrations in the Premises (other than the 5 slab penetrations for the currently existing internal staircase in the Premises), (iii) installation of fire alarms, speakers, strobes and other related devices within the Premises for connection to the data gathering points for the Building's fire protection system to be provided on each floor in the Premises by the Landlord as set forth on Exhibit C-l, in each case in compliance with all Requirements, (iv) installation of a new HVAC system (the "Premises HVAC System") in the Premises (including, without limitation, fans, fan coil units on the perimeter of the Premises and VAV boxes and air handling units for the interior areas of the Premises for connection to the risers and stacks for the chilled water, steam and ventilation to be provided by the Landlord on each floor in the Premises in accordance with Article 20 (it being stipulated that all risers that supply other floors of the Building shall remain in place)) and (v) at the Tenant's option, construction of such additional bathrooms and/or the refurbishment of such of the "core" bathrooms located on each floor of the Premises as shall be required to cause the Premises, considered as a whole, to comply with all applicable Requirements, including, without limitation, any Requirement having as a primary purpose the benefit of disabled persons (including, without limitation, the Americans with Disabilities Act) (the "Core Bathroom Work"). Tenant's Initial Plans shall be prepared by a competent architect licensed in the State of New York (in consultation with a competent engineer where required by the nature of the work), reasonably satisfactory to the Landlord, who shall be engaged by the Tenant and who, at the Tenant's expense, shall furnish all architectural and engineering services necessary for the preparation of Tenant's Initial Plans and with the securing by the Tenant of such approvals as by reason of the nature of the work shown on Tenant's Initial Plans, may be required from the Department of Buildings of the City of New York and any other governmental authorities. The Landlord hereby approves SPGA-MBA and Thomas A. Polise as the Tenant's architect and engineer, respectively. Tenant's Initial Plans shall be subject to the Landlord's approval as provided in Section 6(e) hereof. Subject to said approval, the Landlord agrees in advance that the Tenant may create one additional internal stairwell serving floors 57 through 63 and other special facilities for computers (including raised floors), special conference rooms, the dining facilities, telephone equipment rooms, private toilets and other facilities necessary or desirable in the conduct of Tenant's business.

(b) The Tenant, as part of Tenant's Initial Alterations, shall remove the radiators located in the Premises. The Tenant shall offer to deliver such radiators to the Landlord in the basement or elsewhere in the Building, or if the Landlord does not wish to receive same, the Tenant may dispose of same without being required to account therefor to the Landlord and the Tenant shall have no obligation to reinstall such radiators or any replacement thereof on the expiration or sooner termination of the term of this Lease. Notwithstanding the removal of such radiators and/or the performance of Tenant's Initial Alterations, the Landlord shall remain obligated to provide, steam and chilled water to the Premises and to bring electricity to the Premises in accordance with, and subject to, the terms of this Lease. The Tenant shall remove the radiators on a schedule which (i) is coordinated with the Landlord, (ii) is consistent with the

schedule for the construction of Tenant's Initial Alterations and (iii) permits the Tenant to use the radiators to provide heat during the performance of Tenant's Initial Alterations. Notwithstanding anything contained in this Lease to the contrary and subject to the Landlord's obligation to deliver steam as provided in Section 20.1, the Tenant shall be responsible for any failure of the radiators or related equipment in the Premises to function properly which results from the alteration thereof by the Tenant.

(c) The term "Plan Delivery Date" means September 1, 1994, provided that if Chemical Bank ("Chem") vacates (or if the Landlord reasonably anticipates that Chem will vacate) the portion of the Premises that it currently occupies prior to September 1, 1994, the Landlord shall give the Tenant notice thereof (the "Chem Vacate Notice") and the Tenant shall act in good faith and use all reasonable efforts to cause the Plan Delivery Date to occur as soon as practicable after the giving of the Chem Vacate Notice, but in no event later than September 1, 1994.

30.2. (a) The Landlord's approval (or denial of approval) of Tenant's Initial Plans shall be made in accordance with the provisions of Section 6.1(e). If the Landlord shall not approve any construction drawing or specification constituting part of Tenant's Initial Plans as submitted by the Tenant, the Landlord shall simultaneously notify the Tenant of the particulars of such revisions therein as are reasonably required by the Landlord for the purpose of obtaining its approval and as promptly as reasonably possible after being so informed by the Landlord, the Tenant shall submit to the Landlord, for the Landlord's approval, a construction drawing or specification, as the case may be, incorporating such revisions or incorporating such modifications thereto as are suggested by the Tenant and approved by the Landlord (the construction drawings and specifications constituting Tenant's Initial Plans, as so approved, being herein called the "Working Drawings"). The Landlord and the Tenant agree to require their representatives to consult with one another during the design and construction of Tenant's Initial Alterations in a cooperative effort to ensure that the equipment installed in the Premises is properly integrated and compatible with Building equipment and systems. Any such approval or consultation by the Landlord shall not be deemed to be a representation or warranty of any kind, including, without limitation, that the same is properly designed to perform the function for which it is intended or complies with any applicable Requirement. Notwithstanding anything to the contrary contained in Section 6.1(e), with respect to Tenant's Initial Alterations only, the Tenant shall not be required to pay the Landlord more than $40,000 on account of the costs of any third party consultants making reviews and inspections on the Landlord's behalf, provided that such limit shall not apply if the Tenant's construction drawings and specifications submitted beyond the 50% level are inconsistent in any material respect with those submitted prior thereto.

(b) As part of Tenant's Initial Alterations, the Tenant shall, subject to compatibility with the Building's fire and/or life safety systems and compliance with all other Requirements governing the performance of Tenant's Initial Alterations, be permitted to install its own security system (which utilizes "card-keys", "proximity readers" or similar devices) in the Premises. The Tenant shall not be required to install any specific lockset or key entry except that the Tenant shall provide the Landlord with a "grandmaster" card-key or key to all doors of (and in) the Premises, except for such "secure" areas within the Premises (not exceeding 5% of the

rentable area of the Premises in the aggregate) as may be reasonably established by Tenant in the ordinary course of the Tenant's business for the storage of confidential material, securities and other items of value (it being stipulated that the Landlord shall have no obligation whatsoever to clean any such "secure" areas).

30.3. Tenant's Initial Alterations shall be performed in accordance with, and subject to all of the terms and conditions of, this Lease (including, but not limited to, Section 6.l(e). Upon the approval by the Landlord of the Working Drawings, the Tenant shall proceed with due dispatch to cause Tenant's Initial Alterations to be built substantially in accordance with such approved Working Drawings to be done at the Tenant's sole cost and expense subject to reimbursement by the Landlord or as expressly provided in Section 30.6; provided, however, that certain portions of Tenant's Initial Alterations must be completed in accordance (as opposed to substantial accordance) with the Working Drawings previously approved by the Landlord if such portion of Tenant's Initial Alterations is such that a deviation from such Working Drawings would adversely affect (a) the structure of the Building, (b) the operation of the air conditioning, refrigeration, plumbing, electrical, heating or other systems of the Building or the Center serving space other than, or in addition to, the Premises, (c) any space (including common use areas) outside of the Premises, or (d) any fire protection, life safety, sprinkler or other emergency system maintained and operated by the Landlord in the Building or the Center. The Tenant shall be permitted to perform Tenant's Initial Alterations during Business Hours; provided, that all core drilling, installation of ceiling hangers and other abnormally noisy or vibratory work, being performed on the (x) 57th Floor of the Building shall be performed during non-Business Hours at the Tenant's sole cost and expense, (y) or the 63rd Floor of the Building shall be performed during the hours of 9:30 A.M. to 11:30 A.M. or 2:00 P.M. to 5:00 P.M. or prior to Business Hours in the morning, at the Tenant's sole cost and expense, if the same disturbs other tenants in the Building and (z) the 58th through 62nd Floors of the Building shall be performed during non-Business Hours, at the Tenant's sole cost and expense, only if the same disturbs other tenants in the Building (it being understood that the Landlord and the Tenant shall reasonably cooperate with one another to minimize the amount of work required to be performed during non-Business Hours and to minimize any disturbance of other tenants in the Building). Notwithstanding the foregoing, the Tenant shall use all reasonable efforts to cause all core drilling to be performed prior to Business Hours in the morning.

30.4. The contractors performing Tenant's Initial Alterations and the manner upon which the same is performed (as opposed to the "means and methods of construction", which the Landlord acknowledges will be controlled by the Tenant's contractors) shall be subject to approval by the Landlord in accordance with Section 6.1(e). In connection with the performance of Tenant's Initial Alterations only, the Landlord hereby approves the contractors listed on Exhibit R; provided, that such approval may be rescinded with respect to any of such contractors, by the Landlord giving a notice to the Tenant, if, in the Landlord's reasonable judgment, the creditworthiness or reputation of such contractor is no longer in keeping with the standards for the Building and the Center; provided, further, that if the Tenant shall have contracted with such contractor to perform Tenant's Initial Alterations prior to the Landlord giving such notice of recission, then such notice of recission shall be ineffective. To the extent permitted by applicable Requirements, the Tenant shall be permitted to have the Communications

Workers of America perform certain portions of Tenant's Initial Alterations instead of Local 3. Tenant's Initial Alterations shall at all times comply with (a) all applicable Requirements and (b) the Tenant Alteration Guidelines, provided that the Landlord shall not require that any of the Tenant's contractors provide payment and/or performance bonds. The Tenant's contractors shall be permitted to erect and maintain a construction field office within the Premises provided that (i) the manner of installation of the field office shall comply with all applicable Requirements and (ii) the field office shall be dismantled and removed on or prior to the date on which Tenant's Initial Alterations have been substantially completed.

30.5. Upon the completion of Tenant's Initial Alterations, the Tenant shall deliver to the Landlord (a) general releases and waivers of lien from all contractors, subcontractors and materialmen involved in the performance of Tenant's Initial Alterations and the materials furnished in connection therewith, (b) a certificate from the Tenant's architect certifying that, to the best of its knowledge based on its periodic on-site observation of Tenant's Initial Alterations, Tenant's Initial Alterations have been completed substantially in accordance with all Requirements and the Working Drawings and (c) a certificate signed by the Tenant's general contractor stating that all contractors, subcontractors and materialmen have been paid for all work and materials furnished through such date. Notwithstanding the foregoing, but in all events subject to the Tenant's obligation to keep the Premises and the Building free of liens, the Tenant shall not be required to deliver to the Landlord any general release or waiver of lien, as required by the preceding sentence, if the Tenant shall be disputing in good faith the payment which would otherwise entitle the Tenant to such release or waiver, provided that the Tenant shall keep the Landlord advised in a timely fashion of the status of any such dispute and the basis therefor and the Tenant shall deliver to the Landlord the general release or waiver of lien when any such dispute is settled.

30.6. Provided the Tenant is not in monetary or material non-monetary default hereunder beyond the expiration of any applicable notice or cure period, the Landlord agrees that upon receipt of the evidence specified below, the Landlord shall reimburse to the Tenant (a) the actual cost of enclosing all mail chutes in the Premises utilizing Building standard materials not to exceed $7,000 in reimbursement, (b) the actual cost of installing sprinkler loops in the Premises not to exceed $140,000 in reimbursement, (c) the actual cost of the Core Bathroom Work not to exceed $300,000 in reimbursement and (d) up to $12,630,360 in reimbursement for the actual cost of all other items of Tenant's Initial Alterations (including, without limitation, the reasonable costs of architects, consultants, engineers and expediters but excluding any (1) costs and expenses incurred in connection with furnishing and decorating the Premises, other than floor coverings [but not area rugs] and wall coverings, including, without limitation, the cost of drapes, furniture, trade fixtures and business equipment [other than wiring and cabling therefor] to be located therein, and (2) so-called "soft costs" of such work [other than the aforesaid architects, engineers, expediters and consultants fees]) (collectively, "Landlord's Contribution"). The Tenant shall not necessarily forfeit its right to all or any portion of Landlord's Contribution as the result of a monetary or nonmonetary default which exists when it requests reimbursement but shall be entitled to receive all or the applicable portion of Landlord's Contribution once any such default has been cured provided that this Lease shall then be in full force and effect. The Tenant or an authorized representative of the Tenant designated by the Tenant in a notice to the Landlord (the "Authorized Representative") may request draws for such reimbursement no more often than once

a month. Such requests shall only be with respect to work for which the Tenant has not theretofore been paid by the Landlord. Each request shall be accompanied by, and reimbursement shall be conditioned upon receipt of, (i) a certificate executed by the Tenant's architect stating that, to the best of its knowledge based on its periodic on-site observation of Tenant's Initial Alterations, the work for which payment is requested has been completed in a good and workmanlike manner and in accordance with the Working Drawings to the extent required hereunder and all applicable Requirements, and identifying the work for which reimbursement is requested or, with respect to reimbursable expenses not covered by the general contract for Tenant's Initial Alterations, a certificate or other document addressing the same subject matter executed by the Tenant's architect, the Tenant or the Authorized Representative (it being understood that any such certificate executed by the Authorized Representative shall be deemed to have been executed by the Tenant), and (ii) evidence reasonably satisfactory to the Landlord that such contractor, subcontractor or materialman has waived and released any lien theretofore filed by it against the Premises or the Building arising as a result of the Tenant's Initial Alterations and, further, has been paid for and has waived and released its right to file any such lien with respect to the portion of the work for which payment is requested, provided, that to the extent that the original named Tenant only is unable to provide any such lien waiver, the Landlord agrees to accept an indemnity of the original named Tenant only, with respect to any such contractor's or subcontractor's right to file a lien with respect to such work in lieu thereof provided that the amount(s) covered by such indemnity (indemnities) shall never exceed $1,000,000 in the aggregate. Within 30 days after receipt of such request and the required ancillary documentation, the Landlord shall reimburse to the Tenant the amount set forth in the approved invoice or invoices, less 10% (or, at the Tenant's option, 5% after 80% of the work under any particular contract or subcontract has been completed) of the amount of such invoice for retainage (except to the extent that the requested amounts reflect amounts due to consultants or retainage held back by the Tenant from the contract or (s)) and less the amount of any outstanding lien filed against the Premises or the Building by reason of the performance of Tenant's Initial Alterations, and except to the extent that the Landlord reasonably believes that there is a deficiency in the request or documentation or that the amount requested is in excess of the limitation on the individual or aggregate reimbursement referred to above.

30.7. Either party shall have the right to require any dispute under this Article 30 to be referred to arbitration in accordance with Article 35. In the event and to the extent that the Landlord fails to make any progress payment in respect of Landlord's Contribution pursuant to Section 30.6 which (a) has been approved for payment by the Landlord or (b) has been determined to be due to the Tenant in an arbitration proceeding in accordance with Article 35, the Tenant shall have the right to offset the amount of such progress payment against the Rent payable under this Lease with interest thereon at the Interest Rate from the date such payment was first due to the Tenant.

ARTICLE THIRTY-ONE
Option Space

31.1. (a) The Landlord hereby grants to the Tenant an option, exercisable as hereinafter provided, to lease all of the rentable area located on the 43rd floor of the Building (known as Block 1265, Lot 1047) substantially as shown hatched on the diagram attached hereto as Exhibit E ("Option Space") for a term commencing on the Option Space Term Commencement Date and ending on the expiration date of the term of this Lease as it may be extended pursuant to Article 32 (or on such earlier date upon which said term may expire or be terminated pursuant to / this Lease or pursuant to law). The parties agree that, for all purposes of this Lease, the Option Space shall be deemed to contain 33,070 rentable square feet. The Tenant may exercise its option with respect to the Option Space only by Notifying the Landlord of its election on or prior to the Option Exercise Date (as to which date time is of the essence). The "Option Exercise Date" shall mean the date occurring 15 months prior to the Anticipated Vacancy Date. The "Anticipated Vacancy Date" shall be the date the Landlord in good faith anticipates that the Option Space will be vacant, as set forth in a notice (the "Anticipated Vacancy Notice") delivered to Tenant reasonably promptly following the Landlord's leasing of the Option Space to a third party (or parties), provided that the Anticipated Vacancy Date shall in no event occur prior to the 10th anniversary of the term commencement date nor subsequent to the 12th anniversary of the term commencement date. If the Landlord does not give an Anticipated Vacancy Notice by the date occurring 19 months prior to the 10th anniversary of the term commencement date, the Anticipated Vacancy Date shall be deemed to be such 10th anniversary and the Option Exercise Date shall be the date occurring 15 months prior thereto. If the Landlord gives an Anticipated Vacancy Notice, then such Anticipated Vacancy Notice shall set forth the Option Exercise Date. Notwithstanding anything herein contained to the contrary, the Landlord shall have the right, subsequent to the giving of an Anticipated Vacancy Notice, to give a subsequent Anticipated Vacancy Notice and to revise the Anticipated Vacancy Date (it being stipulated, however, that the Landlord may not accelerate or postpone the prior Anticipated Vacancy Date by more than one year and that the Anticipated Vacancy Date shall in no event occur prior to the 10th anniversary of the term commencement date or later than the 12th anniversary of the term commencement date), in which case (i) if the Tenant has not previously exercised its option with respect to the Option Space, the Option Exercise Date shall mean the date occurring either (x) 15 months prior to the revised Anticipated Vacancy Date if the revised Anticipated Vacancy Date is to occur 19 months or more after the date on which such subsequent Anticipated Vacancy Notice is given or (y) 4 months after the date on which such subsequent Anticipated Vacancy Notice is given if the revised Anticipated Vacancy Date is to occur within 19 months after the date on which such subsequent Anticipated Vacancy Notice is given and (ii) the revised Anticipated Vacancy Date set forth in the last Anticipated Vacancy Notice given by the Landlord shall be deemed to be the "Anticipated Vacancy Date" for purposes of this Article 31. The Tenant shall not have any claim against the Landlord nor any right to rescind this Lease and the Landlord shall not be liable if the Landlord is unable to obtain vacant possession of the Option Space, whether before or after the Anticipated Vacancy Date, provided that so long as the Tenant's option under this Article 31 is in effect, the Landlord shall not enter into a lease conveying any portion of the Option Space that expires after the 12th anniversary of the term commencement date and subject to the Landlord's

obligation to use commercially reasonable efforts to obtain possession of the Option Space on the Anticipated Vacancy Date including the institution and prosecution of summary proceedings or other appropriate legal action to obtain possession of the Option Space. The foregoing sentence shall constitute "an express provision to the contrary" as such phrase is used in Section 223-a of the Real Property Law of the State of New York and shall constitute a waiver of the Tenant's rights pursuant to such Section 223-a and any other law of like import now or hereafter in force; provided that the Tenant shall have the right to revoke its exercise of its option with respect to the Option Space if the Landlord has not delivered the Option Space in accordance with this Article 31 within one year after the Anticipated Vacancy Date by notice given by the Tenant to the Landlord within 30 days after the end of such one-year period and prior to delivery of the Option Space.

(b) With reasonable promptness after the exercise of the option with respect to the Option Space, the Landlord and the Tenant shall execute and deliver an amendment to this Lease confirming the leasing of the Option Space.

(c) If the Tenant shall timely exercise its option with respect to the Option Space, then, on and after the Option Space Term Commencement Date, the Option Space shall be demised to the Tenant subject to and upon all of the provisions of this Lease except (1) such provisions of this Lease as have been rendered inapplicable by the passage of time, (2) the fixed rent per annum reserved under this Lease shall be deemed increased on and after the six month anniversary of the Option Space Term Commencement Date by the Option Space Fixed Rent, and (3) the term "Premises" as used in this Lease shall be deemed to include the Option Space.

(d) The term "Option Space Term Commencement Date" shall mean the date on which the Landlord delivers vacant and broom-clean possession of Option Space to the Tenant, but in no event prior to the 10th anniversary of the term commencement date (it being stipulated that the Landlord shall give the Tenant at least 60 days' prior notice if the Option Space Term Commencement shall occur prior to the Anticipated Vacancy Date).

(e) The term "Option Space Fixed Rent" shall mean an annual amount equal to the product of the rentable square foot area of the Option Space multiplied by the then fixed rent per annum per rentable square foot of space in the Premises (other than the Option Space) as shown on Exhibit B annexed hereto.

31.2. The Tenant shall accept the Option Space in its "as-is" condition on the Option Space Term Commencement Date, and the Landlord shall have no obligation to perform any work or make any contribution in respect of the Option Space (including, without limitation, any Landlord's Contribution (or any contribution or payment similar or dissimilar to the payments to be made by the Landlord pursuant to Section 30.6)).

31.3. The Tenant shall not exercise the option described in this Article Thirty-one unless the Tenant and the Tenant's Affiliates will occupy the Option Space for the normal conduct of their respective businesses.

31.4. The Tenant shall have the right to effectuate the leasing of the Option Space and any notice of its election to lease the Option Space shall be effective only if, both at the time the Tenant gives such notice and at the Option Space Term Commencement Date, (a) no monetary or material non-monetary default shall exist beyond any applicable notice or cure period and (b) the Tenant (and its Affiliates) occupies not less than 70% of the Premises for the normal conduct of its business.

31.5. If the Tenant fails to timely exercise its option with respect to the Option Space, then the Tenant shall have no further rights under this Article Thirty-One to lease the Option Space.

ARTICLE THIRTY-TWO
Renewal Option

32.1. (a) The Tenant may elect to extend and renew the term of this Lease for one additional period as hereinafter provided by giving written notice thereof to the Landlord, which said notice shall be given not less than 548 days prior to the then scheduled expiration date of the term. Upon and in the event of the giving of such notice in a timely manner, the initial term of this Lease shall (unless said term shall sooner have expired or terminated pursuant to any of the conditions of limitation or other provisions of this Lease or pursuant to law) be deemed extended and renewed for one additional period of five years (herein called the "First Renewal Term"), namely, the period commencing immediately on the expiration of the initial term and ending at 11.59 p.m. on the last day of the sixth month following the twenty-second (22nd) anniversary of the term commencement date (subject to earlier termination pursuant to any of the conditions of limitation or provisions of this Lease or pursuant to law) and any reference in this Lease to the term hereof shall be deemed to include the First Renewal Term, such extension and renewal to be subject to and upon all of the terms and conditions of this Lease (including, without limitation, Article Twenty-four hereof) except that during the First Renewal Term the fixed rent payable hereunder shall be the First Renewal Term Fixed Rent. In applying the provisions of Article Twenty-four hereof on and after the first day of the Renewal Term, subparagraphs (h) and (i) of Section 24.3 of Article Twenty-four shall be deemed to read, respectively, "'Base Real Estate Taxes' shall mean the RE. Tax Share of the Real Estate Taxes for the Tax Year ending immediately prior to the year in which the First Renewal Term commences and 'Base COM' shall mean the O.E. Share of the Cost of Operation and Maintenance for the Computation Year ending immediately prior to the year in which the First Renewal Term commences". The "First Renewal Term Fixed Rent" shall be 90% of the annual Fair Market Rental Value (determined in accordance with the provisions of this Article) for the First Renewal Term.

(b) Notwithstanding anything contained to the contrary herein, if the Tenant disputes the Landlord's estimate of the Fair Market Rental Value for the Renewal Term in accordance with Section 32.5 and the Referee selects the Landlord's estimate to be the Fair Market Rental Value pursuant to Section 32.6, the Tenant shall have the right to withdraw and rescind its exercise of its option to extend the term of this Lease for the First Renewal Term by

notice to the Landlord given within 30 days after the Fair Market Rental Value for the First Renewal Term is finally determined and notice thereof is given to the Tenant. In such event the term of this Lease shall cease and expire on the last day of the 18th month following the giving of such recission notice by the Tenant as if such day were set forth herein as the expiration date hereof. Notwithstanding anything contained to the contrary herein, if the Tenant so rescinds its exercise of the option to extent the term of this Lease, (i) the fixed rent payable hereunder for the period commencing on the first day following the expiration date of the initial term and ending on the last day of said approximately 18th month period shall be the greater of (x) the sum of (1) the rate of the annual fixed rent payable under this Lease on the day preceding what would have been the first day of the First Renewal Term (without giving effect to any existing abatement of fixed rent then in effect on such next preceding day other than any abatement under Article Ten) plus (2) the amount payable by the Tenant to the Landlord pursuant to Article Twenty-four (without giving effect to any existing abatement of fixed rent then in effect on such next preceding day other than any abatement under Article Ten hereof) for the Tax Year and the Computation Year ending immediately prior to the year in which the First Renewal Term would have commenced and (y) 100% of the Fair Market Rental Value as determined in accordance with the provisions of this Article 32 and (ii) the provisions of Article 24 shall be modified for such extension period as set forth in Section 32.1 (a).

32.2. The Tenant shall have no further right to extend or renew the term hereof for any period subsequent to the expiration of the First Renewal Term except as provided below with respect to the Second Renewal Term.

32.3. (a) Provided the First Renewal Term shall have been effectuated (and the Tenant shall not have rescinded same) pursuant to the foregoing provisions of this Article 32, the Tenant may further elect to extend and renew the term of this Lease for one additional period as hereinafter provided by giving written notice thereof to the Landlord, which notice shall be given not less than 548 days prior to the then scheduled expiration date of the term. Upon and in the event of the giving of such notice in a timely manner, the term of this Lease shall (unless said term shall sooner have expired or terminated pursuant to any of the conditions of limitation or other provisions of this Lease or pursuant to law) be deemed extended and renewed for one additional period of five years (herein called the "Second Renewal Term"), namely, the period commencing immediately on the expiration of the First Renewal Term and ending at 11:59 p.m. on the last day of the sixth month following the 27th anniversary of the term commencement date (subject to earlier termination pursuant to any of the conditions of limitation or provisions of this Lease or pursuant to law) and any reference in this Lease to the term hereof shall be deemed to include the Second Renewal Term, such extension and renewal to be subject to and upon all of the terms and conditions of this Lease (including, without limitation, Article Twenty-four hereof) except that during the Second Renewal Term the fixed rent payable hereunder shall be the Second Renewal Term Fixed Rent. In applying the provisions of Article Twenty-four hereof on and after the first day of the Renewal Term, subparagraphs (h) and (i) of Section 24.3 of Article Twenty-four shall be deemed to read, respectively, "'Base Real Estate Taxes' shall mean the R.E. Tax Share of the Real Estate Taxes for the Tax Year ending immediately prior to the year in which the Second Renewal Term commences and 'Base COM' shall mean the O.E. Share of the Cost of Operation and Maintenance for the Computation Year ending immediately prior to the year in which the

Second Renewal Term commences". The "Second Renewal Term Fixed Rent" shall be 90% of the Fair Market Rental Value (determined in accordance with the provisions of this Article) for the Second Renewal Term.

(b) Notwithstanding anything to the contrary contained herein, if the Tenant disputes the Landlord's estimate of the Fair Market Rental Value for the Renewal Term in accordance with Section 32.5 and the Referee selects the Landlord's estimate to be the Fair Market Rental Value pursuant to Section 32.6. the Tenant shall have the right to withdraw and rescind its exercise of its option to extend the term of this Lease for the Second Renewal Term by notice to the Landlord given within 30 days after the Fair Market Rental Value for the Second Renewal Term is finally determined and notice thereof is given to the Tenant. In such event the term of this Lease shall cease and expire on the last day of the 18th month following the giving of such recission notice by the Tenant as if such day were set forth herein as the expiration date hereof. Notwithstanding anything herein contained to the contrary, if the Tenant so rescinds its exercise of the option to extend the term of this Lease, (i) the fixed rent payable hereunder for the period commencing on the first day following the expiration date of the First Renewal Term and ending on the last day of said approximately 18th month period shall be the greater of (x) the sum of (1) the rate of the annual fixed rent payable under this Lease on the day preceding what would have been the first day of the Second Renewal Term (without giving effect to any existing abatement of fixed rent then in effect on such next preceding day other than any abatement under Article Ten) plus (2) the amount payable by the Tenant to the Landlord pursuant to Article Twenty-four (without giving effect to any existing abatement of fixed rent then in effect on such next preceding day other than any abatement under Article Ten hereof) for the Tax Year and the Computation Year ending immediately prior to the year in which the Second Renewal Term would have commenced and (y) 100% of the Fair Market Rental Value as determined in accordance with the provisions of this Article 32 and (ii) the provisions of Article 24 shall be modified for such extension period as set forth in Section 32.3(a).

32.4. The term "Fair Market Rental Value" as used herein shall mean the amount which a willing tenant would agree to pay and a willing landlord would agree to accept (in each case within a reasonable period of time) as the fixed annual rent hereunder as of the commencement date of the applicable Renewal Term, for a block of space of identical size in comparable buildings in midtown Manhattan for the 5-year period of the Renewal Term, giving due consideration to all of the facts and circumstances such a landlord and such a tenant would consider relevant, including, without limitation, the other terms and conditions of this Lease applicable during such Renewal Term and, in the case of the First Renewal Term, the remaining renewal option of the Tenant. The term "Renewal Term" as used herein shall mean the First Renewal Term or the Second Renewal Term, as the case may be.

32.5. If the Tenant has exercised a renewal option, the Landlord shall, at least 12 months prior to the then scheduled expiration date of this Lease but for the renewal in question, notify the Tenant of the amount that the Landlord estimates to be the Fair Market Rental Value for the Renewal Term in question. If the Tenant does not dispute such amount within 30 days thereafter, such amount shall become the fixed rent for the Renewal Term. If the Tenant disputes such amount, the Tenant shall notify the Landlord of the Tenant's estimate of the Fair Market

Rental Value within such 30 days. If the Landlord and the Tenant cannot agree on the Fair Market Rental Value within 30 days thereafter, during which time the parties may notify one another of modifications of their respective estimates of the Fair Market Rental Value, then the fixed rent shall be determined by arbitration pursuant to Section 32.6 hereof.

32.6. If the fixed rent for the Renewal Term, as expressed by the Fair Market Rental Value, is to be determined by arbitration, the same shall be conducted in accordance with the rules and regulations of the American Arbitration Association. The parties hereto shall attempt to agree on a single arbitrator (the "Referee"). The Referee must be a real estate broker licensed by the State of New York who is a member of the Real Estate Board of New York, Inc. and either a Senior Commercial Appraiser of the Society of Real Estate Appraisers or a member of the American Institute of Real Estate Appraisers, and in any event with at least 10 years of experience in the leasing of office space in major office buildings in the Borough of Manhattan, in the City of New York. If the parties hereto cannot agree on the appointment of the Referee within 15 days after their failure to agree on Fair Market Rental Value, either party may request the American Arbitration Association (or any successor thereto, the "AAA") to appoint a Referee meeting the foregoing requirements. If the AAA shall refuse to appoint such Referee or fail to do so within 15 days of the request, or if the AAA shall then no longer be in existence, either party hereto, on behalf of both, may apply to the Supreme Court in the County of New York for the appointment of such Referee, and the other party shall not raise any objection as to the Court's full power and jurisdiction to entertain the application and make such appointment. Within 15 days after the selection of the Referee, the parties shall submit to the Referee their respective last estimates of the Fair Market Rental Value for the Renewal Term. During the 30 days following the selection of the Referee, the parties may submit to the Referee such evidence as they may deem relevant to the determination of the Fair Market Rental Value. Within 20 days following such 30 day period, the Referee shall select one of the estimates to be the Fair Market Rental Value and give notice thereof to the Landlord and the Tenant. Under no circumstances may the Referee modify or disregard any provision of this Lease and the jurisdiction of the Referee is restricted accordingly. The Referee's decision shall be final, conclusive on the parties and enforceable by any court of competent jurisdiction. Each party shall pay the fees and expenses of such party's attorneys and witnesses. The fees and expenses of the Referee and all other expenses of the arbitration shall be borne by the parties equally.

32.7. If the annual fixed rent for the Renewal Term shall not be determined prior to the first day of the Renewal Term, the Tenant shall pay an interim fixed rent for the period commencing on the first day of such Renewal Term and ending on the last day of the month in which such annual fixed rent is determined at the annual rate of Rent in effect hereunder on the day preceding the first day of the Renewal Term (without giving effect to any existing abatement of fixed rent in effect on such next preceding day other than any abatement under Article Ten hereof; provided, that any existing abatement of fixed rent shall apply with respect to the payment of such fixed rent if required pursuant to any provision of this Lease — e.g., an abatement because of fire damage to a portion of the Premises). When the annual fixed rent for the Renewal Term is determined, the fixed rent for such period shall be recomputed upon the basis of such annual fixed rent so determined and if such recomputed fixed rent for such period is in excess of such interim fixed rent so paid for such period, the Tenant shall promptly pay to the Landlord an amount equal

to such excess. Conversely, if such recomputed fixed rent for such period is less than such interim fixed rent so paid for such period, the Landlord shall apply such amount against the next installment or installments of fixed rent coming due under this Lease.

32.8. When the Fair Market Rental Value shall be agreed upon or established as herein provided, the Landlord and the Tenant shall execute and deliver an amendment to this Lease specifying the fixed rent payable for the Renewal Term.

32.9. At the Tenant's request, the Landlord shall negotiate in good faith with the Tenant during the 60 days prior to the date by which the Tenant is required to give notice of its election to renew the term of this Lease to establish the fixed annual rent for the Renewal Term. The parties shall not be bound by any proposals made during such period in determining the Fair Market Rental pursuant to Section 32.5 nor shall same be evidentiary of the Fair Market Rental Value for purposes of any arbitration pursuant to Section 32.6.

32.10. The Tenant shall have the right to effectuate a Renewal Term and any notice of its election to extend the term shall be effective only if, both at the time the Tenant gives notice of its election to extend the term and at the commencement of the Renewal Term, (a) no monetary or material non-monetary default shall exist beyond any applicable notice or cure period and (b) the Tenant (and such Tenant's Affiliates) occupies not less than 70% of the Premises for the normal conduct of its business.

ARTICLE THIRTY-THREE
51st Floor Offer Space

(a) If from time to time the Landlord intends to lease all of the rentable area located on the 51st floor of the Building (known as Block 1265, Lot 1055) substantially as shown hatched on the diagram attached hereto as Exhibit F (the "51st Floor") to a third party (other than to any then existing tenant or occupant thereof), and if there is then at least five years remaining before the expiration of the term of this Lease (as the same may then have been extended pursuant to Article 32), the Landlord shall give the Tenant a notice (the "Offer Notice") stating the date that the Landlord anticipates that the 51st Floor will be available for occupancy by the Tenant (the "Anticipated 51st Floor Date"). The Tenant shall have the option, exercisable by giving a notice to the Landlord within 60 days after the giving of the Offer Notice by the Landlord, to lease the 51st Floor for a term commencing on the 51st Commencement Date and ending on the expiration date of the term of the Lease as it may be extended pursuant to Article 32 hereof (or such earlier date upon which said term may expire or be terminated pursuant to this Lease or pursuant to law). The parties agree that, for all purposes of this Lease, the 51st Floor shall be deemed to contain 31,405 rentable square feet. The Tenant may exercise its option with respect to the 51st Floor only by notifying the Landlord of its election within 60 days after the Offer Notice (time being of the essence). The Tenant shall not have any claim against the Landlord nor any right to rescind this Lease and the Landlord shall not be liable if the Landlord is unable to obtain vacant possession of the 51st Floor, whether before or after the Anticipated 51st Floor Date, subject to the Landlord's obligation to use commercially reasonable efforts to obtain possession of the 51st

Floor on the Anticipated 51st Floor Date including the institution and prosecution of summary proceedings or other appropriate legal action to obtain possession of the 51st Floor. The foregoing sentence shall constitute "an express provision to the contrary" as such phrase is used in Section 223-a of the Real Property Law of the State of New York and shall constitute a waiver of the Tenant's right pursuant to such Section 223-a and any other law of like import now or hereafter in force; provided that the Tenant shall have the right to revoke its exercise of its option with respect to the 51st Floor if the Landlord has not delivered the 51st Floor in accordance with this Article 33 within one year after the Anticipated 51st Floor Date by notice given by the Tenant to the Landlord within 30 days after the end of such one-year period and prior to delivery of the 51st Floor.

(b) With reasonable promptness after the exercise of the option with respect to the 51st Floor, the Landlord and the Tenant shall execute and deliver an amendment to this Lease confirming the leasing of the 51st Floor.

(c) If the Tenant shall timely exercise its option with respect to the 51st Floor then, on and after the 51st Commencement Date, the 51st Floor shall be demised to the Tenant subject to and upon all of the provisions of this Lease except (1) such provisions of this Lease as have been rendered inapplicable by the passage of time, (2) the fixed rent per annum reserved under this Lease shall be deemed increased on and after the 51st Commencement Date by the 51st Fixed Rent, and (3) the term "Premises" as used in this Lease shall be deemed to include the 51st Floor. If the Tenant fails to timely exercise its one-time option with respect to the 51st Floor, the Tenant shall have no further rights with respect to the 51st Floor.

(d) The term "51st Commencement Date" shall mean the date on which the Landlord delivers vacant and broom-clean possession of the 51st Floor to the Tenant, but in no event prior to the Anticipated 51st Floor Date.

(e) The term "51st Fixed Rent" shall mean the greater of (i) an annual amount equal to the product of the rentable square foot area of the 51st Floor multiplied by the then fixed rent per annum per rentable square foot of space in the Premises (other than the 51st Floor) as shown on Exhibit B annexed hereto (the "Stated 51st Fixed Rent"), and (ii) the 51st FMV. If the Landlord states in the Offer Notice that the 51st Fixed Rent shall be the Stated 51st Fixed Rent, then that shall be the 51st Fixed Rent. If the Landlord does not so state, then the Landlord shall state in the Offer Notice the Landlord's estimate of what the 51st FMV is. If the Tenant does not object to the Landlord's estimate in the Tenant's exercise of its option with respect to the 51st Floor, then the Tenant shall be deemed to have accepted such estimate. If the Tenant does object, the Tenant shall set forth the Tenant's estimate of the 51st FMV in the Tenant's exercise of its option with respect to the 51st Floor. If the Landlord and the Tenant cannot agree on the 51st FMV within 30 days thereafter, during which time the parties may notify one another of modifications of their respective estimates of the 51st FMV, then the 51st Fixed Rent shall be determined by arbitration pursuant to Section 32.6 except that all references therein to "Renewal Term" and "Fair Market Rental Value" shall be deemed to be references to "51st Floor" and "51st FMV", respectively. The term "51st FMV" as used herein shall mean the amount which a willing tenant would agree to pay and a willing landlord would agree to accept (in each case within a

reasonable period of time) as the fixed annual rent hereunder as of the 51st Commencement Date for a block of space of identical size to the 51st Floor in comparable buildings in midtown Manhattan for a period of time equal to the then remaining term of this Lease, giving due consideration to all of the facts and circumstances such a landlord and such a tenant would consider relevant, including, without limitation, the other terms and conditions of this Lease.

(f) If the 51st Fixed Rent shall not be determined prior to the 51st Commencement Date, the Tenant shall pay an interim fixed rent for the period commencing on the 51st Commencement Date and ending on the last day of the month in which the 51st Fixed Rent is determined at the Stated 51st Fixed Rent. When the 51st Fixed Rent is determined, said interim fixed rent for such period shall be recomputed upon the basis of the 51st Fixed Rent so determined and if such recomputed 51st Fixed Rent for such period is in excess of such interim fixed rent so paid for such period, the Tenant shall promptly pay to the Landlord an amount equal to such excess. Conversely, if such recomputed 51st Fixed Rent for such period is less than such interim fixed rent so paid for such period, the Landlord shall apply such amount against the next installment or installments of fixed rent coming due under this Lease.

(g) When the 51st Fixed Rent shall be agreed upon or established as herein provided, the Landlord and the Tenant shall execute and deliver an amendment to this Lease specifying the fixed rent payable for the 51st Floor.

(h) The Tenant shall have the right to effectuate the leasing of the 51st Floor and any notice of its election to lease the 51st Floor shall be effective only if, both at the time the Tenant gives notice of its election to lease the 51st Floor and on the 51st Commencement Date, (i) no monetary or material non-monetary default shall exist beyond any applicable notice or cure period and (ii) the Tenant (and such Tenant's Affiliates) occupies not less than 70% of the Premises for the normal conduct of its business.

ARTICLE THIRTY-FOUR
50th Floor Option Space

34.1. (a) (i) The Landlord hereby grants to the Tenant an option ("Option A"), exercisable as hereinafter provided, to lease all of the rentable area of the 50th floor of the Building (known as Block 1265, Lot 1054) substantially as shown hatched on the diagram attached hereto as Exhibit G-1 (the "50th Floor Option Space") for a term commencing on the term commencement date and ending on the expiration date of the term of this Lease as it may be extended pursuant to Article 32 (or on such earlier date upon which said term may expire or be terminated pursuant to this Lease or pursuant to law). The parties agree that, for all purposes of this Lease, the 50th Floor Option Space shall be deemed to contain 30,993 rentable square feet. The Tenant may exercise Option A only by notifying the Landlord of its election on or prior to April 30, 1994 (as to which date time is of the essence). If the Tenant fails to exercise Option A, the Tenant shall pay $150,000 to the Landlord on April 30, 1994.

(ii) The Landlord hereby grants to the Tenant an option ("Option B"), exercisable as hereinafter provided, to lease the portion of the 50th Floor Option Space substantially as shown hatched and designated as Option B on the diagram attached hereto as Exhibit G-2 (the "Option B Space" which, together with the Option C Space, constitutes, if both Option B and Option C are exercised, all of the rentable area of the 50th Floor of the Building), for a term commencing on the Option B Space Term Commencement Date and ending on the expiration date of the term of this Lease as it may be extended pursuant to Article 32 (or on such earlier date upon which said term may expire or be terminated pursuant to this Lease or pursuant to law). The parties agree that, for all purposes of this Lease, the Option B Space shall be deemed to contain 18,222 rentable square feet. The Tenant may exercise Option B only by notifying the Landlord of its election on or prior to the Option B Exercise Date (as to which date time is of the essence). The "Option B Exercise Date" shall mean the date occurring one year prior to the Option B Anticipated Vacancy Date. The "Option B Anticipated Vacancy Date" shall be the date the Landlord in good faith anticipates that the Option B Space will be vacant, as set forth in a notice (the "Option B Anticipated Vacancy Notice") delivered to the Tenant reasonably promptly following the Landlord's leasing of the Option B Space to a third party (or parties), provided that the Option B Anticipated Vacancy Date shall in no event occur prior to the 5th anniversary of the term commencement date nor subsequent to the 7th anniversary of the term commencement date. If the Landlord does not give an Option B Anticipated Vacancy Notice by the date which is four months prior to the 4th anniversary of the term commencement date, the Option B Anticipated Vacancy Date shall be deemed to be the 5th anniversary of the term commencement date and the Option B Exercise Date shall be the 4th anniversary of the term commencement date. If the Landlord gives an Option B Anticipated Vacancy Notice, then such Option B Anticipated Vacancy Notice shall set forth the Option B Exercise Date. Notwithstanding anything herein contained to the contrary, the Landlord shall have the right, subsequent to the giving of an Option B Anticipated Vacancy Notice, to give a subsequent Option B Anticipated Vacancy Notice and to revise the Option B Anticipated Vacancy Date (it being stipulated, however, that the Landlord may not accelerate or postpone the prior Option B Anticipated Vacancy Date by more than one year and that the Option B Anticipated Vacancy Date shall in no event occur prior to the 5th anniversary of the term commencement date or later than the 7th anniversary of the term commencement date), in which case (x) if the Tenant has not previously exercised Option B, the Option B Exercise Date shall mean the date occurring either (1) one year prior to the revised Option B Anticipated Vacancy Date if the revised Option B Anticipated Vacancy Date is to occur one year and four months or more after the date on which such subsequent Option B Anticipated Vacancy Notice is given or (2) 4 months after the date on which such subsequent Option B Anticipated Vacancy Notice is given if the revised Option B Anticipated Vacancy Date is to occur within one year and four months after the date on which such subsequent Option B Anticipated Vacancy Notice is given and (y) the revised Option B Anticipated Vacancy Date set forth in the last Option B Anticipated Vacancy Notice given by the Landlord shall be deemed to be the "Option B Anticipated Vacancy Date" for purposes of this Article 34.

(iii) The Landlord hereby grants to the Tenant an option ("Option C"), exercisable as hereinafter provided, to lease the portion of the 50th Floor Option Space substantially as shown hatched and designated as Option C on the diagram attached hereto as

Exhibit G-2 or, if the Option B Space shall be demised to the Tenant hereunder, Exhibit G-3 (in either case, the "Option C Space"), for a term commencing on the Option C Space Term Commencement Date and ending on the expiration date of the term of this Lease as it may be extended pursuant to Article 32 (or on such earlier date upon which said term may expire or be terminated pursuant to this Lease or pursuant to law). The parties agree that, for all purposes of this Lease, the Option C Space shall be deemed to contain (A) 11,932 rentable square feet if the Option B Space shall not be demised hereunder to the Tenant or (B) 12,771 rentable square feet if the Option B Space shall be demised hereunder to the Tenant. The Tenant may exercise Option C only by notifying the Landlord of its election on or prior to the Option C Exercise Date (as to which date time is of the essence). The "Option C Exercise Date" shall mean the date occurring one year prior to the Option C Anticipated Vacancy Date. The "Option C Anticipated Vacancy Date" shall be the date the Landlord in good faith anticipates that the Option C Space will be vacant, as set forth in a notice (the "Option C Anticipated Vacancy Notice") delivered to the Tenant reasonably promptly following the Landlord's leasing of the Option C Space to a third party (or parties), provided that Option C Anticipated Vacancy Date shall in no event occur prior to the 7th anniversary of the term commencement date nor subsequent to the 9th anniversary of the term commencement date. If the Landlord does not give an Option C Anticipated Vacancy Notice by the date which is four months prior to the 6th anniversary of the term commencement date, the Option C Anticipated Vacancy Date shall be deemed to be the 7th anniversary of the term commencement date and the Option C Exercise Date shall be the 6th anniversary of the term commencement date. If the Landlord gives an Option C Anticipated Vacancy Notice, then such Option C Anticipated Vacancy Notice shall set forth the Option C Exercise Date. Notwithstanding anything herein contained to the contrary, the Landlord shall have the right, subsequent to the giving of an Option C Anticipated Vacancy Notice, to give a subsequent Option C Anticipated Vacancy Notice and to revise the Option C Anticipated Vacancy Date (it being stipulated, however, that the Landlord may not accelerate or postpone the prior Option C Anticipated Vacancy Date by more than one year and that the Option C Anticipated Vacancy Date shall in no event occur prior to the 7th anniversary of the term commencement date or later than the 9th anniversary of the term commencement date), in which case (x) if the Tenant has not previously exercised Option C, the Option C Exercise Date shall mean the date occurring either (1) one year prior to the revised Option C Anticipated Vacancy Date if the revised Option C Anticipated Vacancy Date is to occur one year and four months or more after the date on which such subsequent Option C Anticipated Vacancy Notice is given or (2) 4 months after the date on which such subsequent Option C Anticipated Vacancy Notice is given if the revised Option C Anticipated Vacancy Date is to occur within one year and four months after the date on which such subsequent Option C Anticipated Vacancy Notice is given and (y) the revised Option C Anticipated Vacancy Date set forth in the last Option C Anticipated Vacancy Notice given by the Landlord shall be deemed to be the "Option C Anticipated Vacancy Date" for purposes of this Article 34.

(iv) The Tenant shall not have any claim against the Landlord nor any right to rescind this Lease and the Landlord shall not be liable if the Landlord is unable to obtain vacant possession of the 50th Floor Option Space, the Option B Space or the Option C Space whether before or after the term commencement date, the Option B Anticipated Vacancy Date or the Option C Anticipated Vacancy Date, as the case may be, provided that so long as (x)

Option A is in effect, the Landlord shall not enter into a lease covering the 50th Floor Option Space, (y) Option B is in effect, the Landlord shall not enter into a lease covering the Option B Space that expires after the seventh anniversary of the term commencement date and (z) Option C is in effect, the Landlord shall not enter into a lease covering the Option C Space that expires after the ninth anniversary of the term commencement date and subject to the Landlord's obligation to use commercially reasonable efforts to obtain possession of any such space on the applicable "Anticipated Vacancy Date" including the institution and prosecution of summary proceedings or other appropriate legal action to obtain possession of such space. The foregoing sentence shall constitute "an express provision to the contrary" as such phrase is used in Section 223-a of the Real Property Law of the State of New York and shall constitute a waiver of the Tenant's rights pursuant to such Section 223-a and any other law of like import now or hereafter in force; provided that the Tenant shall have the right to revoke its exercise of Option A, Option B or Option C, as the case may be, if the Landlord has not delivered the applicable Option Space with respect thereto in accordance with this Article 34 within one year after the Anticipated Vacancy Date applicable thereto by notice given by the Tenant to the Landlord within 30 days after the end of such one-year period and prior to delivery of the applicable Option Space.

(b) With reasonable promptness after the exercise of Option A, Option B or Option C, the Landlord and the Tenant shall execute and deliver an amendment to this Lease confirming the leasing of the 50th Floor Option Space, the Option B Space or the Option C Space, as the case may be.

(c) (i) If the Tenant shall timely exercise Option A, then, on and after the term commencement date, the 50th Floor Option Space shall be demised to the Tenant subject to and upon all of the provisions of this Lease except (1) such provisions of this Lease as have been rendered inapplicable by the passage of time, (2) the fixed rent per annum reserved under this Lease shall be deemed increased on and after the term commencement date by the 50th Floor Option Space Fixed Rent, (3) the term "Premises" as used in this Lease shall be deemed to include the 50th Floor Option Space, (4) the Initial Abatement shall be deemed increased by $1,889,281.63, (5) the amounts set forth in Section 30.6(a) and (b), (c) and (d) shall be deemed increased by $1,000, $20,000, $42,857 and $1,859,580, respectively and (6) the Tenant shall be excused from paying to the Landlord any amounts which would otherwise be payable to the Landlord pursuant to Section 7.4(d) on account of any rent payable prior to the fifth anniversary of the term commencement date by a sublessee under a sublease of any part of the 50th Floor Option Space made by the Tenant.

(ii) If the Tenant shall timely exercise Option B, then, on and after the Option B Space Term Commencement Date, the Option B Space shall be demised to the Tenant subject to and upon all of the provisions of this Lease except (1) such provisions of this Lease as have been rendered inapplicable by the passage of time, (2) the fixed rent per annum reserved under this Lease shall be deemed increased on and after the six month anniversary of the Option B Space Term Commencement Date by the Option B Space Fixed Rent, and (3) the term "Premises" as used in this Lease shall be deemed to include the Option B Space.

(iii) If the Tenant shall timely exercise Option C, then, on and after the Option C Space Term Commencement Date, the Option C Space shall be demised to the Tenant subject to and upon all of the provisions of this Lease except (1) such provisions of this Lease as have been rendered inapplicable by the passage of time, (2) the fixed rent per annum reserved under this Lease shall be deemed increased on and after the six month anniversary of the Option C Space Term Commencement Date by the Option C Space Fixed Rent, and (3) the term "Premises" as used in this Lease shall be deemed to include the Option C Space.

(d) (i) The term "Option B Space Term Commencement Date" shall mean the date on which the Landlord delivers vacant and broom-clean possession of the Option B Space to the Tenant, but in no event prior to the 5th anniversary of the term commencement date (it being stipulated that the Landlord shall give the Tenant at least 60 days' prior notice if the Option B Space Term Commencement Date shall occur prior to the Option B Anticipated Vacancy Date).

(ii) The term "Option C Space Term Commencement Date" shall mean the date on which the Landlord delivers vacant and broom-clean possession of the Option C Space to the Tenant, but in no event prior to the 7th anniversary of the term commencement date (it being stipulated that the Landlord shall give the Tenant at least 60 days' prior notice if the Option C Space Term Commencement Date shall occur prior to the Option C Anticipated Vacancy Date).

(e) (i) The term "50th Floor Option Space Fixed Rent" shall mean an annual amount equal to the product of the rentable square foot area of the 50th Floor Option Space multiplied by the then fixed rent per annum per rentable square foot of space in the Premises (other than the 50th Floor Option Space) as shown on Exhibit B annexed hereto.

(ii) The term "Option B Space Fixed Rent" shall mean an annual amount equal to the product of the rentable square foot area of the Option B Space multiplied by the then fixed rent per annum per rentable square foot of space in the Premises (other than the Option B Space) as shown on Exhibit B annexed hereto.

(iii) The term "Option C Space Fixed Rent" shall mean an annual amount equal to the product of the rentable square foot area of the Option C Space multiplied by the then fixed rent per annum per rentable square foot of space of the Premises (other than the Option C Space) as shown on Exhibit B annexed hereto.

34.2 (i) The Tenant shall accept the 50th Floor Option Space in its "as-is" condition on the term commencement date, subject to the performance by the Landlord of the applicable portions of Landlord's Work therein in accordance with to Article 2.

(ii) The Tenant shall accept the Option B Space in its "as-is" condition on the Option B Space Term Commencement Date, and the Landlord shall have no obligation to perform any work or make any contribution in respect of the Option B Space (including, without limitation, any Landlord's Contribution (or any contribution or payment similar or dissimilar to the payments to be made by the Landlord pursuant to Section 30.6)).

(iii) The Tenant shall accept the Option C Space in its "as-is" condition on the Option C Space Term Commencement Date, and the Landlord shall have no obligation to perform any work or make any contribution in respect of the Option C Space (including, without limitation, any Landlord's Contribution (or any contribution or payment similar or dissimilar to the payments to be made by the Landlord pursuant to Section 30.6)).

34.3. The Tenant shall not exercise Option A unless the Tenant and the Tenant's Affiliates intend in good faith to occupy the 50th Floor Option Space subsequent to the 5th anniversary of the term commencement date for the normal conduct of their respective businesses. The Tenant shall not exercise Option B or Option C unless the Tenant and/or the Tenant's Affiliates will occupy the Option B Space or the Option C Space, as the case may be, for the normal conduct of their respective businesses.

34.4. The Tenant shall have the right to effectuate the leasing of the 50th Floor Option Space, the Option B Space and the Option C Space and any notice of its election to exercise Option A, Option B or Option C shall be effective only if, both at the time the Tenant gives such notice and at the term commencement date, the Option B Space Term Commencement Date or the Option C Space Term Commencement Date, as the case may be, (a) no monetary or material non-monetary default shall exist beyond any applicable notice or cure period and (b) the Tenant (and its Affiliates), in the case of the 50th Floor Option Space, intends in good faith to occupy, and in the case of the Option B Space and/or the Option C Space, actually occupies, not less than 70% of the Premises for the normal conduct of its business, as applicable.

34.5. If the Tenant fails to timely exercise Option A, then the Tenant shall have no further rights under this Article 34 to lease the 50th Floor Option Space (except pursuant to Option B and Option C). If the Tenant fails to timely exercise Option B, the Tenant shall have no further rights under this Article 34 to lease the Option B Space. If the Tenant fails to timely exercise Option C, Tenant shall have no further rights under this Article 34 to lease the Option C Space.

34.6. If the Tenant shall exercise Option A, then the Tenant shall be deemed to have waived, and shall have no right to exercise, either Option B or Option C and all of the Tenant's rights with respect to Option B and Option C shall thereafter be deemed to be null, void and of no further force or effect.

ARTICLE THIRTY-FIVE
Arbitration

35.1. Except as specifically provided elsewhere in this Lease, every dispute between the parties which is specifically provided in this Lease to be determined by arbitration shall be submitted to arbitration in the manner hereinafter provided. The party desiring arbitration shall give notice to that effect to the other party and shall in such notice appoint a person as arbitrator on its behalf. Within 15 days of receipt of such notice, the other party by notice to the original party shall appoint a second person as arbitrator on its behalf. The arbitrators thus

appointed shall appoint a third person, and such three arbitrators shall as promptly as possible determine such matter. If the second arbitrator shall not have been appointed as aforesaid, the first arbitrator shall proceed to determine such matter.

35.2. If the two arbitrators appointed by the parties shall be unable to agree, within 10 days after the appointment of the second arbitrator, upon the appointment of a third arbitrator, they shall give written notice to the parties of such failure to agree, and, if the parties fail to agree upon the selection of such third arbitrator within 10 days after the arbitrators appointed by the parties give notice as aforesaid, then within 5 days thereafter either of the parties upon notice to the other party may request such appointment by the AAA, or in its absence, refusal, failure or inability to act, may apply for a court appointment of such arbitrator. Each arbitrator shall be a person who shall have had at least 10 years' professional experience in the County of New York which is directly relevant to the subject matter of the dispute. The arbitration shall be conducted, to the extent consistent with this Article, in accordance with the then prevailing rules of the AAA. The arbitrators shall render their decision and award in writing, within 30 days after the appointment of the third arbitrator. Such decision and award shall be final, conclusive on the parties and enforceable by any court of competent jurisdiction. Under no circumstances may the arbitrators modify or disregard any provision of this Lease and the jurisdiction of the arbitrators is restricted accordingly. Each party shall pay the fees and expenses of the arbitrator appointed by or for such party and the fees and expenses of such party's attorneys and witnesses, and the fees and expenses of the third arbitrator and all other expenses of the arbitration shall be borne by the parties equally.

35.3. Notwithstanding anything contained in this Lease to the contrary, any dispute between the parties arising out of Section 5.1. 24.2(a) or 24.2(c) hereof shall be submitted to arbitration in the manner set forth in this Section 35.3. The party desiring arbitration shall give notice to that effect to the other party. The arbitration shall be conducted in accordance with the rules and regulations of the AAA. The parties hereto shall attempt to agree on a single arbitrator (the "Art. 35 Referee"). The Art. 35 Referee must be a person with at least 10 years of professional experience in the Borough of Manhattan, in the City of New York which is directly relevant to the subject matter of the dispute. If the parties hereto cannot agree on the appointment of the Art. 35 Referee within 15 days after the giving of the notice requesting arbitration, either party may request the AAA to appoint an Art. 35 Referee meeting the foregoing requirements. If the AAA shall refuse to appoint such Art. 35 Referee or fail to do so within 15 days of the request, or if the AAA shall then no longer be in existence, either party hereto, on behalf of both, may apply to the Supreme Court in the County of New York for the appointment of such Art. 35 Referee, and the other party shall not raise any objection as to the Court's full power and jurisdiction to entertain the application and make such appointment. Within 15 days after the selection of the Art. 35 Referee, the parties shall submit to the Art. 35 Referee their respective determinations of what amount is properly due to the Landlord hereunder in connection with the dispute in question. During the 30 days following the selection of the Art. 35 Referee, the parties may submit to the Art. 35 Referee such evidence as they may deem relevant. Within 20 days following such 30 day period, the Art. 35 Referee shall select either the Landlord's or the Tenant's determination and give notice thereof to the Landlord and the Tenant. Under no circumstances may the Art. 35 Referee modify or disregard any provision of this Lease and the

jurisdiction of the Art. 35 Referee is restricted accordingly. The Art. 35 Referee's decision shall be final, conclusive on the parties and enforceable by any court of competent jurisdiction. Each party shall pay the fees and expenses of such party's attorneys and witnesses. The fees and expenses of the Art. 35 Referee and all other expenses of the arbitration shall be borne by the parties equally.

In Witness Whereof, the Landlord and the Tenant have duly executed this Lease as of the day and year first above written.

ROCKEFELLER CENTER PROPERTIES
By: ROCKEFELLER GROUP, INC.,
a general partner

By: 

Name: /s/ Lorain L. Marlantes
Title: Vice President

Attest:

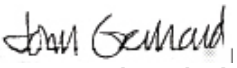
Name: /s/ Gerald W. Blum
Title: Assistant Secretary

LAZARD FRERES & CO.

By: 

Name: /s/ Melvin L. Heineman
Title: General Partner

Witness or Attest:



Name: /s/ John Gerhard, Esq.
Cravath, Swaine & Moore

Exhibit 10.20

[stamp] SINGLE COPY

Our Ref: 23
Tax No.
Account No.: 18132I

ENGLISH TRANSLATION OF
SALE AND LEASEBACK

JULY 11, 1990

LEASE granted by
SICOMIBAIL and FINABAIL to
SCI DU 121 BOULEVARD HAUSSMANN

ALLEZ & ASSOCIÉS, NOTAIRES
Legal Notaries
25, avenue George-V, 75008 Paris, France
Telephone +33 (1) 47 23 61 67 – Fax +33 (1) 47 23 43 45

[stamp]
STAMP DUTIES PAID
Permit No. 1/79
February 15, 1979

On the Eleventh day of July in the year One Thousand Nine Hundred Ninety,

the date on which the present document was signed by the notary,

at 25, avenue George V, Paris (8th district), France,

Notary Guéroult, a partner with the professional firm (*société civile professionelle*) of "ALLEZ & ASSOCIES, NOTAIRES", legal notaries in Paris (8th district), 25 avenue George V, authenticated this instrument at the request of the parties identified below.

IDENTIFICATION OF THE PARTIES

1. COMPAGNIE FINANCIERE POUR LE CREDIT-BAIL IMMOBILIER SICOMIBAIL, a French *société anonyme* (joint stock company), with a management board and a supervisory board, governed by Ordinance 67-837 of September 28, 1967, a credit institution authorized to operate as a financial company and commercial and industrial real estate company, capitalized at FRF 175,000,000, with registered offices at 5 avenue Percier, Paris (8th district), registered in the Paris Trade Register under Number B 329.518.195.

2. SOCIETE POUR LE FINANCEMENT DES IMMEUBLES D'ENTREPRISES FINABAIL, a French *société anonyme*, with a management board and a supervisory board, governed by Ordinance 67-837 of September 28, 1967, a credit institution authorized to operate as a financial company and commercial and industrial real estate company, capitalized at FRF 200,000,000, with registered offices at 5 avenue Percier, Paris (8th district), registered in the Paris Trade Register under Number B 339.804.213.

It is noted that the commercial and industrial real estate companies (SICOMI) are acting severally with respect to the LESSEE and jointly between themselves in the following proportions:

- SICOMIBAIL: 50%
- FINABAIL: 50%

and that SICOMIBAIL is the lead underwriter.

Represented by:
Catherine Baron, residing at 5 avenue Percier, Paris (8th district),
Acting:

- in the name and on behalf of SICOMIBAIL pursuant to the powers granted to her by:

Alain Juliard, Chairman of the Management Board of the said company, reappointed to this office under a resolution adopted by the Supervisory Board on December 17, 1987.

Under the terms of a private proxy agreement signed on October 5, 1989, in Paris, which remains appended to an instrument notarized by the Notarial Office, 25 avenue George V, Paris (8th district), on the same date.

- in the name and on behalf of FINABAIL, as Chief Executive Officer of the said company, appointed to this position under a resolution adopted by the Supervisory Board on December 4, 1986.

The said companies are hereinafter referred to as the LESSOR, party of the first part;

3. The company known as:

"SOCIETE CIVIL IMMOBILIERE DU 121 BOULEVARD HAUSSMANN", an individual civil partnership (*société civile particulière*), capitalized at FRF 17,000,000, divided into 17,000 shares of FRF 1,000, with registered offices at 121 boulevard Haussmann, Paris (8th district),

Duly incorporated under an instrument recorded by Mr. Bailly, a Paris Notary, on September 13, 1977.

Represented by:

Hermann Grunberg, bank manager, residing at 121 boulevard Haussmann, Paris (8th district),

Acting in the name of and as agent for:

Bruno Roger, residing at 121 boulevard Haussmann, Paris (8th district),

Under the powers granted to him for the purposes of this agreement, pursuant to the terms of a signed private proxy dated July 6, 1990, in Paris, which remains appended to the deed of sale for the assets covered by this agreement, notarized on this day by one of the members of the Notarial Office named hereinabove, after reference.

The said Bruno Roger having acted in his capacity as managing partner of the company known as:

MAISON LAZARD ET COMPAGNIE, a French limited partnership (*société en commandite simple*), capitalized at FRF 22,728,000, with registered offices at 12 avenue Percier, Paris (8th district), registered in the Paris Trade Register under Number B 308 983 899 (management number: 77 B 302).

The said company is the manager of SOCIETE CIVIL IMMOBILIERE DU 121 BOULEVARD HAUSSMANN, the LESSEE herein, appointed to this position for a term of one year, renewable thereafter by tacit agreement, under the terms of a resolution adopted by a special shareholders' meeting of the said company on July 15, 1980;

An original copy of the minutes of that meeting was filed with the records of Mr. Bailly, a Paris Notary, on October 14, 1980.

The said Bruno Roger, having all powers for the purposes of this agreement pursuant to a resolution adopted at the partners' meeting on July 5, 1990; a copy of the minutes of the said meeting remains appended to the deed of acquisition for the assets covered by this instrument and analyzed hereinafter.

SOCIETE CIVILE IMMOBILIERE DU 121 BOULEVARD HAUSSMANN, referred to hereinafter as

the "LESSEE", party of the second part;

Which parties, prior to the agreements covered by this instrument, have declared the following:

WHEREAS

A – CONTENTS

SECTION I –	DEFINITIONS	Pages 6-7
SECTION II –	LEASE	Page 7
	Clause 1: Term	Page 11
	Clause 2: Rent	Pages 11-14
	Clause 3: Responsibilities and conditions	Page 15
	a) Occupancy	Pages 15-16
	b) Maintenance – Work	Pages 16-17
	c) General terms and conditions	Page 18
	Clause 4: Charges and taxes	Pages 18-19
	Clause 5: Assignment – Sublease – Management	page 19

	a) Assignment	Pages 19-20
	b) Sublease	Pages 20-21
	c) Management	Page 21
	d) Assignment by the LESSOR	Pages 21
	Clause 6: Liability – Insurance	Page 21
	I – Agreements between the parties	Page 21
	II – Insurance	Page 22
	A – Policies taken out by the LESSOR	Pages 22-23
	B – Policies taken out by the LESSEE	Pages 23-24
	III – Losses:	Page 24
	a) General conditions	Pages 24-26
	b) Partial loss	Pages 26-27
	c) Total loss	Page 27
SECTION III –	COMMITMENT TO SELL	Page 28
	Clause 7: Commitment to sell	Pages 28-29
SECTION IV –	TERMINATION	Page 30
	Clause 8: Termination by the LESSEE	Pages 30-31
	Clause 9: Termination by the LESSOR	Pages 31-32
SECTION V –	EXPROPRIATION	Page 32
	Clause 10: Expropriation	Page 32
	• total expropriation	Pages 32-33
	• partial expropriation	Page 33
	• disputes	Pages 33 and 34
SECTION VI –	OTHER PROVISIONS	Page 34
	Clause 11: Representations	Page 34
	Clause 12: Pledge of the lease	Page 34
	Clause 13: Legal publication	Page 35
	Clause 14: Election of domicile – Jurisdiction	Page 35
	Clause 15: Fees	Page 36

B – ECONOMICS OF THE TRANSACTION

The LESSEE has asked the LESSOR, which has agreed to do so, to finance, under the Sale and Leaseback formula, premises for use as commercial offices located in a building at 121 boulevard Haussmann and 12 avenue Percier, Paris (8th district), more fully described hereinafter and referred to as the BUILDING.

This BUILDING is composed of co-owned lots.

For an understanding of the provisions that follow, the respective roles of the parties in this transaction are specified as follows:

The LESSEE is using this means of financing to become the owner of the BUILDING again, at the expiration of the financial lease agreement, in consideration for an agreed price, after periodic rent payments that include both the financial amortization and the interest on the financial lease.

As such, the LESSEE alone has chosen the BUILDING, assuming in return the risks and liabilities resulting from its standing as the future user of the BUILDING.

This agreement will therefore be governed by the provisions applicable for property sales and leasebacks as defined, in particular, by Law 66-455 of July 2, 1966, and Ordinance 67-837 of September 28, 1967.

C – FEATURES OF THIS TRANSACTION

In addition to the provisions governing the property lease cited hereinafter, this transaction is being entered into pursuant to the provisions of the French General Tax Service memorandum dated June 7, 1977, (BODGI 4-H-3-77).

The LESSEE and its future sub-lessees undertake to comply with the terms and conditions set forth in this instruction, a copy of which has been remitted to them.

D – ACQUISITION BY THE LESSOR

Under the terms of an instrument notarized on this date by the Notarial Office stipulated above, the LESSOR acquired the BUILDING from the LESSEE as described more fully hereinafter.

This acquisition was made in consideration for the amount in principal of THREE HUNDRED NINETY MILLION FRANCS (FRF 390,000,000), paid in cash and discharged in the instrument.

The LESSEE declares that FIFTY EIGHT MILLION FIVE HUNDRED THOUSAND FRANCS (FRF 58,500,000) of the price shall apply to the fractions of the property attached to the co-ownership lots acquired.

A certified copy of this instrument shall be published on the date of this instrument in the first mortgage office of Paris.

E – DEFINITIVE AMOUNT OF THE LEASE

The definitive amount of the lease is FOUR HUNDRED AND ONE MILLION ONE HUNDRED THOUSAND FRANCS (FRF 401,100,000).

NOW THEREFORE, the parties have agreed as follows:

SECTION I – DEFINITIONS

1) Rent: the financial amortization included in each installment plus the interest calculated on the financial balance due.
2) Financial balance due: the amount of the lease still due after payment of each rent installment.
3) AMR: the Monthly Average of the Money Market inter-bank rate.

4) Publication reference of all the rates with the exception of the TAG: INSEE statistical bulletin.

SECTION II – LEASE

The LESSOR hereby leases, pursuant to the provisions of Law 66-455 of July 2, 1966, and Ordinance 67-837 of September 28, 1967, governing real estate leases,

to the LESSEE, which accepts the lease,

the real estate assets and rights described hereinafter and referred to as the “BUILDING”.

DESCRIPTION

Description of the entire building:

A building located at 121 boulevard Haussmann and 12 avenue Percier, Paris (8th district),

with a surface area of approximately One Thousand Eighty square meters (1,080 m²), based on the title deeds and One Thousand Seventy-Nine and Fifty One-Hundredths square meters based on a survey.

The said building contains two sub-basements, one ground floor and six floors,

and is recorded as section 0804 CJ Number 1, for Ten ares and Eighty-One centiares (10 a 81 ca).

CO-OWNERSHIP REGULATIONS AND DESCRIPTIVE DIVISION STATEMENT

The said building is covered by co-ownership regulations containing a descriptive statement of division drawn up in accordance with an instrument notarized by Mr. Bailly, a Paris Notary, on October 30, 1980, a copy of which was published in the first mortgage office of Paris on [date missing from original].

These co-ownership regulations and description of division have not been amended since that date.

Description of the assets covered by this lease

LOT NUMBER SIX (6)

A single building, on the ground floor, various offices, computer equipment rooms, washrooms, storage room and technical room in the basement,

And 349/10,000ths of the general communal areas.

LOT NUMBER FOURTEEN (14)

A single building, on the second floor, offices and service rooms numbered 213-223, Percier washrooms and Percier corridor,

And 394/10,000ths of the general communal areas.

LOT NUMBER FIFTEEN (15)

A single building, on the second floor, offices and service rooms numbered 201-205 and 225-233, 2 unlighted rooms, washrooms and Haussmann corridor,

And 621/10,000ths of the general communal areas.

LOT NUMBER SIXTEEN (16)

A single building, on the second floor, two large rooms numbered 206/209 and 210/212,

And 244/10,000ths of the general communal areas.

LOT NUMBER SEVENTEEN (17)

A single building, on the third floor, offices and service rooms numbered 314-323, corridor serving these rooms,

And 368/10,000ths of the general communal areas.

LOT NUMBER EIGHTEEN (18)

A single building, on the third floor, offices and service rooms numbered 301-307 and 325-333, washrooms and 2 unlighted rooms, Haussmann corridor,

And 700/10,000ths of the general communal areas.

LOT NUMBER NINETEEN (19)

A single building, on the third floor, offices and service rooms numbered 308-313,

And 223/10,000ths of the general communal areas.

LOT NUMBER TWENTY (20)

A single building, on the fourth floor, all rooms numbered 401-423 and 425-433, 3 unlighted rooms, washrooms and Haussmann and Percier corridors,

And 1,308/10,000ths of the general communal areas.

LOT NUMBER TWENTY-ONE (21)

A single building, on the fifth floor, offices and service rooms numbered 507-523, washrooms and Percier corridor, one unlighted room,

And 654/10,000ths of the general communal areas.

LOT NUMBER TWENTY-TWO (22)

A single building, on the fifth floor, offices and service rooms numbered 501-506 and 525-533, 3 unlighted rooms, washrooms and Haussmann corridor,

And 700/10,000ths of the general communal areas.

LOT NUMBER TWENTY-THREE (23)

A single building, on the sixth floor, telephone switching equipment,

And 19/10,000ths of the general communal areas.

LOT NUMBER TWENTY-FOUR (24)

A single building, on the sixth floor, phone switch batteries,

And 6/10,000ths of the general communal areas.

LOT NUMBER TWENTY-FIVE (25)

A single building, on the sixth floor, lighted street-facing rooms numbered 605-616 and courtyard-facing rooms numbered 618-623 with canteen and kitchen equipment, washrooms and various rooms,

And 464/10,000ths of the general communal areas.

LOT NUMBER TWENTY-SIX (26)

A single building, on the sixth floor, apartments and reception kitchen, washrooms, bathrooms, various storage rooms, corridors,

And 423/10,000ths of the general communal areas.

It is noted here that, following improvement work, the said assets consist of:
rooms to be used as dining rooms, hospitality suites and the related premises.

LOT NUMBER THIRTY-SEVEN (37)

A single building, on the second sub-basement, parking space No. 10,

And 26/10,000ths of the general communal areas.

LOT NUMBER THIRTY-NINE (39)

A single building, on the second sub-basement, parking space No. 12,

And 28/10,000ths of the general communal areas.

CLAUSE 1 – TERM

This lease is granted for a term of 15 years as of July 11, 1990, running until July 10, 2005.

As this agreement is governed by the provisions of the aforementioned law and ordinance, the provisions of Decree 53-960 of September 30, 1953, Article 13 of Law 85-1408 of December 30, 1985, and Law 86-12 of January 6, 1986, shall not apply.

CLAUSE 2 – RENT

This lease is granted and accepted in consideration for rent, which the LESSEE undertakes to pay, by a debit on its account opened with Banque Lazard Frères et Cie, with registered offices at 121 boulevard Haussmann, Paris (8th district).

The rent is payable every six months in advance on dates that will be set no later than August 10, 1999, the date on which the LESSEE and the LESSOR will have agreed on the interest rate applicable to this transaction for a minimum term of eight years.

Indeed, given the period required to mobilize a long-term bond or other type of resource intended for such financing, the parties have agreed as follows:

1- PERIOD A

As of this date and until July 10, 1990, the LESSEE shall owe the LESSOR interest calculated on the amount of the lease based on 0.75 points over the AMR. This interest shall be payable no later than the effective date of PERIOD B (after determination by the parties of the fixed interest rate applicable for this lease for a term of between eight and ten years).

2 – PERIOD B

By no later than August 3, 1999, the LESSOR shall inform the LESSEE, by registered letter with delivery receipt, of the responses from the institutions contacted in connection with the invitation to tender in order to obtain a bond or other type of resource for the LESSOR for an amount at least equal to the refinancing of this transaction and for a minimum term of eight years and a maximum of ten years.

Within five days of the said responses being received by the LESSEE, it must inform the LESSOR of its choice: the interest rate then applicable for the term of the resource selected shall be the “cost price” of this resource for the LESSOR, plus a margin of 0.50 points per year (yield to maturity); it is noted here that the “cost price” stipulated above represents, in the case of a bond issue, the total cost of the issue for the LESSOR (“all in cost”, COB fees, SBF commission, financial services, securities services, etc.), the amount of which shall be communicated to the LESSEE.

If the LESSEE fails to inform the LESSOR of its choice within the period given, the interest rate applicable shall result solely from the LESSOR’s choice of one of the proposals submitted to the LESSEE.

The lease shall then be amortized subject to payment by the LESSEE of the number of straight-line half-year rents covering the term of the aforementioned bond issue or any other discounted “long” resource (PERIOD “B”). The amortization curve resulting from the aforementioned choice shall be valid for the full term of the lease.

3 – PERIOD C

At the end of PERIOD “B”, the interest rate applicable to the “financial balance due” shall be equal to:

- either the cost price for the LESSOR of the arithmetic average of the end-of-month average treasury bond rates published by the Caisse des Dépôts et Consignations for the last three months preceding the month before the next to last month of the installment to which this rate will apply for the first time, plus 0.50 points per annum;
- or the cost price for the LESSOR of the issue rate of a BOND from a bank in Paris, offered by the LESSOR for the term and amount of the lease still to run, plus 0.50 points per annum;
- or the cost price for the LESSOR of a reference rate to be determined at the convenience of the LESSOR and the LESSEE, plus 0.50 points per annum.

In all of the aforementioned cases, the LESSEE shall be informed of the methods for calculating the cost for the LESSOR of early repayment of the fixed-rate resource obtained.

The LESSOR undertakes to inform the LESSEE two months prior to the end of PERIOD “B”.

Generally, the LESSOR and the LESSEE agree to look for, within the limits imposed by the regulations governing SICOMI, the best resource available on the market and, as a result, to make any changes necessary to the contract, provided that the LESSOR receives a net remuneration equal to 0.50% per annum (yield to maturity) in any event.

A –TAXES AND DUTIES

The rent as determined above shall be increased by the related taxes and duties, including the lease premium, which is currently set at 2.50%.

B – ADDED RENT

The LESSEE undertakes to pay the LESSOR added rent equal to the amount of the charges considered to be additions to rent, such as insurance premiums for the premises, property taxes, costs related to the transaction (these will be amortized on a straight-line basis over 5 years), etc. This added rent shall be paid to the LESSOR eight business days before the said charges are to be paid by the LESSOR.

This added rent, plus all related taxes, duties and other contributions, if any, including the lease premium, shall be withdrawn from the LESSEE's bank account indicated above.

C – LATE PAYMENT PENALTIES

Any rent and added rent not paid on the due date, even partially, shall automatically result in the collection of interest plus the taxes, bank fees, costs and commissions, including those that are not usually reimbursed, which are required in order to collect the said rent payments. This interest shall be calculated on the amount not paid from the due date until the date of payment, based on 2 points over the Average Monthly Rate of the money market inter-bank rate (AMR); this rate may not be lower than 12% per year, excluding tax.

In addition, at the LESSOR's discretion, the lease may be legally terminated under the conditions stipulated in Section IV –"TERMINATION".

CLAUSE 3 – RESPONSIBILITIES AND CONDITIONS

This lease is granted subject to the following charges and conditions, which the LESSEE accepts:

A) Occupancy:

1) The premises covered by this document are to be used for parking facilities, storage room (in the basement), a bank branch on the ground floor, and commercial offices on the upper floors.

The LESSEE undertakes, unless the LESSOR agrees otherwise in writing, to maintain the same use of the premises as defined above until the end of this lease.

Any change of use (total or partial) shall be subject to the prior written authorization of the LESSOR.

2) The LESSEE shall furnish the “BUILDING” and shall keep it constantly furnished with furniture and articles in a quantity and value sufficient to meet at any time the payment of the rent and the performance of the conditions of this agreement.

3) The LESSEE shall be personally responsible, without remedy against the LESSOR, for all the authorizations required to occupy the “BUILDING”; the LESSEE undertakes to comply with all the legal and regulatory provisions applicable for the term of this agreement.

In addition, the LESSEE must inform the LESSOR, by registered letter, of any fact that could change the authorization conditions described above and result in their possible abrogation.

More specifically, the LESSEE undertakes to comply with all the legal and regulatory provisions on safety standards for public buildings, pursuant to Article R123-2a *et seq.* of the French Building and Housing Code (*Code de la Construction*) and, in particular, to ensure the immediate performance, at its expense and under its sole responsibility, of any work that may be necessary for this purpose, such that no claims or actions may be brought against the LESSOR in this respect.

4) The LESSEE may not do anything, nor cause anything to be done in the “BUILDING”, which could disturb the order, appearance or clean condition of the “BUILDING” or disturb the neighbors, and shall comply with the requirements of the occupancy or co-ownership regulations.

B) Maintenance – Work

5) The LESSEE takes possession of the “BUILDING” as is.

The LESSEE shall maintain it in a good state of tenant or other repairs.

It shall perform, at its sole expense, risk and peril, all maintenance work and all repairs, including major repair work as defined by Article 606 of the French Civil Code (*Code Civil*); it may not benefit from the provisions of Article 1724, section 2, of the Civil Code.

At the end of the lease, it must return the “BUILDING” in good condition for use.

6) For the full term of the lease, the LESSEE is liable:

- for all visible flaws and defects, which it undertakes to repair;
- for the guarantee against hidden defects that may affect both structural and non-structural elements.

No claims or actions may be brought against the LESSOR in this respect at any time.

As such, the LESSEE must bring any action it deems necessary directly against the companies that participate in the construction or remodeling of the “BUILDING” and any third parties that may be involved, including, if applicable, the general contractor and the contractors, and the LESSEE must first inform the LESSOR.

In addition, the LESSEE undertakes to notify the LESSOR, for all useful purposes, of any visible or hidden defect or fault, within one month of such a defect or fault being found, by registered letter with delivery receipt.

7) The LESSEE may perform in the “BUILDING” covered by this lease, at its sole expense, risk and peril, and without remedy or action against the LESSOR, all the equipment and installation work required for its professional use.

Any major change in the distribution of the building, demolition, piercing of walls, beams or floors shall be subject to the prior written authorization of the LESSOR.

However, the LESSEE may perform in the BUILDING, in accordance with the appropriate laws or regulations, any work required to change walls and other professional arrangements, without needing the prior written consent of the LESSOR, provided that such work does not result in any economic depreciation of the BUILDING and does not change its market value.

The LESSEE must inform the LESSOR after it has obtained any necessary administrative authorizations.

The work described in the preceding three paragraphs may be performed only under the supervision and diligence of the Architect designated by the LESSEE and approved by the LESSOR, whose fees shall be paid by the LESSEE. Any embellishments and changes carried out in this way by the LESSEE must be left as is at the end of the lease, without indemnification, unless the LESSOR exercises its right to request that the premises be returned to their initial condition.

8) The representatives of the LESSOR shall have access to the BUILDING at any time for any supervision or monitoring they deem necessary.

C) General conditions

9) The LESSEE must provide the LESSOR, within six months of the end of its financial year, with a copy of its balance sheets, income statements and reports (management, auditors, etc.) at the annual general meeting.

10) The LESSEE must comply with the texts governing the accounting disclosure of financial lease transactions so that no actions or claims may be brought against the LESSOR in this respect.

11) The LESSEE undertakes for itself and its assignees to comply with the legislative and regulatory provisions governing real estate financial lease transactions.

12) The LESSEE undertakes to comply with all possible obligations that may be the responsibility of the LESSOR under the terms of the aforementioned deed of acquisition and also undertakes to pay any related expenses that are not included in the amount of the financial lease directly to the LESSOR, irrespective of their cause and origin.

CLAUSE 4 – CHARGES AND TAXES

The LESSEE shall pay the exact amount of all charges, personal property taxes, professional or other taxes and, generally, all taxes, contributions and duties for which it is liable; it must be able to provide proof of payment if requested by the LESSOR.

At the end of the lease, it shall be required to provide proof of payment of these charges and taxes up until the end of the said lease.

It undertakes to pay the LESSOR, subject to the conditions stipulated in Clause 2 paragraph C, the amount of all the real estate contributions and taxes (property taxes, etc.), including all municipal taxes and contributions, so that the rent stipulated in Clause 2 above constitutes revenues net of any charge for the LESSOR.

It is hereby specified that the LESSOR shall have the option, in the event of the LESSEE’s failure to pay any sum due to third parties for which the LESSEE is responsible under this lease, to pay the amount in question.

In such a case, the LESSEE must then repay this amount to the LESSOR plus penalties, fines and all costs paid by the LESSOR. A late payment penalty shall be added to the total obtained up until the date of repayment based on two points over the Average Monthly rate for money market inter-bank transactions. This rate may be no lower than 12% per annum excluding tax.

In addition, at the LESSOR's discretion, this lease may be cancelled under the conditions stipulated in Section IV – "Termination" herein, notwithstanding any payment.

CLAUSE 5 – ASSIGNMENT – SUBLEASE – MANAGEMENT

The assignment, subleasing or management, with or without a change in business, may be authorized under the following conditions, provided that they would not result in the loss of the tax treatment recognized in this lease and generally applicable to Commercial and Industrial Real Estate Companies (SICOMI), and that they are not prohibited by any legislative, regulatory provisions or interpretations concerning financial leases.

A) Assignment

The LESSOR must be informed of the proposed assignment of this lease in any form whatsoever (pure and simple assignment, merger, contribution, consolidation, etc.) by registered letter with return receipt three months prior to the planned date of execution.

Such an assignment shall be subject to the written consent of the LESSOR, under penalty of nullification and, at the LESSOR's discretion, penalty of termination of this financial lease.

If the LESSOR consents, the following conditions shall be imposed:

- The assignment must be executed in the presence of the LESSOR or the LESSOR must be duly notified by registered letter with return receipt sent to its registered offices at least 15 days in advance.

- The assignor must transfer to the assignee, under the terms of one and the same instrument, all the rights resulting from this lease, including the rights attached to the commitment to sell granted to it in Section III “COMMITMENT TO SELL”; the lease and the commitment to sell form, in the joint attention of the parties, pursuant to the aforementioned law and ordinance, an indivisible whole.
- The assignee shall be bound, notably with respect to the LESSOR, by all the obligations resulting from this document.
- The assignor shall remain joint guarantor with its assignee and any successive assignees for the payment of the rent and compliance with all the conditions of this lease.

B) Sublease

The LESSEE may sublease the assets leased provided that it complies with the provisions of the first section of this clause and the provisions governing the subleasing of properties financed under financial leases (provisions currently applicable, Section II of the instruction (DGI) of May 28, 1970, memorandum (BODGI 4 H-3-77) of June 7, 1977). This sublease must first be submitted for the approval of the LESSOR and may only be granted to persons or commercial companies with good reputations whose activity in the BUILDING will be exclusively commercial, under penalty of nullification and, at the LESSOR’s discretion, of termination of this lease.

Upon expiration of the lease, the LESSOR shall not be required to renew the subleases. The leased BUILDING forms, in the joint attention of the parties, an indivisible whole, even if it is physically divisible.

All improvement and restoration work resulting from such subleases shall be the exclusive responsibility of the LESSEE.

The sublease agreement must contain a clause under which the sub-lessee declares that it has been informed of the unenforceability of the sublease agreement against the LESSOR and waives, as a result, all rights and actions against the LESSOR, and must vacate the BUILDING in the event of the end of the financial lease agreement for any reason (no request for execution of the commitment to sell by the LESSEE, termination, expropriation, etc.).

As of this date, the LESSOR authorizes the LESSEE to sublease the BUILDING to LAZARD FRERES ET CIE and to any other company that is part of its group.

D) Management

The LESSEE may not place its business, in whole or in part, under leased or salaried management without the prior, written agreement of the LESSOR, under penalty of termination of this agreement at the discretion of the LESSOR.

E) Assignment by the LESSOR

Pursuant to the provisions of Article I-1 of the aforementioned Law 66-455 of July 2, 1966, as amended by Ordinance 67-837 of September 28, 1967, the LESSOR undertakes, in the event of an assignment of the assets covered by this agreement during the term thereof, to impose on its assignee or its successive assignees, with which it shall remain joint guarantor, the performance of all the obligations for which it is responsible under the terms of this lease.

CLAUSE 6 – LIABILITY – INSURANCE

I – AGREEMENTS BETWEEN THE PARTIES

By express agreement, the LESSEE waives any action against the LESSOR for any damages that may be caused both to the BUILDING covered by this lease and to the assets of any kind belonging to or entrusted to the LESSEE and for any consequential losses caused to the LESSEE.

The parties also reciprocally waive the application of Article 1722 of the Civil Code under the conditions set forth in paragraph III, LOSSES, hereinafter.

II – INSURANCE

The financial lease transaction will be covered by insurance policies taken out for one or the other party according to the distribution defined below.

A) Insurance policies taken out by the LESSOR

The LESSOR, through its advising insurer, undertakes to take out the following insurance policies, both on its own behalf and on behalf of the LESSEE, for the entire term of the lease:

a) BUILDING OWNER'S CIVIL LIABILITY POLICY (for the building covered by this lease) with respect to third-party claims for the coverage amounts normally obtained on the French insurance market.

b) "PROPERTY DAMAGE" insurance policy (for the property covered by this lease) covering the replacement value (with an indexing clause) of the building and the fittings considered part of the building (including those added by the LESSEE without the LESSOR's financing) against the following risks:

- Fire, lightning, explosions
- Aircraft crash
- Storms (hurricanes, high winds, tornadoes, cyclones)
- Smoke
- Land vehicle crash
- Water damage (including the search for leaks)
- Damages caused by improper operation of automatic extinguishers (sprinklers)
- Strikes, riots, civil unrest, vandalism, acts of malice, terrorism and sabotage
- Electrical damage
- Loss of rent
- Window breakage
- Reimbursement of the "Structural Damage" premium to meet the insurance obligation (Article L 242.1 of the French Insurance Code) for the work to redo, repair and/or rebuild the damaged building structures
- Fees for decorating, design, technical inspection and engineering services.

- Costs necessary to bring the premises into compliance with construction laws and regulations
- Moving, storage and reinstallation costs
- Costs for excavation, demolition and decontamination and the costs incurred because of measures required by administrative orders.

The policy will include a clause waiving action against the LESSEE.

Additional provisions

a) The LESSOR may have an appraisal firm of its choice draw up, at the LESSEE's expense, an estimate of the value of the BUILDING that will be used to define the amount of insurance.

b) The LESSEE agrees to inform the LESSOR immediately, at the time the insurance policies taken out by the LESSOR are obtained and during the insurance period, of any elements that might change the insurer's appraisal of the risks covered.

c) The premiums for the insurance policies taken out by the LESSOR shall be paid by the LESSEE under the conditions stipulated in Clause 2 – C of this lease agreement.

d) A copy of the policies taken out by the LESSOR shall be transmitted to the LESSEE.

B) Insurance policies taken out by the LESSEE:

The LESSEE undertakes to take out the following insurance policies, both on its own behalf and on behalf of the LESSOR, for the entire term of the lease

a) As of the date it occupies the premises, a "PROPERTY DAMAGE" policy covering the following risks:

- Fire, lightning, explosions, water damage.

- Possibly, at the LESSOR's request, insurance to cover any other risk to the contents or similar items, notably equipment, tools, materials, fittings and merchandise of any kind belonging to the LESSEE that furnish the BUILDING covered by the lease.

b) "CIVIL LIABILITY" policy to cover the claims of neighbors and other third parties.

The aforementioned policies must contain a clause waiving action against the LESSOR.

Additional provisions

a) Copies of the policies taken out by the LESSEE shall be transmitted to the LESSOR.

b) The policies taken out by the LESSEE must include a clause stipulating:

- That, in the event of termination or suspension, for any reason, the insurer must first so advise the LESSOR. In such a case, the LESSOR shall take every useful measure and may pay the premiums on behalf of the LESSEE, against which it may take action seeking recovery using all appropriate legal means.
- That, if the insurer fails to comply with the preceding stipulation, it shall incur liability toward the LESSOR.

c) The LESSEE undertakes to allocate the indemnities it has received from its insurers to restoring the furnishings and equipment.

III – LOSSES

A) General conditions

1) The LESSEE must immediately inform the insurance companies concerned and the LESSOR of any loss, of any size, even if there is no apparent damage.

2) In the event of an incident that destroys all or part of the BUILDING, followed by reconstruction, the LESSOR shall take out a “STRUCTURAL DAMAGE” policy for both parties that complies with the provisions of the Law of January 4, 1978, a “CONSTRUCTION ALL-RISK” policy covering any damage to the structure during construction, until the building passes inspection, for the cost of construction, and a “PROJECT OWNER’S LIABILITY” policy to cover liability to neighbors and other third parties for the transaction covered by the financial lease, in the coverage amounts normally obtained on the French insurance market.

The LESSEE now undertakes to provide the LESSOR and its insurer with all the elements required to draw up the said policies and, in particular, to prove the existence of the “TEN-YEAR CIVIL LIABILITY” insurance policies as required by the Law of January 4, 1978, which are taken out by all parties subject to the insurance obligation, including the LESSEE.

3) In the event of a loss, the LESSOR is established as the beneficiary of the indemnities paid by its own insurers; it is the responsibility of the LESSOR to allocate such indemnities for the payment of the costs incurred to rebuild the assets destroyed.

4) In the event of the leased assets being destroyed or damaged without any coverage (or insufficient coverage) by the insurance companies, the LESSEE shall be responsible for all (or the excess) of the costs necessary to rebuild the damaged asset, to which the LESSEE agrees.

5) The amount of the indemnities that may be owed by the insurance companies for a partial or total loss in the leased premises shall be negotiated by the LESSOR in the presence of the LESSEE or duly notified to the LESSEE.

Any offers made by the insurance companies may be accepted by the LESSOR only with the LESSEE’s agreement, but the LESSEE may not defer its response for more than one month after it receives notification by registered letter with return receipt. After this period, the LESSEE’s failure to reply shall constitute its acceptance.

If the LESSEE disagrees on the amount of the indemnities that the LESSOR is proposing to accept, the LESSOR hereby gives all powers to the LESSEE to dispute the amount of the indemnities with the insurance company.

If these objections cannot be settled amicably, the LESSOR agrees to file, at the LESSEE's initial request, any useful legal action in which the LESSEE may participate.

The LESSEE shall be required to pay, during the term of the out-of-court dispute or the legal proceedings, all rent installments that may be due. It must also pay directly to or reimburse the LESSOR for all costs, fees and taxes that may be due.

B) Partial loss

In the event of the partial destruction of the BUILDING covered by this lease, the LESSEE may not claim termination of this agreement, the payment of any indemnity, or a reduction in the rent.

The LESSEE shall be required to restore the BUILDING damaged at its sole expense, risk and peril after obtaining the administrative permits required. The LESSOR undertakes to allocate all the indemnities that it may collect from the insurance companies, subject to deduction of all duties and taxes on such indemnities, to the payment of the reconstruction work on the BUILDING.

This agreement shall continue to apply until its normal expiration, subject to the terms and conditions of this instrument.

If reconstruction cannot take place because the required administrative permits are not obtained and normal operation of the BUILDING cannot be continued, the LESSEE shall have the option:

- either to continue this lease on the undestroyed portion of the BUILDING: in this case, the amount forming the basis of the rent shall be reduced, as of the date it is received by the LESSOR, by the amount of the indemnities paid by the insurance companies after deduction of all fees, duties and taxes on these indemnities, which shall be retained by the LESSOR;

- or to request the termination of the financial lease, subject to the terms and conditions of Clause 8 hereinafter, if applicable, before the end of the 10-year period;
- or to request the termination of the commitment to sell as described in Clause 7 herein.

In the last case, the price would be equal to the price indicated in paragraph b) of Clause 7 “COMMITMENT TO SELL”.

The amount of the indemnities, net of any fees, duties and taxes, paid by the insurance company to the LESSOR shall be deducted from the price determine above. However, the price shall be increased to include all the taxes and duties that may be charged to the LESSOR as a result of the early execution of the commitment to sell.

Finally, the conditions of the sale thus performed to the benefit of the LESSEE shall be the conditions stipulated in Section III of this agreement.

C) Total loss

In the event of an incident resulting in the total destruction of the BUILDING, the LESSEE may:

- either reconstruct the damaged BUILDING at its sole expense, risk and peril after obtaining the required administrative permits; the LESSOR agrees to allocate any indemnity that it may collect from the insurance companies, after deducting all duties and taxes on such indemnities, for the payment of the work to rebuild the BUILDING;

  This agreement shall continue to apply until the normal expiration, subject to the terms and conditions stipulated herein.
- or request the termination of the financial lease, subject to the terms and conditions of this agreement;
- or request the termination of the commitment to sell, subject to the terms and conditions set forth in the paragraph “PARTIAL LOSS”.

SECTION III – COMMITMENT TO SELL

CLAUSE 7 – COMMITMENT TO SELL

Pursuant to the provisions of Article 1-2 of Law 66-455 of July 2, 1966, as amended by Ordinance 67-837 of September 28, 1967, governing financial leases, the LESSOR undertakes to sell the LESSEE the BUILDING described hereinabove, the subject of this agreement.

The LESSEE accepts the option offered to it, but makes no commitment to buy, reserving the right to use this facility, at its discretion, within the timeframes and subject to the terms stipulated.

The execution of the commitment to sell may be requested by the LESSEE:

- either at the expiration of the financial lease;
- or during the lease, but only at the end of the seventh year after the effective date of this agreement and only on each half-year rent due date.

The request to exercise the commitment to sell must be made in a letter sent to the LESSOR by registered mail with return receipt at least six months in advance.

The validity of the request to exercise the commitment is subject to the perfect execution by the LESSEE or its assignees, if any, of all the responsibilities and conditions resulting from this financial lease, and on the condition that the request includes a receipt from the LESSEE’s notary certifying the payment of a sufficient amount to cover the full purchase price and the fees and taxes on this acquisition.

The sale shall be executed by a legal deed to be recorded by the LESSOR’s Notary with the assistance of the LESSEE’s Notary, with all fees, duties, taxes and costs for the said sale to be paid by the LESSEE.

The sale shall be executed subject to ordinary legal conditions, and without any guarantee by the LESSOR in its capacity as seller as defined by Article 1641 of the Civil Code, in consideration for a price payable in cash on the date of the signature of the legal deed of sale, which may vary under the following conditions:

a) Sale at the expiration of the financial lease

If the sale takes place at the expiration of the financial lease, the price shall be THIRTY-NINE MILLION FRANCS (FRF 39,000,000) (residual value).

b) Sale during the lease

If the sale takes place during the lease under the conditions defined above, the price shall be equal to:

the total of the “financial balance due” under the lease, as indicated in the amortization table transmitted to the LESSEE at the beginning of “PERIOD B”, plus an indemnity calculated by applying a rate equal to the sum of the following two rates to each of the “financial balances due” under the lease:

- a rate equal to the cost for the LESSOR for repayment of the fixed-rate loan contracted for the purposes of this transaction and selected by the LESSEE:
- the rate of 0.50% per annum reduced to the rental period in question;

This indemnity shall be discounted at 0.50 points below the contract rate then in force (rate of the last rent installment invoiced).

SECTION IV – TERMINATION

CLAUSE 8 – TERMINATION BY THE LESSEE

This financial lease may be terminated at the LESSEE's request under the following conditions:

1) Termination may not occur before the end of the tenth year and shall take effect at the end of the current lease year.

2) The LESSEE must notify the LESSOR, by registered letter with return receipt, of its intention to terminate the agreement at least six months before the date on which it intends for the termination to take effect.

3) The LESSEE must pay to the LESSOR, no later than the effective date of the termination, a termination indemnity equal to the total amount of the "financial balance due" for the financial lease, as shown on the table described above, plus an indemnity calculated by applying to each "financial balance due" a rate of 0.50% per annum reduced to the rental period in question; this indemnity shall be discounted at 1.50 points below the contract rate then in force.

4) The LESSEE must return the BUILDING to the LESSOR, in perfect repair and condition and free of any lease or occupancy, no later than the effective date of the termination.

5) If, between the date of termination and the normal expiration of this agreement, the LESSOR sells the BUILDING covered by this agreement to a third party, it must pay to the LESSEE, provided that the LESSEE has met all of its obligations resulting from this agreement, and has paid the aforementioned indemnity, the net amount of the price from the sale, after deducting the fees and charges incurred by the LESSOR which would normally have been paid by the LESSEE if it had remained in the premises, as well as the duties, taxes, costs and fees that may result from the termination of this agreement and the amount of the allocations to the amortization and provision accounts, if any, related to the BUILDING described hereinabove during the period between the date of termination and the date of the sale.

In any event, the amount of the sum to be paid to the LESSEE may not exceed the amount of the rental payments excluding tax that would have been due if the agreement had not been terminated before expiration.

The parties agree that the conditions of the sale (or the lease described in paragraph 6 below) that may be granted by the LESSOR shall be determined by the LESSOR alone and its exclusive choice, without intervention from the LESSEE.

6) If, between the date of the termination and the stipulated expiration of the agreement, the LESSOR leases the BUILDING covered by this agreement to a third party, either under a simple lease or under a financial lease, the LESSOR would pay to the original LESSEE, provided that the said LESSEE has met all of its obligations under this agreement and, in particular, has paid the aforementioned indemnity, the rent payments from the new tenant within one month of them being received, deducting 10% of the amount excluding tax of each rent payment as management and any other fees, duties and taxes, including the amount of the allocations to the amortization and provision accounts, if any, on the property assets described herein during the period between the date of termination and the effective date of the new lease; these payments may not exceed the amount of the rent payments that would have been owed by the original LESSEE if this agreement had not been terminated.

In addition, these payments shall be owed by the LESSOR only until the expiration date stipulated in this agreement.

All costs, duties, taxes and fees, if any, resulting from the implementation of this “TERMINATION” clause shall be borne by the LESSEE.

CLAUSE 9 – TERMINATION BY THE LESSOR

In the event of the LESSEE’s failure to pay a single rent installment when due, or failure to pay any sum for which the LESSEE is responsible under the terms of this lease, or the LESSEE’s failure to execute any of the conditions of this lease, this financial lease shall be legally terminated, at the LESSOR’s discretion, one month after a simple formal notice has been served to pay or to execute or one month after an order to pay has been served on the LESSEE, without the need for a court ruling.

The LESSOR shall reassume full possession of the BUILDING by the sole fact of the eviction of the LESSEE ordered by an emergency court judgment, and no subsequent offers may prevent the effects of this clause. In such a case, the LESSOR shall retain the right to payment of the rent accrued and to reimbursement of any amount for which the LESSEE is responsible.

In addition, the LESSEE must pay to the LESSOR, no later than the effective date of the termination, a termination indemnity, the amount of which shall be determined pursuant to paragraph 3 of Clause 8 above. If the premises are sold or released, the stipulations of paragraphs 5 and 6 of Clause 8 above concerning the amounts to be paid to the LESSEE shall apply.

SECTION V – EXPROPRIATION

CLAUSE 10 – EXPROPRIATION

Total expropriation:

If the entire BUILDING is expropriated, the financial lease shall be automatically terminated upon the effectiveness of the order transferring ownership of the BUILDING to the expropriating agency.

However, since the expropriating agency does not take possession of the BUILDING until the date of payment to the LESSOR of the expropriation indemnity, the LESSEE shall owe to the LESSOR, as of the date of the aforementioned expropriation order, and until the date of the actual payment of the expropriation indemnity, the date on which the BUILDING must be immediately vacated, an occupancy indemnity equal to the amount of the rent and added rent due for this period; this indemnity is payable under the same conditions and at the same dates as the rent and added rent payments.

Moreover, if the expropriation indemnity paid to the LESSOR, after deducting all the costs and expenses incurred as a result of the expropriation and all taxes still due, including on capital gains, is greater than the total amount of the “financial balance due” plus an indemnity calculated by applying to each “financial balance due” a rate of 0.50% per annum reduced to the rental period in question, with this indemnity discounted at 0.50 points below the contract rate then in force, the LESSOR shall immediately pay the LESSEE the difference between these two amounts.

In the opposite case, where the total “financial balance due” exceeds the expropriation indemnity, the LESSEE must immediately pay this difference to the LESSOR; it is specified that the LESSOR’s lien on the furnishings in the lease premises shall also guarantee the payment of this difference and the payment of the occupancy indemnity stipulated above.

Partial expropriation

If only a portion of the BUILDING is expropriated, the lease shall continue for the non-expropriated section. The amount of the financial lease shall be reduced, as of the date of receipt of the expropriation indemnity by the LESSOR, by an amount equal to the amount of the indemnity, after deducting all the costs incurred as a result of the expropriation and all taxes due, notably for capital gains.

Disputes

The amount of indemnities offered by the expropriating authority may be accepted by the LESSOR only with the agreement of the LESSEE; however, the LESSEE may not defer its response for more than one month after it has received notification from the LESSOR of its intention to accept the offers made. This notification must be made by registered letter with return receipt.

If the LESSEE disagrees on the amount of the indemnities accepted by the LESSOR, the LESSOR hereby gives all powers to the LESSEE to dispute the amount of the indemnities with the expropriating authority.

If these disputes cannot be settled amicably, the LESSOR must take, at the LESSEE's first request, any useful legal actions; the LESSEE must participate in these actions.

During the dispute period and until the effective payment of the expropriation indemnity, the LESSEE shall owe the LESSOR the following:

- in the event of total expropriation, an occupancy indemnity equal to the amount of the rent and added rent due during this period;
- in the event of partial expropriation, all rent and added rent due during this period; the rent reduction stipulated above may be made only on the date of payment of the indemnity.

The LESSEE shall also be required to pay directly or to reimburse the LESSOR for all costs, taxes and fees that may be due.

SECTION VI – OTHER PROVISIONS

CLAUSE 11 – REPRESENTATIONS

Its representative, in its legal capacity, declares that the LESSEE is not, and has never been, in court-ordered liquidation or receivership, or has suspended payments, and that it is current with its income and social security taxes due to the Department of Direct and Indirect Taxes and the Social Security Administration.

CLAUSE 12 – PLEDGE OF THE LEASE

The LESSEE is prohibited from pledging to or using as security for any person other than the LESSOR the intangible elements that it benefits from in connection with this financial lease agreement.

CLAUSE 13 – LEGAL PUBLICATION

A certified true copy of this agreement shall be published, as required by law, in the competent Mortgage Office by the undersigned Notary.

The parties hereby declare:

- for the payment of the Legal Publication Tax, that the total amount of the rent and added charges, excluding the lease right, is SEVEN HUNDRED FORTY-THREE MILLION, SIX HUNDRED FIFTY-ONE THOUSAND FRANCS (FRF 743,651,000);
- and for the collection of the fee of the Registrar of Mortgages, the total amount of the rent and added charges, including the lease right, is SEVEN HUNDRED SIXTY-TWO MILLION, TWO HUNDRED FORTY-THREE THOUSAND, TWO HUNDRED FIFTY FRANCS (FRF 762,243,250);
- and that the unamortized portion of the price that the LESSEE must pay for the execution of the commitment to sell is THIRTY-NINE MILLION FRANCS (FRF 39,000,000).

POWERS

To perform the land publication formalities, the parties, acting in their joint interests, give all powers to any Clerk of the Notarial Office stipulated at the beginning of this instrument, to prepare and sign any additional instruments correcting this agreement to ensure that these instruments correspond to the mortgage, land and civil records.

CLAUSE 14 – ELECTION OF DOMICILE – JURISDICTION

The parties elect domicile as follows:

- The LESSOR: at its registered offices
- The LESSEE: at its registered offices

Any dispute arising from the execution of this agreement shall be submitted to the competent Paris court.

CLAUSE 15

All costs, fees, taxes and duties, present or future, relating to this instrument or which are the direct or indirect consequence or result thereof, particularly for the notarized instrument to record the transfer of ownership to the LESSEE pursuant to the execution of the commitment to sell stipulated in Section III, shall be the sole responsibility of the LESSEE.

IN EXECUTION OF THIS INSTRUMENT

Established with the participation of Jean-Louis Regnier, a Notary in Paris, advisor to the LESSEE,

Executed and signed on the date and in the location indicated above,

On the aforementioned date and month,

And, after a reading by Didier Lasaygues, residing at 25, avenue George V, Paris (8th district), authorized and certified notary,

The said Notary Lasaygues asked the parties to sign this agreement, and also signed,

And the undersigned Notary signed the agreement on this same date.

Number:
of pages in the instrument
of words stricken
of lines stricken
of numbers stricken
of spaces removed
of cross-references

The representative in his legal capacity of SICOMBAIL and FINABAIL

THE LESSOR

/s/ Catherine Baron

Name: Catherine Baron
Title: General Manager, Finabail
Authorized Person, Sicombail

THE LESSEE

/s/ Herman Grunberg

Name: Herman Grunberg
Title: Authorized Person, Société
Civite du 121 Blvd. Hausmann

THE AUTHORIZED CLERK

/s/ M. Didier Lasaygues

Name: M. Didier Lasaygues

THE NOTARY

/s/ M. Jean-Pierre Guéroult

Name: M. Jean-Pierre Guéroult

To Whom It May Concern:

RR Donnelley Translation and Multilingual Communications hereby certifies that the English translation of the French Lease – Cession Bail (ATLAS# 14458) is a true and faithful rendering of the original French source document.

RR Donnelley Translation and Multilingual Communications is a member of the ATA (American Translators Association).

Signed: /s/ Jingrui Cui

Jingrui Cui, Project Manager

Date: 01/11/2005

Sworn to before me
This January 11, 2005

/s/ Eugene Roche

Notary:

EUGENE ROCHE
NOTARY PUBLIC, State of New York
No. 01RO5028464
Qualified in Queens County
Commission Expires May 31, 2006

RR Donnelley

Exhibit 10.21

DATED 9 August 2002

BURFORD (STRATTON) NOMINEE 1 LIMITED
AND
BURFORD (STRATTON) NOMINEE 2 LIMITED

AND

BURFORD (STRATTON) LIMITED

AND

LAZARD & CO., LIMITED

AND

LAZARD LLC

OCCUPATIONAL LEASE
-of-

50 STRATTON STREET
LONDON W1

CONTENTS

Clause		Page
1.	Definitions	1
2.	Interpretation	6
3.	Grant, Rights And Other Matters	6
	3.1 Demise And Term	6
	3.2 Rights And Easements	7
	3.3 Exceptions And Reservations	7
	3.4 Third Party Rights	7
	3.5 Covenants Affecting Reversion	7
	3.6 Encroachments And Easements	7
	3.7 Covenants Relating To Other Property	7
	3.8 Rights Of Entry By Landlord	8
	3.9 Landlord	8
4.	Rents	8
	4.1 Tenant’s Obligation To Pay	8
	4.2 Dates Of Payment Of Principal Rent	9
	4.3 Method Of Payment Of Principal Rent	9
	4.4 Dates Of Payment Of Insurance Rent And Additional Rent	9
	4.5 No Right Of Set-Off	9
5.	Rent Review	9
	5.1 Definitions	9
	5.2 Rent Reviews	11
	5.3 Agreement Or Determination Of The Reviewed Rent	11
	5.4 Appointment Of Review Surveyor	11
	5.5 Functions Of Review Surveyor	12
	5.6 Fees Of Review Surveyor	12
	5.7 Appointment Of New Review Surveyor	12
	5.8 Interim Payments Pending Determination	13
	5.9 Rent Restrictions	13
	5.10 Memoranda Of Reviewed Rent	13
	5.11 Time Not Of The Essence	13
6.	Interest	14
	6.1 Interest On Late Payments	14
	6.2 Interest On Refused Payments	14
7.	Outgoings	14
	7.1 Tenant’s Obligation To Pay	14
	7.2 Costs Of Utilities Etc.	15
8.	Value Added Tax	15
	8.1 Sums Exclusive Of VAT	15
	8.2 Tenant To Pay VAT	15
	8.3 VAT Incurred By Landlord	15
9.	Taxation	15

10. Landlord’s Costs 16

11. Repairs, Decoration Etc. 16
11.1 Repairs 16
11.2 Damage By The Insured Risks And Uninsured Risks 17
11.3 Decorations 17
11.4 External Decorations 17
11.5 Plant And Machinery 18
11.6 Cleaning 18
11.7 Carpeting 18

12. Yield Up 18
12.1 Reinstatement Of Premises 18
12.2 Yielding Up In Good Repair 19

13. Compliance With Notices 19
13.1 Tenant To Remedy Breaches Of Covenant 19
13.2 Failure Of Tenant To Repair 19

14. Alterations 19
14.1 Structural Alterations 19
14.2 Non-Structural Alterations 20
14.3 Demountable Partitioning 20
14.4 Covenants By Tenant 20

15. Signs And Advertisements 20

16. Use Of Premises 20
16.1 Permitted Use 20
16.2 Tenant Not To Leave Premises Unoccupied 20
16.3 Details Of Keyholders 20

17. Use Restrictions 20

18. Landlord’s Regulations 21

19. Exclusion Of Warranty As To User 21
19.1 No Warranty By Landlord 21
19.2 Tenant’s Acknowledgement 21
19.3 Tenant To Remain Bound 21

20. General 21
20.1 Alienation Generally 21
20.2 Sharing With A Group Company 21
20.3 Definitions 22

21. Assignment 22
21.1 No Assignment Of Part 22
21.2 Circumstances In Which Consent To Assignment May Be Withheld 23
21.3 Conditions For Landlord’s Consent 23
21.4 Assignment Of The Whole 24
21.5 Guarantor To Be Provided 24

22. Underletting 24
22.1 Subletting Unit 24

22.2 Underletting Of Part 24
22.3 Underletting Of The Whole 25
22.4 Underletting Rent 25
22.5 Direct Covenants From Undertenant 25
22.6 Contents Of Underlease 26
22.7 Tenant To Obtain Landlord’s Consent 26
22.8 Tenant To Enforce Obligations 26
22.9 Review Of Underlease Rent 26
22.10 No Variation Of Terms 27
22.11 No Reduction In Rent 27

23. Registration Of Dispositions 27

24. New Guarantor 27

25. Statutory Requirements 27
25.1 Tenant To Comply With Statutes 27
25.2 Tenant To Execute Necessary Works 28
25.3 Tenant To Refrain From Certain Acts 28

26. Planning Acts 28
26.1 Tenant’s Obligation To Comply 28
26.2 No Application For Planning Permission 28
26.3 Tenant To Obtain All Permissions 28
26.4 Tenant To Pay Planning Charges 28
26.5 No Implementation Of Permission Without Approval 29
26.6 Tenant To Carry Out Works Before End Of Term 29
26.7 Plans Etc. To Be Produced 29

27. Statutory Notices 29
27.1 Notices Generally 29
27.2 Party Wall Etc. Act 1996 30

28. Fire Precautions And Equipment 30
28.1 Compliance With Requirements 30
28.2 Fire Fighting Appliances To Be Supplied 30
28.3 Access To Be Kept Clear 30

29. Defective Premises 30

30. Insurance Provisions 31
30.1 Landlord To Insure 31
30.2 Full Reinstatement Cost 31
30.3 Landlord’s Fixtures 32
30.4 Landlord To Produce Evidence Of Insurance 32
30.5 Damage To The Building By Insured Risks 32
30.6 Damage To The Building By The Uninsured Risks 33
30.7 Damage To The Building By The Uninsured Risks During Last Three Years Of Term 33
30.8 Reinstatement 35
30.9 Where Reinstatement Of Damage By Insured Risks Is Prevented 35
30.10 Payment Of Insurance Money Refused 35
30.11 Excess 36

30.12 Suspension Of Rent Payments In The Case Of Damage By Uninsured Risks 36
30.13 Where Reinstatement Of Damage By Uninsured Risks Is Prevented 36
30.14 Suspension Of Rent Payments In The Case Of Damage By Insured Risks 37
30.15 Benefit Of Other Insurances 37
30.16 Insurance Becoming Void 37
30.17 Requirements Of Insurers 38
30.18 Notice And/Or Election By Tenant 38
30.19 Damage By Insured And Uninsured Risks 38

31. Default Of Tenant 38
31.1 Re-Entry 38
31.2 Events Of Default 39

32. Quiet Enjoyment 40

33. Exclusion Of Implied Covenants By Landlord 40

34. Reletting Notices 40

35. Disclosure Of Information 40

36. Indemnity 41

37. Representations 41

38. Effect Of Waiver 41

39. Notices 41
39.1 Notices To Tenant (Or Any Guarantor) 41
39.2 Notices To Landlord 41

40. Governing Law And Submission To Jurisdiction 41
40.1 Submission To English Courts 41
40.2 Waiver To Objection To Forum 42
40.3 Service Of Proceedings 42

41. New Tenancy 42

42. Invalidity Of Certain Provisions 42

43. The Contracts (Rights Of Third Parties) Act 1999 42

44. Guarantor Covenants 42

45. Landlord Release Under Landlord And Tenant (Covenants) Act 1995 42

46. Landlord’s Guarantor 42
46.1 Guarantee 42
46.2 Guarantee Not Affected By The Variations 43
46.3 Release 43

47. Landlord’s Covenants With The Guarantor 43

48. Interbuilding Deed 44
48.1 Tenant To Comply 44
48.2 Insurance 44

Schedule 1 RIGHTS AND EASEMENTS GRANTED 45

Schedule 2	EXCEPTIONS AND RESERVATIONS	46
Schedule 3	USE RESTRICTIONS	47
Schedule 4	COVENANTS BY GUARANTOR	49
Schedule 5	DEEDS AND DOCUMENTS CONTAINING MATTERS TO WHICH THE PREMISES ARE SUBJECT	52
Schedule 6	AUTHORISED GUARANTEE AGREEMENT TO BE GIVEN BY TENANT PURSUANT TO CLAUSE 21.3.2	53
Annex 1	RENT REVIEW SPECIFICATION	57

THIS LEASE is made on the 9th day of August 2002

BETWEEN:-

(1) **BURFORD (STRATTON) NOMINEE 1 LIMITED** (Company registration number 4220203) and **BURFORD (STRATTON) NOMINEE 2 LIMITED** (Company registration number 4220220) whose registered offices are at 20 Thayer Street, London W1U 2DD (the **"Landlord"**);

(2) **BURFORD (STRATTON) LIMITED** (Company registration number 03794425) whose registered office is at 20 Thayer Street, London W1U 2DD (the **"Landlord Gurantor")**;

(3) **LAZARD & CO., LIMITED** (Company registration number 162175 whose registered office is at 21 Moorfields London EC2P (the **"Tenant"**); and

(4) **LAZARD LLC** whose registered office is at _____ PO Box 4649 Greenville Delaware 19807 USA (the **"Guarantor"**)

NOW THIS DEED WITNESSES as follows:-

SECTION 1
DEFINITIONS AND INTERPRETATION

1. **DEFINITIONS**

In this Lease, unless the context requires otherwise, the following expressions shall have the following meanings:-

1.1 **"Additional Rent"** means all sums which are recoverable as rent in arrear or stated in this Lease to be due to the Landlord (save for all sums referred to in **clause 6**);

1.2 **"Adjoining Property"** means 50 Berkeley Street, London W1 registered under title number NGL535368;

1.3 **"Base Rate"** means the base rate for the time being of Barclays Bank PLC or some other London clearing bank nominated from time to time by the Landlord acting reasonably or, in the event of base rate being abolished, such other comparable rate of interest as the Landlord shall reasonably specify;

1.4 **"Building"** means the land situated at 50 Stratton Street, London W1 together with the building erected on it or on part of it as the same is registered (with other land) at H.M. Land Registry under title number NGL777361 and each and every part of the land and building, including:-

(a) all landlord's fixtures, fittings, plant, machinery, apparatus and equipment now or after the date of this Lease in or upon the same;

(b) the entirety of any link bridges or access ways linking the Building to the Adjoining Property; and

(c) any additions, alterations and improvements and the entirely of the water Feature (as defined in the Interbuilding Deed)

and excluding Tenant's trade fixtures and fittings.

1.5 **"Conduits"** means all drains, pipes, gullies, gutters, sewers, ducts, mains, channels, subways, wires, cables, conduits, flues and any other conducting media of whatsoever nature;

1.6 **"Decoration Year"** means the year ending 24 June 2007 and in every subsequent fifth year after that date;

1.7 **"Development"** means development as defined in section 55 of the Town and Country Planning Act 1990;

1.8 **"External Decoration Year"** means the year ending 24 June 2007 and in every subsequent 5th year after that date;

1.9 **"Group Company"** means any company which is, for the time being (a) a subsidiary of the relevant party or (b) the holding company of that party or (c) another subsidiary of the holding company of that party, in each case within the meaning of section 736 of the Companies Act 1985, as amended by the Companies Act 1989;

1.10 **"Guarantor"** means the person from time to time guaranteeing the obligations of the Tenant under this Lease and, in the case of an individual, includes his personal representatives but excluding for the avoidance of doubt any person entering into a guarantee pursuant to clause 21.3.1 or 21.3.2;

1.11 **"Initial Rent"** means the sum of five million three hundred and nine thousand one hundred and seventy-five pounds sterling (£5,309,175) per annum;

1.12 **"Insurance Rent"** means:-

(a) a due proportion (to be fairly and properly determined by the Landlord or the Surveyor (on a basis which if so requested by the Tenant is fully disclosed to the Tenant)) of the premium (including any premium paid to Pool Reinsurance Company Limited) which the Landlord pays from time to time for insuring the Building against the Insured Risks pursuant to **clause 30.1.1** and the other items referred to in **clause 30.1.3**; and

(b) all sums which the Landlord pays from time to time for insuring against the loss of the Principal Rent pursuant to **clause 30.1.2**; and

(c) all increases in or additional premiums payable as a result of any Tenant's requests for inclusions or additional cover in the Landlord's insurance policy maintained pursuant to **clause 30**;

1.13 **"Insured Risks"** means (to the extent that any of the same are insurable in the London insurance market at reasonable cost and on reasonable terms save where the Tenant makes an election in accordance with **clause 30.18.2**) fire, storm, tempest, flood,

earthquake, lightning, landslip, subsidence, heave, explosion, acts of terrorism, impact, aircraft (other than hostile aircraft) and other aerial devices and articles dropped from them, riot, civil commotion and malicious damage, bursting or overflowing of water tanks, apparatus or pipes, and such other risks as the Landlord or the Tenant may, in their reasonable discretion from time to time, determine subject to such exclusions, excesses, limitations, terms and conditions as may be contained in any policy taken out by the Landlord;

1.14 **"Interbuilding Deed"** means the interbuilding deed between Burford (Berkeley) Nominee 1 Limited and Burford (Berkeley) Nominee 2 Limited (1) and Burford (Stratton) Nominee 1 Limited and Burford (Stratton) Nominee 2 Limited (2);

1.15 **"Landlord"** means the person for the time being entitled to the reversion immediately expectant on the determination of the Term;

1.16 **"Lazard Group Company"** means Lazard LLC and its subsidiary and associated undertakings (as defined respectively in section 258 and para 20(1) of Schedule 4A of Companies Act 1985), together with any subsidiary or associated undertakings of any such undertaking and Caliburn Partnership (Pty) Limited;

1.17 **"this Lease"** means this Lease and any document which is supplemental to it, whether or not it is expressly stated to be so;

1.18 **"Permitted Use"** means as offices within paragraph (a) of Class B1 (Business) of the Town and Country Planning (Use Classes) Order 1987 and purposes ancillary to such use including storage, client dining facilities, first aid rooms and all other such uses commensurate with offices in London;

1.19 **"Plan/s"** means the plan/s or drawing/s annexed to this Lease;

1.20 **"Planning Acts"** means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, and the Planning and Compensation Act 1991 and any other town and country planning or related legislation;

1.21 **"Premises"** means that part of the Building shown edged red on the Plans including:-

(a) any conduits in, on, under or over and exclusively serving them, except those of any utility company;

(b) all landlord's fixtures, fittings, plant, machinery, apparatus and equipment now or after the date of this Lease in or upon the same including any lifts, lift shafts and lift machinery, any boilers and central heating and air conditioning plant, any sprinklers and the water and sanitary apparatus; and

(c) any additions, alterations and improvements;

but excluding the air space above the height of 2.5 metres above the uppermost part of the Building as erected at the date of this Lease;

1.22 **"Prescribed Rate"** means three per cent (3%) per annum above the Base Rate;

1.23 **"Present Tenant"** means (in **Schedule 4)** the Tenant at the time the covenants on the part of the Guarantor are entered into and (in **Schedule 6)** the Tenant at the time the covenants on the part of the Present Tenant there referred to are entered into;

1.24 **"President"** means the President for the time being of the Royal Institution of Chartered Surveyors (or in the event that such Institution ceases to exist such other independent body as the Landlord may reasonably nominate) and includes the duly appointed deputy of the President or any person authorised by the President or by the Institution or nominated body to make appointments on his or its behalf;

1.25 **"Principal Rent"** means the rent payable under **clause 4.1.1**;

1.26 **"Rent Commencement Date"** means 19 July 2003;

1.27 **"Rents"** means the sums payable by the Tenant under **clause 4.1**;

1.28 **"Review Date"** means 24 June 2007, 24 June 2012 and 24 June 2017 and **"Relevant Review Date"** shall be construed accordingly;

1.29 **"Review Specification"** means the specification annexed to this Lease and marked "Review Specification";

1.30 **"Surveyor"** means any properly qualified person (who shall act as an independent expert) appointed by the Landlord to perform the function of a properly qualified surveyor or accountant for any purpose of this Lease and includes any employee of the Landlord or of a Group Company of the Landlord appointed for that purpose and any person appointed by the Landlord to collect the rents or to manage the Building but does not include the Review Surveyor as defined in **clause 5**;

1.31 **"Tenant"** means the party named as 'Tenant' in this Lease and includes the Tenant's successors in title and assigns and, in the case of an individual, his personal representatives;

1.32 **"Term"** means the term of years specified in **clause 3.1** and includes the period of any holding over or any extension or continuation, whether by statute or common law;

1.33 **"Term Commencement Date"** means 24 June 2002;

1.34 **"Uninsured Risks"** means any one or more of the events or perils expressly listed in the definition of "Insured Risks" as and when (if at all) during the Term insurance in respect thereof:

(a) cannot be obtained in the London insurance market or,

(b) where cover is only available in the London insurance market subject to exclusions limitations terms or conditions which limit the amount claimable so that and to the extent that the Landlord is unable to claim for the Full Reinstatement Cost or

(c) or where cover is only available only up to a fixed maximum amount (being less than the Full Reinstatement Cost) in relation to any such event or peril, to the extent to which the cover of such event or peril above such maximum amount cannot be obtained in the London insurance market,

(save in either case to the extent that it cannot be obtained in respect of the Premises as a result of any act, neglect or default of the Tenant, any undertenant or occupier or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them).

1.35 **"Uninsured Risk Limit"** means the sum calculated in accordance with the following formula:

$$£15{,}927{,}525.00 \times \frac{BCI_B}{BCI_A}$$

Where BCI_A = 200.0 being the amount of General Building Cost Index published by the BCIS (or any equivalent official publication substituted for it) ("the Index") for the month preceding the Term Commencement Date

BCI_B = the amount of the Index for the month preceding date of damage by the Uninsured Risks referred to in **clause 30**

Provided that if there is any change of the reference bases used to compile the Index after the Term Commencement Date the figures shown in the Index after the change shall be those equivalent replacement base figures for each such period or if the Index or any equivalent is no longer published such other base figures from an index or measure of inflation as the Landlord shall (acting reasonably) determine.

If it becomes impossible for any reason whatsoever to calculate the sum under this definition or if any dispute or question whatsoever arises in connection therewith, it shall be determined by an independent third party (acting as expert) appointed by the parties and in default of agreement as to such appointment such expert as shall be nominated by the President.

1.36 **"Utilities"** means water, soil, steam, air, electricity, radio, television, telegraphic, telephone, telecommunications and other services and supplies of whatsoever nature;

1.37 **"Value Added Tax"** means value added tax as defined in the Value Added Tax Act 1994 and any tax of a similar nature substituted for, or levied in addition to, such value added tax;

1.38 **"Working Day"** means any day, other than a Saturday or Sunday, on which clearing banks in the United Kingdom are open to the public for the transaction of business.

2 **INTERPRETATION**

Unless there is something in the subject or context inconsistent with the same:-

2.1 every covenant by a party comprising more than one person shall be deemed to be made by such party jointly and severally;

2.2 words importing persons shall include firms, companies and corporations and vice versa;

2.3 any covenant by either party not to do any act or thing shall include an obligation not to permit or suffer such act or thing to be done;

2.4 any reference to the right of the Landlord to have access to, or to enter, the Premises shall be construed as extending to all persons authorised by them, including agents, professional advisers, contractors, workmen and others;

2.5 any reference to a statute (whether specifically named or not) shall include any amendment or re-enactment of it for the time being in force, and all instruments, orders, notices, regulations, directions, bye-laws, permissions and plans for the time being made, issued or given under it, or deriving validity from it;

2.6 all agreements and obligations by any party contained in this Lease (whether or not expressed to be covenants) shall be deemed to be, and shall be construed as, covenants by such party;

2.7 the word "assignment" includes equitable assignment and the words "assign" and "assignee" shall be construed accordingly;

2.8 the words "including" and "include" shall be deemed to be followed by the words "without limitation";

2.9 the titles or headings appearing in this Lease are for reference only and shall not affect its construction;

2.10 any reference to a clause or schedule shall mean a clause or schedule of this Lease.

SECTION 2
GRANT OF LEASE

3. **GRANT, RIGHTS AND OTHER MATTERS**

3.1 **Demise and Term**

In consideration of the rents, covenants and agreements reserved by, and contained in, this Lease to be paid and performed by the Tenant, the Landlord at the request of the Guarantor (here meaning Lazard LLC only) leases the Premises to the Tenant with full

title guarantee from and including the Term Commencement Date for the term of 20 years.

3.2 **Rights and Easements**

There are granted the rights and easements set out in **Schedule 1.**

3.3 **Exceptions and reservations**

There are excepted and reserved out of this Lease the rights and easements set out in **Schedule 2.**

3.4 **Third party rights**

This Lease is granted subject to and with the benefit of any rights, easements, reservations, privileges, covenants, restrictions, stipulations and other matters of whatever nature affecting the Premises including any matters contained or referred to in the deeds and documents listed in **Schedule 5** so far as any of them relate to the Premises and are still subsisting and capable of taking effect (save in respect of any financial charges).

3.5 **Covenants affecting reversion**

The Tenant shall perform and observe the agreements, covenants, restrictions and stipulations contained or referred to in the deeds and documents listed in **Schedule 5** so far as any of them relate to the Premises and are still subsisting and capable of taking effect (save in respect of any financial charges).

3.6 **Encroachments and easements**

The Tenant shall not stop up or obstruct any of the windows or lights belonging to the Premises and shall take all reasonable steps not to permit any new window, light, opening, doorway, passage, Conduit or other encroachment or easement to be made or acquired into, on or over the Premises or any part of them. If any person shall attempt to make or acquire any encroachment or easement whatsoever, the Tenant shall give written notice of that fact to the Landlord as soon as reasonably practicable after it shall come to the notice of the Tenant and, at the reasonable request of the Landlord but at the cost of the Tenant, adopt such means as may be reasonably required by the Landlord for preventing any encroachment or the acquisition of any easement.

3.7 **Covenants relating to other property**

Nothing contained in, or implied by, this Lease shall give the Tenant the benefit of, or the right to enforce or prevent the release or modification of, any covenant or agreement entered into by any tenant of the Landlord in respect of any property not comprised in this Lease.

3.8 **Rights of entry by Landlord**

The Tenant shall permit the Landlord with all reasonably necessary materials and appliances to enter and remain for such a period of time as is reasonable in all the circumstances on the Premises:-

3.8.1 to examine the condition of the Premises and to take details of the Landlord's fixtures in them;

3.8.2 to exercise any of the rights excepted and reserved by this Lease.

3.9 **Landlord**

In exercising any of the rights mentioned in **clause 3.8 or Schedule 2** the Landlord or the person exercising the right shall:-

3.9.1 give to the Tenant not less than 48 hours prior written notice that the right is to be exercised and shall only exercise it at reasonable times being 9.00 am to 5.30 pm on any Working Day (except in an emergency, when no notice need be given and when it can be exercised at any time);

3.9.2 cause as little inconvenience as practicable to the Tenant or any other permitted occupier of any part of the Premises;

3.9.3 make good, as soon as reasonably practicable and to the reasonable satisfaction of the Tenant, any damage caused to the Premises; and

3.9.4 permit a representative of the Tenant to accompany them and observe all the Tenant's security and confidentiality requirements.

SECTION 3
FINANCIAL PROVISIONS

4. **RENTS**

4.1 **Tenant's obligation to pay**

The Tenant covenants to pay to the Landlord at all times during the Term:-

4.1.1 from the Rent Commencement Date yearly, and proportionately for any fraction of a year, the Initial Rent and from and including each Rent Review Date, such yearly rent as shall become payable under **clause 5**;

4.1.2 the Insurance Rent;

4.1.3 the Additional Rent; and

4.1.4 any Value Added Tax which may be chargeable in respect of the Principal Rent, the Insurance Rent and the Additional Rent.

4.2 **Dates of payment of Principal Rent**

The Principal Rent and any Value Added Tax chargeable on it shall be paid in four (4) equal instalments in advance on each 25 March, 24 June, 29 September and 25 December in every year, the first payment, being a proportionate sum in respect of the period from and including the Rent Commencement Date to the day before the quarter day following the Rent Commencement Date, to be made on the Rent Commencement Date.

4.3 **Method of payment of Principal Rent**

The Principal Rent and any Value Added Tax chargeable on it shall be paid in such manner as the Tenant may, from time to time, reasonably determine so that the Landlord shall receive full value in cleared funds on the date when payment is due and shall be paid into a clearing bank situate in England.

4.4 **Dates of payment of Insurance Rent and Additional Rent**

The Insurance Rent and the Additional Rent and any Value Added Tax chargeable on either of them shall be paid on demand, the first payment of the Insurance Rent having been made on the date of this Lease.

4.5 **No right of set-off**

Subject to any contrary statutory right, the Tenant shall not exercise any legal or equitable rights of set-off, deduction, abatement or counterclaim which it may have to reduce its liability for Rents.

5. **RENT REVIEW**

5.1 **Definitions**

In this clause the following expressions shall have the following meanings:-

5.1.1 **"Open Market Rent"** means the yearly rent which might reasonably be expected to become payable in respect of the Premises as a whole after the expiry of any rent free period, concessionary rent and/or after the giving of any other inducement (whether by means of a capital payment or otherwise) given in each case in connection with the time taken for the fitting out of the Premises by the incoming tenant of such length or of such amount or nature as would be negotiated in the open market between a willing landlord and a willing tenant (to the intent that no discount, reduction or allowance shall be made in ascertaining the Open Market Rent to reflect such rent free period, concessionary rent or other inducement as would be negotiated as aforesaid or to compensate the Tenant for its absence) upon a letting of the Premises in the open market with vacant possession at the Relevant Review Date by a willing landlord to a willing tenant and without the landlord receiving any premium or any other consideration for the grant of the lease for a term of years commencing on the Relevant Review Date and equal to the greater of the

unexpired term of this lease or ten (10) years and otherwise on the terms and conditions and subject to the covenants and provisions contained in this Lease (other than the amount of the rent payable under this Lease but including the provisions for the review of rent contained in this clause) and making the Assumptions but disregarding the Disregarded Matters;

5.1.2 **"Assumptions"** means the following assumptions (if not facts) at the Relevant Review Date:-

(a) that the Premises are ready to receive the tenant's fitting out works and are otherwise fitted-out and equipped in accordance with the Review Specification for immediate occupation and use by the incoming tenant and may be lawfully used by the incoming tenant for the Permitted Use;

(b) that no work has been carried out to the Premises by the Tenant or any undertenant or their respective predecessors in title during the Term, which has diminished the rental value of the Premises (save in respect of any work carried out pursuant to an obligation to the Landlord or any statutory obligations or obligation to any insurers);

(c) that if the Premises or any part of them have been destroyed or damaged by an Insured Risk, they have been fully rebuilt and reinstated;

(d) that the Premises are in a good state of repair and fit for immediate occupation and use and decorative condition;

(e) that all the covenants on the part of the Tenant and the Landlord (save where the Landlord is in persistent material breach) contained in this Lease have been fully performed and observed;

(f) that any openings created by any link bridges or accessways linking the Premises to any Adjoining Property have been reinstated;

5.1.3 **"Disregarded Matters"** means:-

(a) any effect on rent of the fact that the Tenant or any Group Company or any permitted undertenant or their respective predecessors in title may have been in occupation of the Premises or any part of them;

(b) any additional bid that the Tenant or hypothetical willing tenant may make for any lease(s) that the Tenant or the hypothetical willing tenant may have of other premises in the Adjoining Property;

(c) any goodwill attached to the Premises by reason of the business then carried on at the Premises by the Tenant or any Group Company or any permitted undertenant;

(d) any increase in rental value of the Premises attributable to the existence, at the Relevant Review Date, of any improvement or any work done to

the Premises or any part of them carried out prior to or after the date of this Lease with all necessary consents (where required) by the Tenant or any permitted undertenant or occupier or at their cost otherwise than in pursuance of an obligation to the Landlord or its predecessors in title (other than any obligation contained in a permissive licence granted by the Landlord or its predecessors in title) provided that any works carried out pursuant to any legislation or any requirement of the insurers shall be deemed not to have been carried out pursuant to an obligation to the Landlord or its predecessors in title;

(e) any link bridges or access ways linking the Premises to any Adjoining Property;

(f) the rights granted in paragraph 1 of Schedule 1 and any effect on rent from the existence of the obligations and rights contained in **clause 48**;

5.1.4 **"Review Surveyor"** means an independent chartered surveyor who has held the office of Director or Partner or FRICS for not less than ten (10) years, who is experienced in valuing and leasing property in the West End and has done so for not less than five years prior to the Review Date appointed from time to time under this clause to determine the Open Market Rent.

5.2 **Rent reviews**

The Principal Rent shall be reviewed at each Review Date in accordance with the provisions of this clause and from and including each Review Date the Principal Rent shall equal the higher of:-

5.2.1 the Principal Rent contractually payable immediately before the Relevant Review Date (or which would be payable but for any suspension of rent (in whole or in part) under this Lease); and

5.2.2 the Open Market Rent on the Relevant Review Date as agreed or determined pursuant to this clause.

5.3 **Agreement or determination of the reviewed rent**

The Open Market Rent at any Review Date may be agreed in writing at any time between the Landlord and the Tenant but if, for any reason, they have not so agreed, either party may (whether before or after the Relevant Review Date) by notice in writing to the other require the Open Market Rent to be determined by the Review Surveyor.

5.4 **Appointment of Review Surveyor**

In default of agreement between the Landlord and the Tenant on the appointment of the Review Surveyor, the Review Surveyor shall be appointed by the President on the written application of either party, such application to be made not earlier than three

(3) months before the Relevant Review Date and not later than the next succeeding Review Date.

5.5 **Functions of Review Surveyor**

The Review Surveyor shall:-

5.5.1 act as an arbitrator in accordance with the Arbitration Act 1996;

5.5.2 have power to order on a provisional basis any relief which he would have power to grant in a final award;

5.5.3 within sixty (60) days of the later of his appointment and the Relevant Review Date, or within such extended period as the Landlord and the Tenant may jointly agree acting reasonably in writing, give to each of them written notice of the amount of the Open Market Rent as determined by him.

5.6 **Fees of Review Surveyor**

5.6.1 The fees and expenses of the Review Surveyor shall be in the award of the Review Surveyor but, failing such award, the same shall be payable by the Landlord and the Tenant in equal shares who shall each bear their own costs, fees and expenses.

5.6.2 If either party fails to pay that party's share of the fees and expenses of the Review Surveyor, including the fee payable for his nomination, within five (5) Working Days after being required in writing to do so, the other parry may pay such fees and expenses, and the share of the defaulting party shall become a debt payable to the other party on written demand (and, if the defaulting party is the Tenant, recoverable by the Landlord as rent in arrear) with interest on such share at the Prescribed Rate from and including the date of payment by the other party to the date of reimbursement by the defaulting party.

5.7 **Appointment of new Review Surveyor**

If the Review Surveyor fails to give notice of his determination within the allotted time, or if he dies, is unwilling to act, or becomes incapable of acting, or if, for any other reason, he is unable to act, the Landlord or the Tenant may request the President to discharge the Review Surveyor and appoint another surveyor in his place to act in the same capacity, which procedure may be repeated as many times as necessary.

5.8 **Interim payments pending determination**

If the amount of the reviewed rent has not been agreed or determined by the Relevant Review Date (the date of agreement or determination being called the **"Determination Date"**), then:-

5.8.1 in respect of the period (the **"Interim Period"**) beginning with the Relevant Review Date and ending on the day before the quarter day following the Determination Date, the Tenant shall pay to the Landlord the Principal Rent at the yearly rate payable immediately before the Relevant Review Date together with such further amounts (if any) as may be awarded by the Review Surveyor; and

5.8.2 on the Determination Date, the Tenant shall pay to the Landlord as arrears of rent the amount by which the reviewed rent exceeds the rent actually paid during the Interim Period (apportioned on a daily basis) together with interest on such amount at the Base Rate, such interest to be calculated on the amount of each quarterly shortfall on a day-to-day basis from the date on which it would have been payable if the reviewed rent had then been agreed or determined to the Determination Date.

5.9 **Rent Restrictions**

If, at any time during the Term, restrictions are imposed by any statute for the control of rent which prevent or prohibit wholly or partly the operation of the rent review provisions contained in this clause or which operate to impose any limitation, whether in time or amount, on the collection and retention of any increase in the Principal Rent or any part then and in each case respectively:-

5.9.1 the operation of the rent review provisions contained in this clause shall be postponed to take effect on the first date on which such operation (whether wholly or partially and with or without limited effect) may occur and in the case of restrictions which partially prevent or prohibit such operation and/or limit its effect on each such date;

5.9.2 the collection of any increase in the rent shall be postponed to take effect on the first date on which such increase may be collected and/or retained in whole or in part and on as many occasions as shall be required to ensure the collection of the whole increase

and, until such restrictions shall be relaxed either wholly or partially, the Principal Rent shall be the maximum sum from time to time permitted by such restrictions.

5.10 **Memoranda of reviewed rent**

Within ten (10) Working Days after the amount of any reviewed rent has been agreed or determined, memoranda recording that fact shall be prepared by the Landlord or its solicitors and shall be signed by or on behalf of the Landlord and the Tenant and any Guarantor and annexed to this Lease and its counterpart. The parties shall each bear their own costs in relation to the preparation and signing of such memoranda.

5.11 **Time not of the essence**

For the purpose of this clause, time shall not be of the essence.

6. **INTEREST**

6.1 **Interest on late payments**

Without prejudice to any other right, remedy or power contained in this Lease or otherwise available to the Landlord, if any of the Rents (whether formally demanded or not in the case of the Principal Rent) or any other sum of money payable to the Landlord by the Tenant under this Lease shall not be paid so that the Landlord receives full value in cleared funds (otherwise than by reason of failure of the Landlord's bankers):-

6.1.1 in the case of the Principal Rent and any Value Added Tax chargeable on it, on the date when payment is due (or, if the due date is not a Working Day, the next Working Day after the due date); or

6.1.2 in the case of any other Rents or sums, within fifteen (15) Working Days of the date when payment is due

the Tenant shall pay interest on such Rents and/or sums at the Prescribed Rate from and including the date when payment was due to the date of payment to the Landlord (both before and after any judgment).

6.2 **Interest on refused payments**

Without prejudice to any other right, remedy or power contained in this Lease or otherwise available to the Landlord, if the Landlord shall, acting reasonably, decline to accept any of the Rents so as not to waive any existing breach or alleged breach of covenant, the Tenant shall pay interest on such Rent at the Base Rate from and including the date when payment was due (or, where applicable, would have been due if demanded on the earliest date on which it could have been demanded) to the date when payment is accepted by the Landlord.

7. **OUTGOINGS**

7.1 **Tenant's obligation to pay**

The Tenant shall pay, or indemnify the Landlord against, all existing and future rates, taxes, duties, charges, assessments, impositions and other outgoings whatsoever (whether parliamentary, parochial, local or of any other description and whether or not of a capital or non-recurring nature or of a wholly novel character) which are now or may at any time during the Term be charged, levied, assessed or imposed upon, or payable in respect of, the Premises or upon the owner or occupier of them (excluding any tax payable by the Landlord occasioned by any disposition of, or dealing with, the reversion of this Lease or income or corporation tax payable by the Landlord on receipt of rents) and, in the absence of a direct assessment on the Premises, shall pay to the Landlord a fair proportion (to be reasonably determined by the Landlord) of any such outgoings.

7.2 **Costs of utilities etc.**

The Tenant shall:-

7.2.1 pay all charges for electricity, gas and water consumed in the Premises, including any connection and hiring charges and meter rents; and

7.2.2 perform and observe all present and future regulations and requirements of the electricity, gas and water supply companies or boards in respect of the supply and consumption of electricity, gas and water on the Premises.

8. **VALUE ADDED TAX**

8.1 **Sums exclusive of VAT**

All sums payable under this Lease by the Tenant to the Landlord (with the exception of the rent reserved in **clause 4.1.4**) shall be deemed to be exclusive of Value Added Tax.

8.2 **Tenant to pay VAT**

Where pursuant to the terms of this Lease the Landlord makes a supply to the Tenant (other than a supply made in consideration for the payment of the Rents) and Value Added Tax is payable in respect of such supply, the Tenant shall pay to the Landlord on the date of such supply a sum equal to the amount of Value Added Tax so payable and any penalty or interest incurred by the Landlord for any late payment of such Value Added Tax and the Landlord shall no later than five (5) Working Days of such payment issue a valid Value Added Tax invoice addressed to the Tenant in respect of such supply.

8.3 **VAT incurred by Landlord**

Where the Tenant is required by the terms of this Lease to reimburse the Landlord for the costs or expenses of any supplies made to the Landlord, the Tenant shall also at the same time pay or, as the case may be, indemnify the Landlord against all Value Added Tax input tax incurred by the Landlord in respect of those supplies save to the extent that the Landlord is entitled to repayment or credit in respect of such Value Added Tax input tax and the Landlord shall no later than five (5) Working Days of such payment issue a valid Value Added Tax invoice addressed to the Tenant in respect of such supply.

9. **TAXATION**

Notwithstanding anything contained in this Lease, the Tenant shall:-

(a) not do on, or in relation to, the Premises or any part of them, or in relation to any interest of the Tenant in the Premises, any act or thing (other than the payment of the Rents) which shall render the Landlord liable for any tax, levy, charge or other fiscal imposition of whatsoever nature; and

(b) not dispose of, or deal with, this Lease in such a way that the Landlord shall be or become liable for any such tax, levy, charge or fiscal imposition

save where the Tenant shall first indemnify the Landlord against such impositions.

10. **LANDLORD'S COSTS**

Within ten (10) Working Days of written demand and against satisfactory evidence of the amounts, the Tenant shall pay, or indemnify the Landlord against all reasonable costs, fees, charges, disbursements and expenses properly incurred by it, including those payable to solicitors, counsel, surveyors, architects and bailiffs:-

(a) in relation to, or in proper contemplation of, the preparation and service of a notice under section 146 of the Law of Property Act 1925 or any proceedings under section 146 or section 147 of that Act (whether or not any right of re-entry or forfeiture has been waived by the Landlord or a notice served under section 146 is complied with by the Tenant or the Tenant has been relieved under the provisions of that Act and even though forfeiture may be avoided otherwise than by relief granted by the court);

(b) in relation to, or in proper contemplation of, the preparation and service of all reasonable notices and schedules relating to any wants of repair at the Premises or schedule of reinstatement works, whether served during or within three months after the expiration of the Term (but relating in all cases only to such wants of repair which accrued not later than the expiration or earlier determination of the Term);

(c) in connection with the recovery or attempted recovery of arrears of Rents or other sums due from the Tenant, or in procuring the remedying of the breach of any covenant by the Tenant;

(d) in relation to any application for consent required or made necessary by this Lease (such costs to include reasonable management fees and expenses) whether or not it is granted (except in cases where the Landlord is obliged not to withhold its consent unreasonably or unreasonably delay and the withholding of its consent is held to be unreasonable or is held to be unreasonably delayed), or the application is withdrawn,

SECTION 4
REPAIRS, ALTERATIONS AND SIGNS

11. **REPAIRS, DECORATION ETC.**

11.1 **Repairs**

Subject to **clause 11.2**, the Tenant shall:-

11.1.1 repair and keep in good and substantial repair and condition the Premises; and

11.1.2 as and when necessary or when incapable of economic repair, replace with similar materials of no lesser quality, any of the Landlord's fixtures and

fittings which may be or become beyond repair with new ones which are similar in type and quality; and

11.1.3 keep all parts of the Premises which are not built on in a good and clean condition.

11.2. **Damage by the Insured Risks and Uninsured Risks**

There shall be excepted from the obligations contained in Clause 11.1:

11.2.1 any damage caused by an Insured Risk (save to the extent that payment of the insurance moneys shall be withheld by reason of any act, neglect or default of the Tenant, any undertenant or occupier or any of their respective agents, licensees or contractors or any person under the control of any of them and the Tenant has not made the payment due pursuant to **clause 30.10**); and

11.2.2 any damage caused by any Uninsured Risks.

11.3 **Decorations**

The Tenant shall:-

11.3.1 in every Decoration Year and also in the last three (3) months of the Term (whether determined by passage of time or otherwise) but not more than once in any consecutive period of 2 years, in a good and workmanlike manner prepare and decorate with at least two coats of good quality paint or otherwise treat, as appropriate, the interior painted parts of the Premises excluding factory painted finishes which shall only be repainted when necessary, such internal decorations and treatment in the last year of the Term (if different to those existing) to be executed in such colours and materials as the Landlord may reasonably require;

11.3.2 as often as may be reasonably necessary, wash down all tiles and similar washable surfaces;

11.4 **External decorations**

The Tenant shall:-

11.4.1 in every External Decoration Year and also during the last six (6) months of the Term (whether determined by passage of time or otherwise) in a good and workmanlike manner prepare and decorate with at least two coats of good quality paint and in colours to be approved in writing by the Landlord (such approval not to be unreasonably withheld), or otherwise treat, as appropriate, all external parts of the Premises;

11.4.2 as often as reasonably necessary, clean, make good and restore and, where appropriate, treat with suitable preservative any external cladding, brickwork, concrete, stonework or other finish of the Premises.

11.5 **Plant and machinery**

The Tenant shall keep all lifts, boilers and central heating, air conditioning, plant and sprinklers and other plant, machinery, apparatus and equipment in the Premises properly maintained and in good working order and condition and for that purpose shall:-

11.5.1 employ such reputable contractors as may be approved by the Landlord, such approval not to be unreasonably withheld, regularly to inspect, maintain and service them;

11.5.2 renew or replace all working and other parts as and when necessary;

11.5.3 ensure, by directions to the Tenant's staff and otherwise, that such plant and machinery is properly operated.

11.6 **Cleaning**

The Tenant shall:-

11.6.1 keep the Premises in a clean and tidy condition and free from rubbish and employ only competent and respectable persons as cleaners;

11.6.2 as often as reasonably necessary properly clean the interior and exterior of the windows or window frames and all other glass in the Premises; and

11.6.3 deposit all rubbish and refuse in proper receptacles for collection by or on behalf of the local authority.

11.7 **Carpeting**

The Tenant shall maintain the carpets now, or from time to time, laid in the Premises and, when reasonably necessary, replace them with new carpets of equivalent quality and value.

12. **YIELD UP**

12.1 **Reinstatement of Premises**

Immediately prior to the expiration or earlier determination of the Term, the Tenant shall at its cost:-

12.1.1 replace (or repair, if appropriate) any of the Landlord's fixtures and fittings which shall be missing, damaged or destroyed, with new ones of similar kind and quality;

12.1.2 remove from the Premises or any part of the Building any sign, writing or painting of the name or business of the Tenant or any occupier of them and all tenant's fixtures, fittings, furniture and effects and make good, to the reasonable satisfaction of the Landlord, all damage caused by such removal;

12.1.3 if so required by the Landlord, but not otherwise, remove and make good any alterations or additions made to the Premises during the Term, and well and substantially reinstate the Premises to the condition described in the Review Specification in such manner as the Landlord shall direct and to the Landlord's reasonable satisfaction;

12.2 **Yielding up in good repair**

At the expiration or earlier determination of the Term, the Tenant shall quietly yield up the Premises to the Landlord in good and substantial repair and condition and in accordance with the covenants by the Tenant contained in this Lease.

13. **COMPLIANCE WITH NOTICES**

13.1 **Tenant to remedy breaches of covenant**

Whenever the Landlord shall give written notice to the Tenant of any defects, wants of repair or breaches of covenant, the Tenant shall, within forty (40) Working Days of such notice, commence to and thereafter diligently continue to make good such defects or wants of repair and remedy the breach of covenant to the reasonable satisfaction of the Landlord.

13.2 **Failure of Tenant to repair**

If the Tenant shall fail within such period as is reasonably in all the circumstances of such notice, or as soon as reasonably possible in the case of emergency, to comply with such notice, the Landlord may enter the Premises and carry out, or cause to be carried out, any of the works referred to in such notice and all reasonable and proper costs and expenses incurred as a result shall be paid by the Tenant to the Landlord within fourteen (14) Working Days of written demand and, in default of payment, shall be recoverable as rent in arrear.

14. **ALTERATIONS**

14.1 **Structural alterations**

The Tenant shall not alter, cut into or remove any of the principal or load-bearing walls, floors, beams or columns in or enclosing the Premises nor:

14.1.1 erect any new building or new structure on the Premises;

14.1.2 alter or change the height, elevation or external design or appearance of the Premises;

14.1.3 merge the Premises with any Adjoining Property;

14.1.4 alter, cut into or remove any of the principal or load-bearing walls, floors, beams or columns of the Premises; or

14.1.5 make any other alteration or addition of a structural nature to the Premises,

without the Landlord's consent, such consent not to be unreasonably withheld or delayed.

14.2 **Non-structural alterations**

The Tenant shall be entitled to make any alteration or addition of a non-structural nature after providing copies of plans of such alterations to the Landlord.

14.3 **Demountable partitioning**

The Tenant shall not install, alter or remove demountable partitioning in the Premises without having first notified the Landlord of such works.

14.4 **Covenants by Tenant**

The Tenant shall enter into such covenants as the Landlord may reasonably require regarding the execution of any works to which the Landlord's consent is required under this clause, and the reinstatement of the Premises at the end or earlier determination of the Term.

15. **SIGNS AND ADVERTISEMENTS**

The Tenant shall be entitled to change the name of the Building from 50 Stratton Street to such other name as the Landlord shall approve in writing (such approval not to be unreasonably withheld or delayed) and subject to the Tenant obtaining any necessary statutory or third party consents to such proposed change.

SECTION 5
USE

16. **USE OF PREMISES**

16.1 **Permitted use**

The Tenant shall not use the Premises or any part of them except for the Permitted Use.

16.2 **Tenant not to leave Premises unoccupied**

The Tenant shall not leave the Premises continuously unoccupied for more than fifteen (15) days without notifying the Landlord and providing, or paying for, such reasonable caretaking or security arrangements as the Landlord shall reasonably require in order to protect the Premises from vandalism, theft or unlawful occupation.

16.3 **Details of keyholders**

The Tenant shall ensure that, at all times, the Landlord has particulars of the name, home address and home telephone number of at least two keyholders of the Premises.

17. **USE RESTRICTIONS**

The Tenant shall perform and observe the obligations set out in **Schedule 3.**

18. **LANDLORD'S REGULATIONS**

The Tenant shall comply with all reasonable regulations made by the Landlord acting reasonably and in accordance with the principles of good estate management from time to time and notified to the Tenant in writing for the security of the Link Bridges and accessway linking the Premises to the Adjoining Property and in the event of any conflict between the regulations from time to time notified to the Tenant and the terms of this Lease, this Lease shall prevail and provided always that, nothing in the regulations shall prevent access to the Building or the Premises by the Tenant or others authorised by it 24 hours a day 7 days a week.

19. **EXCLUSION OF WARRANTY AS TO USER**

19.1 **No warranty by Landlord**

Nothing contained in this Lease, or in any consent or approval granted by the Landlord under this Lease, shall imply or warrant that the Premises may be used under the Planning Acts for the purpose permitted by this Lease or any purpose subsequently permitted.

19.2 **Tenant's acknowledgement**

The Tenant acknowledges that neither the Landlord nor any person acting on behalf of the Landlord has at any time made any representation or given any warranty that any use permitted by this Lease is, will be, or will remain, a use authorised under the Planning Acts.

19.3 **Tenant to remain bound**

Even though any such use may not be a use authorised under the Planning Acts, the Tenant shall remain fully liable to the Landlord in respect of the obligations undertaken by the Tenant in this Lease without being entitled to any compensation, recompense or relief of any kind.

SECTION 6
DISPOSALS

20. **GENERAL**

20.1 **Alienation generally**

The Tenant shall not assign, underlet or part with possession or share the occupation of, or permit any person to occupy, or create any trust in respect of the Tenant's interest in, the whole or any part of the Premises, except as may be expressly permitted by this clause and **clauses 21 and 22.**

20.2 **Sharing with a Group Company**

Nothing in this clause or **clauses 21 and 22** shall prevent the Tenant from sharing occupation of the whole or any part of the Premises with any company which is, for

the time being, a Group Company of the Tenant or in the case of Lazard & Co., Limited, a Lazard Group Company subject to (a) the Tenant giving to the Landlord written notice of the sharing of occupation and the name of the Group Company or Lazard Group Company (if applicable) concerned within five (5) Working Days after the sharing begins (b) the Tenant and that Group Company or Lazard Group Company (if applicable) remaining in the same relationship whilst the sharing lasts and (c) the sharing not creating the relationship of landlord and tenant between the Tenant and that Group Company or Lazard Group Company (if applicable).

20.3 **Definitions**

In this Lease:-

20.3.1 **"1927 Act"** means the Landlord and Tenant Act 1927 (as amended prior to (but not after) the date of this Lease);

20.3.2 **"1995 Act"** means the Landlord and Tenant (Covenants) Act 1995;

20.3.3 **"Application"** means the application made by the Tenant for the Landlord's consent to a Proposed Assignment;

20.3.4 **"Current Tenant"** means the Tenant in whom the Term is vested at the date of the Application;

20.3.5 **"Original Guarantor"** means the guarantor (if any) of the Original Tenant;

20.3.6 **"Original Tenant"** means the Tenant to whom this Lease was first granted;

20.3.7 **"Proposed Assignee"** means the person to whom the Current Tenant wishes to assign this Lease as stated in the Application;

20.3.8 **"Proposed Assignment"** means the assignment for which Landlord's consent is requested by the Application;

20.3.9 **"Proposed Guarantor"** means the person who will guarantee to the Landlord the obligations of the Proposed Assignee but this expression shall not include the Current Tenant; and

21. **ASSIGNMENT**

21.1 **No Assignment of Part**

The Tenant shall not assign any part or parts (as distinct from the whole) of the Premises.

21.2 **Circumstances in which consent to Assignment may be withheld**

For the purposes of Section 19 (1 A) of the Landlord and Tenant Act 1927 it is agreed that the Landlord may withhold its consent to an assignment of the whole of the Premises in the following circumstances:

21.2.1 Where the Proposed Assignee is a Group Company of the Tenant save where such Group Company's financial strength is in the Landlord's reasonable opinion equal to or greater than that of the Current Tenant;

21.2.2 Where the Proposed Assignee is any person or entity who has the right to claim sovereign or diplomatic immunity or exemption from liability from the covenants on the part of the Tenant contained in this Lease;

21.2.3 Where the Proposed Assignee is any person or entity in relation to whom any of the events mentioned in **clause 31.2.3**, **31.2.4**, **31.2.5** and/or **31.2.6** of this Lease has occurred;

21.2.4 where the Proposed Assignee is a public or private body corporate or partnership and its profits before tax for each of the three financial years immediately preceding the date of the Application (as shown in its audited accounts but disregarding any extraordinary or exceptional items) do not exceed the Principal Rent by at least a factor of four (4) save where the provisions of **clause 21.5** are complied with;

21.3 **Conditions for Landlord's Consent**

For the purposes of Section 19 (1 A) of the Landlord and Tenant Act 1927 it is further agreed that any consent of the Landlord to an assignment of the whole of the Premises may be subject to:-

21.3.1 a condition that the Current Tenant shall, prior to such assignment being completed, execute and deliver to the Landlord a deed of guarantee (being an authorised guarantee agreement within section 16 of the Landlord and Tenant (Covenants) Act 1995) in the form set out in **Schedule 6**;

21.3.2 as a separate and severable obligation from that set out in **clause 21.3.1**, a condition that any guarantor of the Current Tenant (here meaning the Original Guarantor in the case of the Original Tenant or in the case of any Current Tenant any guarantor subsisting due to the provisions of **clause 21.5**) shall, prior to such assignment being completed, execute and deliver to the Landlord a guarantee in the form set out in Schedule 4 (with any necessary changes) guaranteeing the Current Tenant's obligations in the deed of guarantee referred to in **clause 21.3.1** above;

21.3.3 the Proposed Assignee entering into a direct covenant with the Landlord to pay the Rents reserved by and to perform the covenants by the Tenant contained in this Lease;

21.3.4 the payment to the Landlord of all Rents which have fallen due under the Lease prior to the date of the assignment;

21.3.5 the provisions of **clause 21.5.**

21.4 **Assignment of the whole**

Without prejudice to the provisions of **clauses 20** to **21.3** inclusive the Tenant shall not assign the whole of the Premises without the prior written consent of the Landlord and except in relation to the circumstances mentioned in **clause 21.2** and the conditions mentioned in **clause 21.3** such consents shall not be unreasonably withheld or delayed. The parties agree that in considering whether or not the Landlord is reasonably withholding such consent due and proper regard shall be had to the provisions and effect of the Landlord and Tenant (Covenants) Act 1995.

21.5 **Guarantor to be provided**

If the Proposed Assignee fails the profits test as set out in **clause 21.2.4** it is further agreed that the Landlord shall not be entitled to exercise its right pursuant to **clause 21.2.4** to withhold its consent to an assignment of the whole of the Premises if prior to any such assignment taking place the Tenant shall obtain a guarantor for the Proposed Assignee who satisfies the profit test set out in **clause 21.2.4**, and such guarantor shall execute and deliver to the Landlord a deed containing covenants by that guarantor (or, if more than one, joint and several covenants with the Landlord as a primary obligation) in the terms set out in **Schedule 4** (with any necessary changes).

22. **UNDERLETTING**

22.1 **Subletting Unit**

For the purpose of this clause, **"Subletting Unit"** means such part of the Premises which is capable of being occupied and used as a separate and self-contained unit with all necessary and proper services.

22.2 **Underletting of part**

The Tenant shall not underlet any part of the Premises other than on the following conditions:-

22.2.1 Each floor of the Premises shall not at any time be in the occupation of more than two (2) persons, the Tenant and any Group Company or Lazard Group Company (if applicable) which is permitted to share occupation under **clause 20.2** counting as one; and

22.2.2 the part of the Premises to be underlet shall comprise a Subletting Unit only;

22.2.3 if the Landlord shall reasonably so require, the Tenant shall obtain a reasonably acceptable guarantor for any proposed undertenant and such guarantor shall execute and deliver to the Landlord a deed containing covenants by that guarantor (or, if more than one, joint and several covenants)

with the Landlord, as a primary obligation, in the terms contained in Schedule 4 (with any necessary changes); and

22.2.4 the underlease shall incorporate an agreement, authorised beforehand by the Court, excluding sections 24 to 28 of the Landlord and Tenant Act 1954 in relation to such underlease.

22.3 **Underletting of the whole**

22.3.1 The Tenant shall not underlet the whole of the Premises other than on condition that if the Landlord shall reasonably so require, the Tenant obtains a reasonably acceptable guarantor for any proposed undertenant and such guarantor shall execute and deliver to the Landlord a deed containing covenants by that guarantor (or, if more than one, joint and several covenants) with the Landlord, as a primary obligation, in the terms contained in **Schedule 4** (with any necessary changes).

22.3.2 In the case of an underletting of the whole granted in the last 5 years of the term of years specified in **clause 3.1**, the underlease shall incorporate an agreement authorised before by the Court, excluding sections 24 to 28 of the Landlord and Tenant Act 1954 in relation to such underlease.

22.4 **Underletting rent**

The Tenant shall not underlet the whole of the Premises or underlet a Subletting Unit at a fine or premium or at a rent less than the open market rent of the Premises or, in the case of a Subletting Unit, the open market rent of the Subletting Unit in question, in each case at the time of such underlease.

22.5 **Direct covenants from undertenant**

Prior to any permitted underlease, the Tenant shall procure that the undertenant enters into the following direct covenants with the Landlord:-

22.5.1 an unqualified covenant by the undertenant not to assign or charge any part of the premises to be underlet;

22.5.2 a covenant by the undertenant not to underlet the whole or any part of the premises to be underlet without the prior written consent of the Landlord such consent not to be unreasonably withheld or delayed;

22.5.3 an unqualified covenant by the undertenant not to part with possession or share the occupation of the whole or any part of the premises to be underlet or permit any person to occupy them (save that the undertenant shall be permitted to share occupation in accordance with the provisions of **clause 20.2** (as included in such underlease));

22.5.4 a covenant by the undertenant not to assign or charge the whole of the premises to be underlet without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed;

22.5.5 a covenant by the undertenant to perform and observe all the tenant's covenants contained in the permitted underlease.

22.6 **Contents of underlease**

Every permitted underlease (a final copy of which shall be supplied to, and approved by, the Landlord prior to its grant, such approval not to be unreasonably withheld or delayed) shall contain:-

22.6.1 if the permitted underlease is for a term greater than five (5) years, provisions for the review of the rent payable under it on an upwards only basis corresponding both as to terms and dates with the rent review provisions in this Lease;

22.6.2 a covenant by the undertenant (which the Tenant covenants to enforce) prohibiting the undertenant from doing or suffering any act or thing on, or in relation to, the premises underlet inconsistent with, or in breach of, this Lease;

22.6.3 a condition for re-entry on breach of any covenant by the undertenant;

22.6.4 the same restrictions as to assignment, underletting, charging and parting with or sharing the possession or occupation of the premises underlet, and the same provisions for direct covenants and registration, as are in this Lease (with any necessary changes).

22.7 **Tenant to obtain Landlord's consent**

Without prejudice to the other provisions of this clause, the Tenant shall not underlet the whole of the Premises or underlet a Subletting Unit without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed.

22.8 **Tenant to enforce obligations**

The Tenant shall use all reasonable endeavours to enforce the performance and observance of the covenants by the undertenant contained in any permitted underlease and shall not, at any time, either expressly or by implication, waive any breach of them.

22.9 **Review of underlease rent**

The Tenant shall procure that the rent under any permitted underlease is reviewed in accordance with its terms but shall not agree any reviewed rent with the undertenant nor any rent payable on any renewal of it without the prior written consent of the Landlord (such consent not to be unreasonably withheld or delayed).

22.10 **No variation of terms**

The Tenant shall not vary the terms of any permitted underlease, without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed.

22.11 **No reduction in rent**

The Tenant shall procure that the rent payable under any permitted underlease is not commuted or made payable more than one quarter in advance, and shall not permit any reduction of that rent.

23. **REGISTRATION OF DISPOSITIONS**

Within thirty (30) Working Days of every assignment, transfer, assent, underlease, assignment of underlease or any other disposition, whether mediate or immediate, of or relating to the Premises or any part, the Tenant shall provide the Landlord or its solicitors with a copy (certified as true) of the deed, instrument or other document evidencing or effecting such disposition and, on each occasion, shall pay to the Landlord or its solicitors a fee of Twenty-five pounds (£25.00) or such larger sum as may be reasonable.

24. **NEW GUARANTOR**

Within ten (10) Working Days of becoming aware of the death during the Term of any Guarantor or of such person committing or permitting an event listed in clause **31.2.3**, **31.2.4**, **31.2.5** or **31.2.6** to give notice of this to the Landlord and if so required by the Landlord acting reasonably at the expense of the Tenant within twenty (20) Working Days of receiving notice from the Landlord to that effect to procure some other person of similar or greater covenant strength to that of the said Guarantor at the date that the said Guarantor became a Guarantor under the terms of this Lease to execute a guarantee in the terms set out in **Schedule 4**.

SECTION 7
LEGAL REQUIREMENTS

25. **STATUTORY REQUIREMENTS**

25.1 **Tenant to comply with statutes**

The Tenant shall, at its expense, comply in all respects with every statute now in force or which may, after the date of this Lease, be in force and any other obligation imposed by law and all regulations laws or directives made or issued by or with the authority of The European Commission and/or The Council of Ministers relating to the Premises or their use, including the Offices, Shops and Railway Premises Act 1963, the Fire Precautions Act 1971, the Defective Premises Act 1972, the Health and Safety at Work etc. Act 1974 and the Environmental Protection Act 1990 in respect of the Tenant’s occupation and use of the Premises.

25.2 **Tenant to execute necessary works**

The Tenant shall execute all works and provide and maintain all arrangements on or in respect of the Premises or their use which are required by any statute now in force or which may after the date of this Lease be in force or by any government department, local, public or other competent authority or court of competent jurisdiction acting under or in pursuance of any statute, if the same are required to be carried out by the landlord tenant or occupier, and shall indemnify the Landlord against all costs, charges, fees and expenses of, or incidental to, the execution of any works or the provision or maintenance of any arrangements so required.

25.3 **Tenant to refrain from certain acts**

The Tenant shall not do, or omit to be done, in or near the Premises, any act or thing by reason of which the Landlord may, under any statute, incur or have imposed upon it, or become liable to pay, any damages, compensation, costs, charges, expenses or penalty.

26. **PLANNING ACTS**

26.1 **Tenant's obligation to comply**

The Tenant shall comply with the Planning Acts and with any planning permission (which does not derogate from the grant of this Lease) relating to, or affecting, the Premises, and indemnify the Landlord against all actions, proceedings and reasonable and proper claims, demands, losses, costs, expenses, damages and liability whatsoever in respect of any non-compliance.

26.2 **No application for planning permission**

The Tenant shall not without the Landlord's prior written consent (such consent not to be unreasonably withheld or delayed) make any application for planning permission or for other consents required under the Planning Acts save where such application is necessary to enable the Tenant to carry out alterations consented to by the Landlord pursuant to **clause 14** where the Landlord's consent is not so required pursuant to **clause 14** or as provided for in **clause 26.3.**

26.3 **Tenant to obtain all permissions**

The Tenant shall, at its expense, obtain and, if appropriate, renew any planning permission and any other consent and serve all necessary notices required for the carrying out by the Tenant of any operations or the commencement or continuance of any use on the Premises.

26.4 **Tenant to pay planning charges**

The Tenant shall pay and satisfy any charge or levy imposed under the Planning Acts in respect of any Development by the Tenant on the Premises.

26.5 **No implementation of permission without approval**

The Tenant shall not implement any planning permission or consent required under the Planning Acts before it has been produced to, and approved in writing by, the Landlord, such approval not to be unreasonably withheld or delayed but the Landlord may refuse to approve such planning permission or consent on the grounds that any condition contained in it, or anything omitted from it, or the period referred to in it, would, in the reasonable opinion of the Landlord, be or be likely to be prejudicial to the Landlord's interest in the Premises or the Building or in any Adjoining Property, whether during or following the expiration or earlier determination of the Term.

26.6 **Tenant to carry out works before end of Term**

Unless the Landlord shall otherwise direct in writing, the Tenant shall carry out and complete before the expiration or earlier determination of the Term:-

26.6.1 any works required to be carried out to the Premises as a condition of any planning permission granted during the Term and implemented by the Tenant whether or not the date by which the planning permission requires such works to be carried out is within the Term; and

26.6.2 any Development begun upon the Premises by the Tenant or any permitted undertenant in respect of which the Landlord may be or become liable for any charge or levy under the Planning Acts.

26.7 **Plans etc. to be produced**

The Tenant shall produce to the Landlord within thirty (30) Working Days of written demand all plans, documents and other evidence as the Landlord may reasonably require in order to satisfy itself that this clause has been complied with.

27. **STATUTORY NOTICES**

27.1 **Notices Generally**

The Tenant shall:-

27.1.1 within twenty (20) Working Days (or sooner if necessary having regard to the requirements of the notice or order in question or the time limits stated in it) of receipt of any notice or order or proposal for a notice or order given to the Tenant and relevant to the Premises or any occupier of them by any government department, local, public or other competent authority or court of competent jurisdiction, provide the Landlord with a true copy of it and any further particulars reasonably required by the Landlord;

27.1.2 without prejudice to the rights of appeal without delay, take all necessary steps to comply with the notice or order so far as the same is the responsibility of the Tenant; and

27.1.3 without prejudice to the rights of appeal at the request of the Landlord and at the joint cost of the Landlord and Tenant, make or join with the Landlord in making such objection, complaint, representation or appeal against or in respect of any such notice, order or proposal as the Landlord shall acting reasonably deem appropriate.

27.2 **Party Wall etc. Act 1996**

The Tenant shall:-

27.2.1 Forthwith after receipt by the Tenant of any notice served on the Tenant under the Party Wall etc. Act 1996 provide the Landlord with a true copy of it and of any further particulars reasonably required by the Landlord;

27.2.2 At the request of the Landlord and at the joint cost of the Landlord and Tenant make or join with the Landlord in making such objection complaint representation and in serving such counter notice against or in respect of any such notice as the Landlord shall reasonably deem appropriate;

27.2.3 At the request of the Landlord and at the joint cost of the Landlord and Tenant make or join with the Landlord in serving any such notice on any adjoining owner under the Party Wall etc. Act 1996 as the Landlord may from time to time reasonably require.

28. **FIRE PRECAUTIONS AND EQUIPMENT**

28.1 **Compliance with requirements**

The Tenant shall comply with the reasonable requirements and reasonable recommendations of the fire authority and the insurers of the Building and the reasonable requirements of the Landlord in relation to fire precautions affecting the Premises.

28.2 **Fire fighting appliances to be supplied**

The Tenant shall keep the Premises equipped with such fire fighting appliances as shall be required by any statute or the fire authority or the insurers of the Building and the Tenant shall keep such appliances open to inspection and maintained to the reasonable satisfaction of the Landlord.

28.3 **Access to be kept clear**

The Tenant shall not obstruct the access to, or means of working, any fire fighting appliances or the means of escape from the Premises or the Building in case of fire or other emergency.

29. **DEFECTIVE PREMISES**

Immediately upon becoming aware of the same, the Tenant shall give written notice to the Landlord of any defect in the Premises which might give rise to an obligation on

the Landlord to do, or refrain from doing, any act or thing so as to comply with any duty of care imposed on the Landlord under the Defective Premises Act 1972, and shall display and maintain in the Premises all notices required by statute to be displayed in relation to any such matters.

SECTION 8
INSURANCE

30. **INSURANCE PROVISIONS**

30.1 **Landlord to insure**

The Landlord shall insure and keep insured with some publicly quoted insurance company (or a subsidiary of a publicly quoted company) in the United Kingdom or with Lloyds' underwriters and through such agency as the Landlord may, from time to time, determine acting reasonably, subject to such reasonable exclusions, excesses, limitations, terms and conditions as may be contained in any policy taken out by the Landlord:-

30.1.1 the Building in its Full Reinstatement Cost against loss or damage by the Insured Risks;

30.1.2 the loss of the Principal Rent from time to time payable, or reasonably estimated to be payable, under this Lease, taking account of any review of the rent which may become due under this Lease, for five (5) years;

30.1.3 explosion of any engineering and electrical plant and machinery in the Building to the extent that the same is not covered by **clause 30.1.1**;

30.1.4 property owner's liability and such other insurances in respect of the Building as the Landlord or Tenant may, from time to time, reasonably deem necessary to effect.

PROVIDED THAT where acts of terrorism are an Insured Risk, the Landlord shall use all reasonable endeavours to procure the disapplication of any exclusion of cover in respect of acts of terrorism and shall wherever possible procure the payment of any additional premium ceded to Pool Reinsurance Company Limited (or in relation to any successor reinsurance arrangement established under the Reinsurance (Acts of Terrorism) Act 1993 or any replacement or amending legislation to obtain full cover against damage or destruction caused by acts of terrorism).

30.2 **Full Reinstatement Cost**

In this clause, **"Full Reinstatement Cost"** means the full cost of reinstating the Building at the time when such reinstatement is likely to take place, having regard to any possible increases in building costs, and including the cost of demolition, shoring up, site clearance, ancillary expenses and architects', surveyors' and other professional fees and any necessary Value Added Tax.

30.3 **Landlord's fixtures**

The Tenant shall notify the Landlord in writing as soon as reasonably practical of the full reinstatement cost of any fixtures and fittings installed at any time by the Tenant and which shall become Landlord's fixtures and fittings for the purpose of enabling the Landlord to effect adequate insurance cover for them.

30.4 **Landlord to produce evidence of insurance**

30.4.1 At the request of the Tenant, the Landlord shall produce to the Tenant reasonable evidence from the insurers of the terms of the insurance policy and the fact that the policy is subsisting and in effect.

30.4.2 The Landlord shall notify the Tenant of any relevant change in the risks covered by the policy of insurance from time to time.

30.4.3 The Landlord shall use all reasonable endeavours to procure

(a) that the interest of the Tenant is noted or endorsed on the policy and provide appropriate evidence to the Tenant;

(b) to procure written confirmation from the insurer that it has agreed to waive all rights of subrogation against the Tenant or any permitted undertenant or occupier and provide appropriate evidence to the Tenant;

(c) to procure that the insurance policy contains a non-invalidation clause in favour of the Tenant.

30.5 **Damage to the Building by Insured Risks**

If the Building or any part of it or any Conduits shall be damaged or destroyed by any of the Insured Risks then:-

30.5.1 unless payment of the insurance moneys shall be refused wholly or partly by reason of any act or default of the Tenant, any undertenant or occupier of any part of the Premises or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them and the Tenant has not made the payment due under **clause 30.10;** and

30.5.2 subject to the Landlord being able to obtain any necessary planning permission and all other necessary licences, approvals and consents, which the Landlord shall use all reasonable endeavours to obtain but shall not be obliged to institute any appeals; and

30.5.3 subject to any necessary labour and materials being and remaining available, which the Landlord shall use all reasonable endeavours to obtain as soon as practicable

the Landlord shall expeditiously lay out the net proceeds of such insurance received by the Landlord in respect of such damage, (other than any in respect of loss of rent), in

the reinstatement and rebuilding of the part of the Building or Conduits so damaged or destroyed substantially as it was prior to any such damage or destruction (but not so as to provide accommodation identical in layout if it would not be reasonably practical to do so PROVIDED THAT the ability of the Tenant to use the Premises beneficially for the Permitted Use shall not be materially adversely affected) and in the event that any insurance monies laid out shall not be sufficient the Landlord shall forthwith make good any deficiency out of its own monies.

30.6 **Damage to the Building by the Uninsured Risks**

If the Building or any part of it or any Conduits shall be damaged or destroyed by any of the Uninsured Risks prior to as on 24 June 2019 so as to render the Premises or any part of them unfit for use and occupation and/or inaccessible and/or without Utilities then:-

30.6.1 subject to the payment by the Tenant of the Principal Rent up to the Uninsured Risk Limit; and

30.6.2 subject to the Landlord being able to obtain any necessary planning permission and all other necessary licences, approvals and consents, which the Landlord shall use all reasonable endeavours to obtain but shall not be obliged to institute any appeals; and

30.6.3 subject to any necessary labour and materials being and remaining available, which the Landlord shall use all reasonable endeavours to obtain as soon as practicable

the Landlord shall using its own monies expeditiously commence and diligently carry out the reinstatement and rebuilding of the part of the Building or Conduits so damaged or destroyed substantially as it was prior to any such damage or destruction (but not so as to provide accommodation identical in layout if it would not be reasonably practical to do so PROVIDED THAT the ability of the Tenant to use the Premises beneficially for the Permitted Use shall not be materially adversely affected).

30.7 **Damage to the Building by the Uninsured Risks during last three years of Term**

30.7.1 If the Building or any part of it or any Conduits shall be damaged or destroyed by any of the Uninsured Risks on or after 25 June 2019 so as to render the Premises or any part of them unfit for use and occupation and/or or inaccessible and/or without Utilities then the Landlord shall within three months of the date of such damage or destruction, notify the Tenant in writing either that:

(a) it wishes to reinstate the Building and/or Conduits (or relevant parts of the same) at its own cost; or

(b) it wishes to determine the Lease.

30.7.2 If the Landlord elects pursuant to **clause 30.7.1** to reinstate the Building and/or Conduits (or relevant parts of the same), then:

(a) subject to the payment by the Tenant of the Principal Rent up to a sum equal to one quarter of the Uninsured Risk Limit; and

(b) subject to the Landlord being able to obtain any necessary planning permission and all other necessary licences, approvals and consents, which the Landlord shall use all reasonable endeavours to obtain but shall not be obliged to institute any appeals; and

(c) subject to any necessary labour and materials being and remaining available, which the Landlord shall use all reasonable endeavours to obtain as soon as practicable

the Landlord shall using its own monies expeditiously commence and diligently carry out the reinstatement and rebuilding of the part of the Building or Conduits so damaged or destroyed substantially as it was prior to any such damage or destruction (but not so as to provide accommodation identical in layout if it would not be reasonably practical to do so PROVIDED THAT the ability of the Tenant to use the Premises beneficially for the Permitted Use shall not be materially adversely affected).

30.7.3 If the Landlord elects pursuant to **clause 30.7.1** above to determine this Lease then:

(a) this Lease shall determine absolutely on the date which is ten (10) Working Days from the date when the Tenant is notified of such election pursuant to **clause 30.7.1** and the Tenant shall on such date yield up the Premises with vacant possession only and otherwise not in accordance with the provisions of **clause 12**;

(a) such determination shall be without prejudice to any claim which the Landlord may have against the Tenant or any Guarantor or which the Tenant may have against the Landlord for any previous breach of covenant or some previously accrued due;

(b) all monies paid by the Tenant to the Landlord by way of Principal Rent or otherwise for the period from and including the date of the damage or destruction by any of the Uninsured Risks until and including the date of such determination shall be returned to the Tenant on the date of such determination.

30.7.4 If the Landlord fails to notify the Tenant in accordance with the provisions of **clause 30.7.1** then the Tenant may determine this Lease at any time after the expiry of three months from the date of damage and destruction by giving notice in writing to the Landlord but such determination shall be without prejudice to any claim which either party may have against the other.

30.8 **Reinstatement**

30.8.1 The Landlord shall use all reasonable endeavours to ensure that the works of rebuilding, repair or reinstatement pursuant to **clauses 30.5** to **30.7** (inclusive) are carried out as soon as reasonably practicable in a good and workmanlike manner in accordance with good building and design practice using good, sound and suitable materials and in accordance with all applicable statutes, British Standards and relevant Codes of Practice.

30.8.2 The Landlord shall use all reasonable endeavours to procure the provision of a deed of collateral warranty in favour of the Tenant from the contractor, any sub-contractors and any professional consultants having a design responsibility in connection with rebuilding, repairing or reinstatement, such deeds to be in a form approved by the Tenant (such approval not to be unreasonably withheld or delayed).

30.9 **Where reinstatement of damage by Insured Risks is prevented**

30.9.1 If, for any reason whatsoever, the Landlord is prevented from reinstating or rebuilding the Premises, Conduits or the Building following damage or destruction by an Insured Risk, (the Landlord having used all reasonable endeavours to obtain all planning permissions, approvals and consents necessary for such purpose and having used all reasonable endeavours to obtain as soon as practicable any necessary labour and materials), and the Landlord is prevented from completing the said reinstating or rebuilding within a period of five (5) years after the date of the damage or destruction, either party shall if the Premises, Conduits or the Building have not been so reinstated or rebuilt so that the Premises are again rendered fit for use and occupation and accessible and with adequate Conduits for die passage of Utilities be entitled at any time after the expiry of such five (5) years, to determine this Lease immediately by giving written notice to the other if the Building has not been so reinstated but such determination shall be without prejudice to any claim which either party may have against the other.

30.9.2 Where the Landlord has effected insurance to cover the Tenant’s fitting out works and monies are received by the Landlord in respect of such fitting out works the Landlord shall reimburse the Tenant save to the extent that such fitting out works include substitutions of Landlord’s fixtures and fittings.

30.10 **Payment of insurance money refused**

If payment of any insurance money is refused as a result of some act or default of the Tenant, any undertenant or occupier of any part of the Premises or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them, the Tenant shall pay to the Landlord, on written demand, the amount so refused with interest on that amount at the Base Rate from and including the date of such written demand to the date of payment by the Tenant Provided Always that if

there is any dispute as to whether the insurance money should properly be refused as a result of such an act or default aforesaid then the Landlord shall at the request and cost of the Tenant take such action in respect of such dispute as the Tenant shall require and shall account to the Tenant for all monies or other benefits received as a result of such action.

30.11 **Excess**

If the Landlord acting reasonably accepts an obligation imposed by an insurer to bear part of its own insured loss (commonly called an “excess”) the Tenant shall pay to the Landlord within ten (10) Working Days of written demand a fair and reasonable proportion of the excess.

30.12 **Suspension of rent payments in the case or damage by Uninsured Risks**

If the Premises or the Building or the Conduits or any part of them shall be damaged or destroyed by any of the Uninsured Risks so as to render the Premises or any part of them unfit for use and occupation and/or inaccessible and/or without Utilities the Principal Rent shall continue to be payable in accordance with the terms of this Lease from the date such damage or destruction occurs up to but not beyond the date when the amount of such Principal Rent paid during such period equals the Uninsured Risk Limit or one quarter of the Uninsured Risk Limit (as the case may be) and thereafter the Principal Rent, or a fair proportion of it according to the nature and extent of the damage sustained, shall not be payable from the date the Uninsured Risk Limit or one quarter of the Uninsured Risk Limit (as the case may be) is reached until the Premises or the Building or the Conduits or the relevant part damaged or destroyed shall be reinstated so that the Premises are again rendered fit for use and occupation and accessible and with adequate Conduits for the passage of Utilities. Any dispute regarding the suspension of payment of the Principal Rent or the Service Charge shall be referred to a single arbitrator to be appointed, in default of agreement, upon the application of either party, by the President in accordance with the Arbitration Act 1996. Monies paid by the Tenant relating to the period after the date of the damage or destruction shall be repaid to the Tenant as soon as reasonably practicable or an appropriate allowance shall be made in respect of the rent free period at the commencement of the Term.

30.13 **Where reinstatement of damage by Uninsured Risks is prevented**

If, for any reason whatsoever, the Landlord is prevented from reinstating or rebuilding the Premises, Conduits or the Building following damage or destruction by an Uninsured Risk, the Landlord having used all reasonable endeavours to obtain all planning permissions, approvals and consents necessary for such purpose and having used all reasonable endeavours to obtain as soon as practicable any necessary labour and materials, and the Landlord is prevented from completing the said reinstating or rebuilding within a period of five (5) years after the date of the damage or destruction, either party shall if the Premises, Conduits or Building have not been so reinstated or rebuilt so that the Premises are again rendered fit for use and occupation and accessible

and with adequate Conduits for passage of Utilities be entitled at any time after the expiry of such five (5) years, to determine this Lease immediately by giving written notice to the other if the Building has not been so reinstated but such determination shall be without prejudice to any claim which either party may have against the other.

30.14 **Suspension of rent payments in the case of damage by Insured Risks**

If the Premises or the Building or Conduits or any part of them shall be damaged or destroyed by any of the Insured Risks so as to render the Premises or any part of them unfit for use and occupation and/or inaccessible and/or without Utilities, the Principal Rent, or a fair proportion of them according to the nature and extent of the damage sustained, shall not be payable until the relevant part of the Building or the Premises or the part of the Premises or Conduits damaged or destroyed shall be reinstated so that the Premises are again rendered fit for use and occupation and accessible and with adequate Conduits for the passage of Utilities or until the expiration of the loss of rent insurance (being no less than 5 years) (whichever is the earlier). Such suspension of rent shall be conditional upon the insurance not having been vitiated or payment of the policy moneys refused wholly or partly as a result of some act or default of the Tenant, any undertenant or lawful occupier of any part of the Premises or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them or where the policy has been so vitiated or policies monies so refused the Tenant having paid the sums due under **clause 30.10.** Any dispute regarding the suspension of payment of the Principal Rent or the Service Charge shall be referred to a single arbitrator to be appointed, in default of agreement, upon the application of either party, by the President in accordance with the Arbitration Act 1996. Monies paid by the Tenant relating to the period after the date of the damage or destruction shall be repaid to the Tenant as soon as reasonably practicable or an appropriate allowance shall be made in respect of the rent free period at the commencement of the Term.

30.15 **Benefit of other insurances**

If the Tenant shall become entitled to the benefit of any insurance covering any part of the Premises which is not effected or maintained in pursuance of the obligations contained in this Lease, the Tenant shall apply any money received from such insurance (in so far as it extends) in making good the loss or damage in respect of which it shall have been received.

30.16 **Insurance becoming void**

The Tenant shall not do, or omit to do:-

30.16.1 anything which could cause any policy of insurance covering the Premises or the Building to become wholly or partly void or voidable; or

30.16.2 anything whereby any abnormal or loaded premium may become payable in respect of the policy, unless the Tenant has previously notified the Landlord and agreed to pay the increased premium

and, in any event, the Tenant shall pay to the Landlord within fourteen (14) Working Days of written demand all reasonable and proper expenses incurred by the Landlord in renewing any such policy.

30.17 **Requirements of insurers**

The Tenant shall, at all times, comply with any requirements and reasonable and proper recommendations of the insurers of the Building so far as the same are notified to the Tenant in writing.

30.18 **Notice and/or election by Tenant**

30.18.1 The Tenant shall give notice to the Landlord as soon as reasonably practical on the happening of any event or thing which might affect any insurance policy relating to the Premises or the Building.

30.18.2 If any or all of the Insured Risks are not insurable in the London insurance market at reasonable cost so that they are not Insured Risks from time to time the Tenant may notify the Landlord in writing that the Tenant elects to pay for the cost in respect of insurance of such risk over and above the reasonable cost and the Landlord shall on receipt of such monies insure the relevant risk(s) so that the same are Insured Risks.

30.19 **Damage by Insured and Uninsured Risks**

Where damage or destruction is caused by such risk or risks so that it is in part caused by an Insured Risks and in part caused by an Uninsured Risk the relevant sub-clauses in this **clause 30** shall apply proportionately to the extent that the total damage or destruction bears to the proportion of insurance monies that are irrecoverable by virtue of such exclusion excesses limitations terms and conditions contained in the insurance policy.

SECTION 9
DEFAULT OF TENANT AND RIGHTS OF RE-ENTRY

31. **DEFAULT OF TENANT**

31.1 **Re-entry**

Without prejudice to any other right, remedy or power contained in this Lease or otherwise available to the Landlord, on or at any time after the happening of any of the events mentioned in **clause 31.2,** the Landlord may re-enter the Premises or any part of them in the name of the whole, and the Term shall then end, but without prejudice to any claim which either party may have against the other.

31.2 **Events of default**

The events referred to in **clause 31.1** are the following:-

31.2.1 if the Principal Rent or any part of it shall be unpaid for fifteen (15) Working Days after becoming payable (whether formally demanded or not); or

31.2.2 if any of the covenants by the Tenant contained in this Lease shall not be performed and observed; or

31.2.3 if the Tenant, for the time being, (being a body corporate):-

(a) calls, or a nominee on its behalf calls, a meeting of any of its creditors; or makes an application to the Court under Section 425 of the Companies Act 1985; or submits to any of its creditors a proposal under Part I of the Insolvency Act 1986; or enters into any arrangement, scheme, compromise, moratorium or composition with any of its creditors (under Part I of the Insolvency Act 1986); or

(b) has an administrative receiver or a receiver or a receiver and manager appointed in respect of all or substantially all of the Tenant's property or assets; or

(c) resolves or the directors or shareholders resolve to present a petition for an administration order in respect of the Tenant (as the case may be); or an administrator is appointed in respect of the Tenant; or

(d) has a winding-up petition or petition for an administration order presented against it which petition is not discharged within twenty (20) Working Days; or passes a winding-up resolution (other than a voluntary winding-up whilst solvent for the purposes of an amalgamation or reconstruction); or calls a meeting of its creditors for the purposes of considering a resolution that it be wound-up voluntarily (otherwise than for the purpose of a solvent reconstruction or amalgamation); or resolves to present its own winding-up petition; or is wound-up (whether in England or elsewhere) (otherwise than for the purpose of a solvent reconstruction or amalgamation); or has a liquidator or provisional liquidator appointed; or

(e) shall cease for any reason to maintain its corporate existence; or is struck off the register of companies; or

31.2.4 if the Tenant, for the time being, (being an individual, or if more than one individual, then any one of them) makes an application to the Court for an interim order under Part VIII of the Insolvency Act 1986; or convenes a meeting of, or enters into any arrangement, scheme, compromise, moratorium or composition with, any of his creditors (under Part VIII of the Insolvency Act 1986); or has a bankruptcy petition presented against him or is adjudged

bankrupt (whether in England or elsewhere); or has a receiver appointed in respect of the Tenant's property or assets or any part; or

31.2.5 if analogous proceedings or events to those referred to in this clause shall be instituted or occur in relation to the Tenant, for the time being, elsewhere than in the United Kingdom; or

31.2.6 if the Tenant, for the time being, suffers any distress or execution to be levied on goods within the Premises which is not discharged in full within twenty one (21) days after the levy has been made; or becomes unable to pay its debts as and when they fall due.

SECTION 10
MISCELLANEOUS

32. **QUIET ENJOYMENT**

The Landlord covenants with the Tenant that the Tenant, paying the Rents and performing and observing the covenants on the part of the Tenant contained in this Lease, shall and may peaceably hold and enjoy the Premises during the Term without any interruption by the Landlord or any person lawfully claiming through, under, or in trust for it or title paramount.

33. **EXCLUSION OF IMPLIED COVENANTS BY LANDLORD**

Any covenants on the part of the Landlord which would otherwise be implied by law are hereby expressly excluded.

34. **RELETTING NOTICES**

Provided that the parties are not in bona fide negotiations for a new lease, the Tenant shall permit the Landlord, at all reasonable times during the last six (6) months of the Term, to enter the Premises and affix and retain, without interference, on any suitable parts of them (but not so as materially to affect the access of light or air to the Premises) notices for reletting them and the Tenant shall not remove or obscure such notices and shall permit all persons with the written authority of the Landlord to view the Premises at all reasonable hours in the daytime, upon prior appointment having been made and in accordance with its obligations contained in **clause 3.9**.

35. **DISCLOSURE OF INFORMATION**

Upon making any application or request in connection with the Premises or this Lease, the Tenant shall disclose to the Landlord such reasonable information as the Landlord may reasonably require and, whenever the Landlord shall reasonably request, the Tenant shall supply full particulars of all occupations and derivative interests in the Premises, however remote or inferior.

36. **INDEMNITY**

The Tenant shall keep the Landlord fully indemnified from and against all actions, proceedings and reasonable and proper claims, demands, losses, costs, expenses, damages and liability arising out of any breach of any covenant by the Tenant or any persons in the Premises expressly or impliedly with the Tenant's authority contained in this Lease Provided that the Landlord shall use reasonable endeavours to mitigate such losses.

37. **REPRESENTATIONS**

The Tenant acknowledges that this Lease has not been entered into in reliance, wholly or partly, on any statement or representation made by, or on behalf of, the Landlord, except any such statement or representation that is expressly set out in this Lease or in replies to written enquiries made by the Landlord prior to the date of this Lease.

38. **EFFECT OF WAIVER**

Each covenant by the Tenant shall remain in full force even though the Landlord may have waived or released it temporarily or waived or released (temporarily or permanently, revocably or irrevocably) a similar covenant affecting other property belonging to the Landlord.

39. **NOTICES**

39.1 **Notices to Tenant (or any Guarantor)**

Any demand or notice required to be made, given to, or served on, the Tenant or the Guarantor (if any) under this Lease shall be duly and validly made, given or served if addressed to the Tenant or the Guarantor respectively (and, if there shall be more than one of them, then any one of them) and delivered personally, or sent by pre-paid registered or recorded delivery mail, or sent by fax addressed (in the case of a company) to its registered office, or (whether a company or individual) its last known address, or (in the case of a notice to the Tenant) the Premises.

39.2 **Notices to Landlord**

Any notice required to be given to, or served on, the Landlord shall be duly and validly given or served if sent by pre-paid registered or recorded delivery mail, or sent by fax addressed to the Landlord at its registered office.

40. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

40.1 **Submission to English Courts**

This Lease is governed by English law. The courts of England have exclusive jurisdiction to hear and decide any suit, action or proceedings, and to settle any disputes which may arise out of or in connection with this Agreement (respectively, "Proceedings" and "Disputes") and, for these purposes, each party irrevocably submits to the jurisdiction of the courts of England.

40.2 **Waiver to objection to forum**

Each party irrevocably waives any objection which it might at any time have to the courts of England being nominated as the forum to hear and decide any Proceedings and to settle any Disputes and agree not to claims that the courts of England are not a convenient or appropriate forum.

40.3 **Service of Proceedings**

Process by which any Proceedings are begun in England may be served on any party to this Agreement to be served by being delivered to the address for such party set out in **clause 39** or such other address in England and Wales that each party shall have notified to the others in writing. Nothing contained in this clause affects the right to serve process in another manner permitted by law.

41. **NEW TENANCY**

This Lease constitutes a new tenancy for the purposes of the Landlord and Tenant (Covenants) Act 1995.

42. **INVALIDITY OF CERTAIN PROVISIONS**

If any term of this Lease or the application of it to any person or circumstances shall to any extent be invalid or unenforceable the same shall be severable and the remainder of this Lease or the application of such term to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

43. **THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

Any person who is not a party to this Lease shall have no rights under The Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

44. **GUARANTOR COVENANTS**

The Guarantor in consideration of this Lease having been granted at its request covenants with the Landlord in the terms set out in **Schedule 4**.

45. **LANDLORD RELEASE UNDER LANDLORD AND TENANT (COVENANTS) ACT 1995**

The Tenant covenants not to object unreasonably to the Landlord being released from its obligations under this Lease as requested in any notice served on the Tenant under section 8 of the Landlord and Tenant (Covenants) Act 1995.

46. **LANDLORD'S GUARANTOR**

46.1 **Guarantee**

Only for so long as the Landlord's Guarantor remains the beneficial owner of the Building, if the Landlord in any respect fails to perform its obligations under this Lease

dand/or commits any breach of its obligations under this Lease the Landlord's Guarantor will as a primary obligation perform or procure such obligations and/or remedy or procure the remedy of any such breaches.

46.2 **Guarantee not affected by the Variations**

The Landlord's Guarantor shall not be discharged or released from this guarantee by any variation of this Lease or concession made between the Landlord and Tenant or by any alteration in the obligations undertaken by the Landlord or by any forbearance whether as to payment time performance or otherwise.

46.3 **Release**

On the earlier of the date the Landlord (here meaning Burford (Berkeley) Nominee 1 Limited and Burford (Berkeley) Nominee 2 Limited) sells its interest in the reversion expectant on the Term or the date the Landlord's Guarantor assigns sells or otherwise disposes of its beneficial interest in the Property the provisions of this clause 46 shall cease to have any effect (without prejudice to any rights either party may have in respect of antecedent breaches) and the Tenant shall, if reasonably required by the Landlord at the Landlord's cost, enter into such documents evidencing such release.

47. **LANDLORDS COVENANTS WITH THE GUARANTOR**

Notwithstanding the provisions of **clause 44**:

47.1 The Landlord covenants with the Guarantor (in this **clause 47** meaning Lazard LLC only whether standing as a surety pursuant to **clause 44** or **clause 21.3.2**) to observe and perform the provisions of this **clause 47** but so that the rights and/or remedies of the Guarantor in respect of any breach of these covenants are limited and extend only to a right to claim damages and not to any other right or remedy and so that no breach of these covenants is to waive or discharge any of the Guarantor's obligations to the Landlord under **clause 44**.

47.2 If the Tenant fails to comply with any of the covenants or obligations imposed on him by this Lease other than the payment of the Principal Rent the Landlord must serve a notice on the Tenant and the Guarantor specifying the failure (**"a Preliminary Notice"**). A Preliminary Notice when served on the Tenant may but need not be accompanied by a notice served pursuant to the Law of Property Act 1925 Section 146.

47.3 **If**:-

47.3.1 the Tenant fails to remedy a failure specified in a Preliminary Notice within twenty (20) Working Days of the service of that Preliminary Notice; and/or

47.3.2 the Tenant fails to pay the whole or any part of the Principal Rent whether or not any formal demand has been made for a period of twenty (20) Working Days after it has become due

the Landlord must serve a notice on the Tenant and the Guarantor described as a breach notice given pursuant to this Lease and specify the failure that has not been remedied and/or the amount which has not been paid (**"a Breach Notice"**).

47.4 The Landlord must not commence any proceedings or make any claim against the Guarantor arising out of this Lease except where the failure that has not been remedied and/or the amount that has not been paid has been specified in a properly formulated and properly given Breach Notice.

48. **INTERBUILDING DEED**

48.1 Tenant to comply

Save as referred to in clause 48.2, the Tenant shall at all times during the term perform and observe the Landlord's covenants in the Interbuilding Deed so far as they relate to the Building.

48.2 Insurance

The Landlord shall comply with its obligations contained in paragraph 14 of Schedule 5 of the Interbuilding Deed.

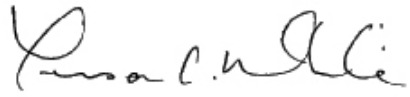
IN WITNESS which this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first written above.

IN WITNESS whereof this deed has been executed by the Present Tenant and is intended to be and is hereby delivered on the date first above written.

Executed as a Deed by)

BURFORD (STRATTON) NOMINEE 1 LIMITED **)**
in the presence of:-)

Julian Gleek, Director

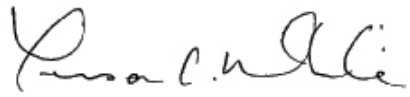


Teresa White, Company Secretary

Executed as a Deed by)

BURFORD (STRATTON) NOMINEE 2 LIMITED **)**
in the presence of:-)

Julian Gleek, Director

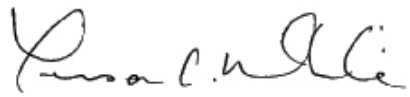


Teresa White, Company Secretary

Executed as a Deed by)

BURFORD (STRATTON) LIMITED **)**
in the presence of:-)

Julian Gleek, Director



Teresa White, Company Secretary

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-121407 on Form S-1 of our report dated December 16, 2004, related to the financial statements of Lazard Ltd, appearing in the Prospectus, which is part of this Registration Statement, and of our report dated December 16, 2004 relating to the financial statement schedule appearing elsewhere in this Registration Statement.

We also consent to the reference to us under the headings “Summary Consolidated Financial Data”, “Selected Consolidated Financial Data” and “Experts” in such Prospectus.

/s/ Deloitte & Touche LLP

New York, New York
February 9, 2005

Exhibit 23.2

10 February, 2005

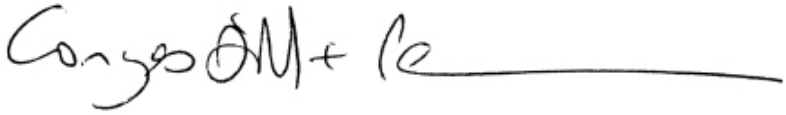
Lazard Ltd
Clarendon House
2 Church Street
Hamilton HM 11
BERMUDA

DIRECT LINE: 441 - 299 4923
E-MAIL: cggarrod@cdp.bm
OUR REF: CGG/mgb/329393/Corp.D.135535

Dear Sirs,

We hereby consent to the use of our name in the Amendment No. 1 to the Registration Statement on Form S-1 (No. 333-121407) to be filed on or about the date hereof by Lazard Ltd with the Securities and Exchange Commission (the “Commission”). In giving this consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 as amended or the rules and regulations of the Commission thereunder.

Yours faithfully,



CONYERS DILL & PEARMAN

Exhibit 23.5

APPLEBY SPURLING HUNTER
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HM EX
Bermuda

We hereby consent to the use of our name in the Registration Statement on Form S-1 (File No. 333-121407) of Lazard Ltd. In giving this consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 as amended or the rules and regulations of the Securities and Exchange Commission thereunder.

Respectfully submitted,

/s/ APPLEBY SPURLING HUNTER

Appleby Spurling Hunter

February 10, 2005

WACHTELL, LIPTON, ROSEN & KATZ

MARTIN LIPTON
HERBERT M. WACHTELL
BERNARD W. NUSSBAUM
RICHARD D. KATCHER
PETER C. CANELLOS
MICHAEL W. SCHWARTZ
ALLAN A. MARTIN
BARRY A. BRYER
LAWRENCE B. PEDOWITZ
ROBERT B. MAZUR
PAUL VIZCARRONDO, JR.
PETER C. HEIN
HAROLD S. NOVIKOFF
DAVID M. EINHORN
KENNETH B. FORREST
MEYER G. KOPLOW
THEODORE N. MIRVIS
EDWARD D. HERLIHY
DANIEL A. NEFF
ERIC M. ROTH
WARREN R. STERN
ANDREW R. BROWNSTEIN
MICHAEL H. BYOWITZ
PAUL K. ROWE
MICHAEL B. BENNER
MARC WOLINSKY
DAVID GRUENSTEIN
PATRICIA A. VLAHAKIS
STEPHEN G. GELLMAN
STEVEN A. ROSENBLUM
PAMELA S. SEYMON
STEPHANIE J. SELIGMAN
ERIC S. ROBINSON
JOHN F. SAVARESE
SCOTT K. CHARLES
ANDREW C. HOUSTON
PHILIP MINDLIN
DAVID S. NEILL
JODI J. SCHWARTZ

ADAM O. EMMERICH
CRAIG M. WASSERMAN
ADAM D. CHINN
GEORGE T. CONWAY III
RALPH M. LEVENE
RICHARD G. MASON
KAREN G. KRUEGER
DOUGLAS K. MAYER
DAVID M. SILK
ROBIN PANOVKA
DAVID A. KATZ
MITCHELL S. PRESSER
ILENE KNABLE GOTTS
JEFFREY R. BOFFA
DAVID M. MURPHY
JEFFREY M. WINTNER
TREVOR S. NORWITZ
BEN M. GERMANA
ANDREW J. NUSSBAUM
MICHAEL S. KATZKE
RACHELLE SILVERBERG
DAVID C. BRYAN
STEVEN A. COHEN
GAVIN D. SOLOTAR
DEBORAH L. PAUL
DAVID C. KARP
RICHARD K. KIM
JOSHUA R. CAMMAKER
MARK GORDON
JOSEPH D. LARSON
LAWRENCE S. MAKOW
JARED M. RUSMAN
JEANNEMARIE O'BRIEN
WAYNE M. CARLIN
JAMES COLE, JR.
STEPHEN R. DiPRIMA
NICHOLAS G. DEMMO
IGOR KIRMAN
JONATHAN M. MOSES

51 WEST 52ND STREET

NEW YORK, N.Y. 10019-6150

TELEPHONE: (212) 403-1000
FACSIMILE: (212) 403-2000

GEORGE A. KATZ (1965-1989)
JAMES H. FOGELSON (1967-1991)

OF COUNSEL

WILLIAM T. ALLEN
LEONARD M. ROSEN
THEODORE GEWERTZ
ELLIOTT V. STEIN
THEODORE A. LEVINE
J. BRYAN WHITWORTH
NORMAN REDLICH
AMY R. WOLF
JOHN M. RICHMAN

COUNSEL

ADRIENNE ATKINSON
PAMELA EHRENKRANZ
ANDREW J.H. CHEUNG
LAWRENCE A. PASINI

J. AUSTIN LYONS
LORI S. SHERMAN
PAULA N. GORDON
T. EIKO STANGE
DAVID A. SCHWARTZ
ADAM J. SHAPIRO
JED I. BERGMAN
MICHAEL A. CHARISH
DAMIAN G. DIDDEN
MICHAEL E. GILLIGAN
JOHN F. LYNCH
ERIC M. ROSOF
WILLIAM SAVITT
MARTIN J.E. ARMS
BENJAMIN D. FACKLER
ISRAEL FRIEDMAN
DIMITRY JOFFE
ROY J. KATZOVICZ
ROBERT J. LIUBICIC
GREGORY E. OSTLING
JONATHAN E. PICKHARDT
GREGORY N. RACZ
EDWARD J.W. BLATNIK
BENJAMIN S. BURMAN
NELSON O. FITTS
JEFFREY C. FOURMAUX
MICHAEL GAT
JEREMY L. GOLDSTEIN
MAURA R. GROSSMAN
JOSHUA M. HOLMES
JOSHUA A. MUNN
DAVID E. SHAPIRO
ANTE VUCIC
IAN BOCZKO
KEVIN M. COSTANTINO
MATTHEW M. GUEST
WILLIAM R. HARKER
DAVID KAHAN
MARK A. KOENIG

DAVID K. LAM
KENNETH K. LEE
LAURA E. MUÑOZ
GEORGE J. RHEAULT
MICHAEL S. WINOGRAD
FORREST G. ALOGNA
JAMES R. LEVINE
STEPHANIE P. LISTOKIN
GORDON M. MEAD
DANIELLE L. ROSE
BENJAMIN M. ROTH
RICHARD C. SQUIRE
ROBIN M. WALL
JOSHUA D. BLANK
JOSHUA A. FELTMAN
JORDAN A. GOLDSTEIN
CHETAN GULATI
ADAM HICKEY
MARGARET ISA
EMIL A. KLEINHAUS
ANDREW S. JACOBS
JASON M. LYNCH
HEATHER L. MAHAR
DEBORAH MARTINEZ
SARAH E. McCALLUM
DAVID B. SILVA
STEPHANIE J. VAN DUREN
KRISHNA VEERARAGHAVAN
ADIR G. WALDMAN
B. UMUT ERGUN
KRISTELIA A. GARCIA
RICHARD S. GIPSTEIN
SARAH S. JOHNSON
SARAH A. LEWIS
SARAH FERN MEIL
GARRETT B. MORITZ
ALISON L. PLESSMAN
CHARLES C. YI

February 11, 2005

VIA EDGAR AND FACSIMILE

Mr. Mark Webb
Branch Chief
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Lazard Ltd
Form S-1, filed December 17, 2004
File No. 333-121407

Dear Mr. Webb:

On behalf of Lazard Ltd ("Lazard" or the "Company"), set forth below are the responses of Lazard to the comments of the staff of the Division of Corporation Finance (the "Staff"), regarding its filing referenced above, which you delivered in a letter dated January 14, 2005.

We are providing under separate cover five copies of Amendment No. 1 to the above-referenced Registration Statement ("Amendment No. 1"), which reflects Lazard's responses and additional and revised disclosure. Two copies of Amendment No. 1 are marked to show changes from the initial filing of the Registration Statement on Form S-1 on December 17, 2004. In addition, we are providing to the Staff under separate cover information responsive to comments 3 and 13, for which, due to its highly sensitive and confidential commercial and financial nature, the Company will request confidential treatment under the Freedom of Information Act, as amended, in accordance with 17 C.F.R. § 200.83(c). We are providing courtesy copies of Amendment No. 1,

including a version marked for changes, to Angela Jackson, Staff Accountant, Joyce Sweeney, Senior Accountant, and Christian Windsor, Special Counsel.

For your convenience, the text of the Staff's comments is set forth in bold text followed by the responses of Lazard. All page references in the responses set forth below refer to pages of the revised Registration Statement.

General

1. **We note on page 45 that the "additional financing transactions" have not been finalized. When you have more information regarding these transactions, please revise future amendments to the registration statement to describe the transactions and the resulting financial condition of Lazard after the offering.**

   Response: The Staff's comment is duly noted, and the Company will undertake to provide more information regarding the additional financing transactions as promptly as practicable after such information has been finalized.

2. **Please confirm the staff's understanding that the offering and related transactions will not qualify as a "fundamental transaction" for the purposes of LAM equity unit payments.**

   Response: The Company supplementally confirms the Staff's understanding that the offering and related transactions will not qualify as a fundamental transaction that will trigger payment obligations to holders of interests in LAM under the LAM equity plan described in the Registration Statement. The Company has no current intention to cause or otherwise trigger a fundamental transaction that would give rise to payment obligations to the holders of such interests.

3. **We note that extensive amounts of information regarding the offering, including the ownership percentages owed to LAZ-MD and other entities that represent the ownership of former members of Lazard Group and its subsidiaries, are left blank. Please revise the registration statement to include all information not covered by Rule 430A as soon as possible. Also, if you are not able to provide the information in your next amendment, please provide the staff with the valuation of the various transactions supplementally.**

   Response: The Company supplementally advises the Staff that the ownership percentages of LAZ-MD Holdings and Lazard Ltd in Lazard Group, and the voting power of LAZ-MD Holdings in Lazard Ltd, will depend upon the amount and pricing of the securities to be sold under the Registration Statement and the additional financing transactions, which amounts and prices have not yet been determined. Accordingly, the Registration Statement does not yet include this information. The Company undertakes to update the Registration Statement to include this information as soon as practicable

once it is available, and in any event prior to commencing its road show with respect to the offering.

In order to assist the Staff in its review of the Registration Statement, diagrams from pages 52 and 53 of the Registration Statement, completed with hypothetical percentage figures based upon current assumptions, are being provided for illustrative purposes to the Staff under separate cover requesting confidential treatment pursuant to the provisions of 17 C.F.R. § 200.83.

4. Please note the updating requirements of Rule 3-12 (g) of Regulation S-X when filing your next amendment.

Response: The Staff's reference to Rule 3-12(g) of Regulation S-X is duly noted.

5. Please file an updated consent from your independent accountants with your next amendment.

Response: The Company has filed an updated consent from its independent accountants with Amendment No. 1.

Our Core Values; Introductory Note – page i – ii

6. Item 501 of Regulation S-K calls for the Summary to follow the inside cover of the prospectus. Much of the information in these sections appears to be either summary-like disclosure or disclosure of information that should be clear from the context. Please revise the Summary to include information similar to what is disclosed on the first page following the Cover Page.

Response: The Company has revised the "Introductory Note" of the Registration Statement by removing disclosure relating to the separation and recapitalization transactions and the offering and placing such information in the "Summary" section of the Registration Statement beginning on pages 6 and 8 in response to the Staff's comment. In addition, the Company supplementally advises the Staff that the inside cover of the prospectus is expected to be the "Our Core Values" page, which placement is consistent with the requirements of Item 501 of Regulation S-K.

Prospectus Summary – page 1

7. Since the shares that investors will receive after the offering will represent ownership interest in a partnership and that the tax treatment for those membership interests will depend extensively on how the business is operated after the offering, please summarize the material tax consequences of investing in the offering and cross reference to the Material Federal Income Tax Consequences section beginning on page 156.

Response: The Company has revised the Registration Statement beginning on page 11 in response to the Staff's comment.

8. **Since there are substantial differences between the rights of a shareholder of a Bermuda chartered company and a State-chartered corporation in the United States, please add a separate sub-section that briefly describes the rights and risks of investing in a Bermuda company with a comparison to the rights of shareholders in a U.S. (i.e. Delaware) company.**

Response: The Company has revised the "Summary" section of the Registration Statement beginning on page 12 and the "Description of Capital Stock" section of the Registration Statement beginning on page 165 in response to the Staff's comment.

Risk Factors – page 20

9. **Many of your risk factors state that you "cannot assure" or "cannot be certain" of a specific outcome when the real risk in not your inability to give assurance but the underlying situation. Please revise to eliminate this and similar language.**

Response: The Company has revised the "Risk Factors" section of the Registration Statement in response to the Staff's comment to delete such language.

10. **The preamble of this section includes language that described the generic risk that Lazard may face altered risks or unforeseen risks in the future. Such a description could apply to any company or investment, where future events could radically change the material risks that a company could face. Consequently, remove the third from last sentence from the preamble and the final clause of the preceding sentence. Also, please revise the language used in the preamble, avoiding legalese like "hereby."**

Response: The Company has revised the preamble to the "Risk Factors" section of the Registration Statement on page 21 in response to the Staff's comment.

Our ability to retain our managing directors and other key professional employees… – page 20

11. **Revise this risk factor to include more specific information. In particular, we note that news paper accounts that a number of partners, possibly representing a significant amount of your Financial Advisory revenue, have not yet agreed to the public offering plan and therefore may leave Lazard for other firms.**

Response: The Company supplementally advises the Staff that substantially all of the Financial Advisory managing directors and Asset Management managing directors who are not employed by LAM have entered into retention agreements in connection with the offering. The Company supplementally advises the Staff that it is in negotiations with the managing directors who have not yet signed retention agreements. Because

negotiations are ongoing, however, the Company has not included in the Registration Statement specific references to managing directors who have not yet signed the retention agreements. The Company will undertake to provide additional information regarding the status of the negotiations as promptly as practicable after such arrangements have been finalized. Asset Management managing directors who are employed by LAM will continue to participate in separate equity arrangements at LAM, which include restrictive covenants and which will continue to be in force after the offering is completed, and will not be party to the retention agreements entered into by other managing directors in connection with the offering.

A majority of our revenue is derived from Financial Advisory Fees – page 21

12. Revise the heading to this risk factor and review the remainder of the risk factor headings to ensure that they refrain from merely stating a fact and instead describe the risk so that the investor is better able to understand the accompanying discussion. For example, make similar changes to the last risk factor on page 24 and the last risk factor on page 34.

Response: The Company has revised the "Risk Factors" section of the Registration Statement, including on pages 22, 25 and 36, in response to the Staff's comment.

We may pursue acquisitions or joint ventures… – page 25

13. Please revise this risk factor to clarify whether you are currently exploring potential acquisitions. Also, please note your recent acquisition or joint-venture activity and discuss any problems that you have had with these activities in the past.

Response: The Company has revised the Registration Statement on page 27 in response to the Staff's comment. In addition, in order to assist the Staff in its review of the Registration Statement, additional information on recent acquisition or joint venture activity is being provided to the Staff under separate cover requesting confidential treatment pursuant to the provisions of 17 C.F.R. § 200.83.

Extensive regulation of our business limits our activities and results… – page 27

14. Please revise this risk factor to note the amount that you rely upon "soft dollars" to fund your research activities, particularly for your continuing businesses.

Response: The Company has revised the Registration Statement on page 29 in response to the Staff's comment.

We are exposed to foreign currency exchange rate risks – page 28

15. Revise this risk factor to quantify the extent to which your revenues are denominated in currencies other that U.S. Dollars.

Response: The Company has revised the Registration Statement beginning on page 30 in response to the Staff's comment.

Reorganizing our business from a privately held firm – page 31

16. Revise this risk factor to note that you intend to reduce employee expenses, from 81% to 57.5%.

Response: The Company has revised the Registration Statement beginning on page 32 in response to the Staff's comment.

Our financial performance depends on our ability to achieve our target compensation – page 33

17. Also, please note the compensation levels currently and after the offering, including the targeted rate. Also, consider moving this risk factor so that it appears in tandem with the risk factor on page 31 regarding the risk of lowering your compensation expense.

Response: The Company has revised the Registration Statement on pages 32 and 33 in response to the Staff's comment.

The separation and recapitalization transactions – page 36

18. Please explain the risk to equity holders.

Response: The Company has revised the Registration Statement beginning on page 38 in response to the Staff's comment.

Investment Company Act considerations – page 37

19. Revise this risk factor and its heading to clarify why determination that either Lazard Ltd or LAZ-MD are investment companies would present a risk to an investor who purchases Lazard's shares.

Response: The Company has revised the Registration Statement on page 39 in response to the Staff's comment.

The Separation and Recapitalization Transactions – The Separation – page 44

20. We note your disclosure on page 24 that you may exercise your option under the business alliance agreement between Lazard Group and LFCM Holdings to acquire certain merchant banking investment management vehicles and related principal investments from LFCM Holdings. Please revise to describe the nature of the business alliance agreement and the provision for the repurchase of these investments. Quantify the fair value and agreed upon purchase price of the

investments that you will retain the option to repurchase subsequent to the Separation and disclose when you would have the ability to repurchase these assets. Alternatively, include a reference to your discussion on page 143.

Response: The Company has revised the Registration Statement on pages 25 and 46 in response to the Staff's comment to include a reference to the Company's discussion beginning on page 152.

21. Please advise the staff regarding the identity and value of the "specified non-operating assets and liabilities."

Response: The Company supplementally advises the Staff that the specified non-operating assets relating to the separated businesses principally consist of long-term investments of $106 million, miscellaneous receivables of $15 million, other investments of $4 million, property of $3 million and other assets of $13 million. Specified non-operating liabilities relating to the separated businesses principally consist of a $39 million liability for an abandoned lease in the U.K. (see Note 11 of the notes to the consolidated financial statements) and minority interest liabilities of $19 million relating to variable interest entities that are consolidated within the separated business.

The Company is currently in the process of finalizing its plans to effect the separation of the separated businesses, including the specified other assets and liabilities, and advises the Staff that the final composition of the individual assets and liabilities to be transferred in that connection is subject to change depending on the resolution of several outstanding legal, contractual and financial considerations.

The Separation and Recapitalization Transactions: The Recapitalization of LAZ-MD Holdings and Lazard Group – page 45

22. We note your disclosure on page 45 that the historical partner interests are entitled to approximately $585 million of capital. Please revise to more clearly describe how this amount was determined and supplementally provide us with your calculation of this amount.

Response: The Company has revised the Registration Statement beginning on page 47 in response to the Staff's comment to describe the composition of capital. In addition, the Company supplementally advises the Staff that the $585 million of capital associated with the historical partner interests referred to in the Registration Statement was calculated by summing the following amounts:

1. $371 million, which reflects (a) the amount of cash and property contributed by the holders of historical partner interests, (b) adjustments for the gains and losses of Lazard Group allocated in respect of such historical partner interests, and (c) reductions to reflect any distributions in respect of historical partner interests;

2. $77 million, which reflects amounts allocated to historical partner interests in fiscal years 2002 and 2003 to reflect the value of additional intangibles not previously recognized in the capital accounts of Lazard Group prior to such years; and

3. $137 million, which reflects amounts allocated to historical partner interests in respect of the revaluation of the Company's business as a result of the formation of the predecessor entity to Lazard Group in 1984.

Items 2 and 3 above are included as part of the aggregate preferences of members in excess of members' equity which is discussed further in the response to comment 68 below.

23. Please revise footnote (e) to explain how dividends on your mandatory redeemable preferred stock are allocated among your segments.

Response: The Company has revised the Registration Statement on pages 19 and 62 in response to the Staff's comment.

24. Please expand your discussion regarding the capital that working members have underlying their membership interests in Lazard Group. In particular, please clarify whether this capital can increase after the separation. Also, please clarify the amount of capital that will require redemption.

Response: The Company has revised the Registration Statement beginning on pages 47 and 50, respectively, in response to the Staff's comment, to include the amount of capital associated with the working member interests and to describe in greater detail the treatment of the working member interests in the separation and recapitalization, including the treatment of the capital associated with the working member interests and its redemption by LAZ-MD Holdings.

Lazard Ownership Structure after the Separation and Recapitalization Transactions – page 48

25. Please clarify whether the votes cast by LAZ-MD membership holders would be aggregated with votes cast by Class A shareholders or whether the votes of the membership holders would be totaled independently to determine how the Class B share would be voted.

Response: The Company has revised the Registration Statement on page 51 in response to the Staff's comment.

Dilution, page 54

26. Please compare the public contribution under the offering and the effective cash contribution of insiders.

Response: The Company has revised the Registration Statement on page 57 in response to the Staff's comment by adding a form of table at the end of the "Dilution" section of the Registration Statement.

Capitalization, page 55

27. Since "cash and cash equivalents" is not a required or appropriate item for inclusion in the Capitalization table, please delete it.

Response: The Company has revised the Registration Statement on page 58 in response to the Staff's comment.

Unaudited Pro Forma Financial Information

Unaudited Pro Forma Condensed Consolidated Statement of Income – page 63

28. Please revise to present a subtotal column for your historical results adjusted for pro forma employee compensation and income taxes before showing the impact of the separation. Present the weighted average historical limited liability corporation shares outstanding and net income per share data based on historical results adjusted for pro forma employee compensation and income taxes. In addition, please include this pro forma historical net income per share data in you Selected Consolidated Financial Data disclosure on page 56.

Response: The Company supplementally advises the Staff that the Company does not believe that a reordering of the columns is appropriate in this context. The Company does not believe that a reordering of the columns would be meaningful to investors, as the adjustment for pro forma compensation and income taxes will only occur if the transaction is consummated, which contemplates the separation of its Capital Markets and Other segment prior to consummation of this offering. Therefore, the pro forma employee compensation adjustment applies only to Lazard Group after giving effect to the separation.

Further, the historical limited liability company does not have any shares outstanding. Ownership is instead identified as membership interests, and, as a result, the calculation of net income per share would not apply. As a result, for the reasons set forth above, the Company does not believe that a presentation of pro forma historical net income per share data would be appropriate in this context.

29. Please revise to present your pro forma adjustments for this offering in a separate column from the pro forma adjustments from the additional financing transactions. In addition, describe how the additional financial transactions are factually supportable.

Response: The Company has revised the "Unaudited Pro Forma Financial Information" section of the Registration Statement beginning on page 64 in response to the Staff's comment. In addition, the Company supplementally advises the Staff that the offering and the additional financing transactions are conditioned upon the completion of each of the other financings, as noted in "The Offering" and "The Separation and Recapitalization Transactions and Lazard Organizational Structure—The Separation and Recapitalization Transactions—Recapitalization of LAZ-MD and Lazard Group—This Offering" and the "Additional Financing Transactions" sections of the Registration Statement.

In each of the pro forma statements of income, found on pages 66, 67 and 68, respectively, in response to the Staff's comment, the Company has made the following revisions:

- The "Pro Forma Adjustments for this Offering and the Additional Financing Transactions" column will now read "Pro Forma Adjustments for the Additional Financing Transactions," as the adjustments will only apply to the impact of the additional financing transactions.
- The "Other Pro Forma Adjustments" column will now read "Pro Forma Adjustments for this Offering," as the adjustments will only apply to the impact of the offering.

In the pro forma statement of financial condition, on page 71, in response to the Staff's comment, the Company has made the following revisions:

- The "Pro Forma Adjustments for this Offering and the Additional Financing Transactions" column will now read "Pro Forma Adjustments for the Capital Contribution Relating to this Offering and the Additional Financing Transactions," as the adjustments in this column will apply to the use of proceeds from both this offering and the additional financing transactions in the recapitalization.
- The "Other Pro Forma Adjustments" column will now read "Pro Forma Adjustments for this Offering," as the adjustments will only apply to the impact of the offering.

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income – page 66

30. Please revise note (c) to more clearly describe how you determined the amounts of your pro forma adjustments to compensation expense, reconciling these adjustments to the adjusted employee compensation and benefits disclosed on page 77. Explain how your pro forma adjustments are factually supportable as required by Rule 11-02 (b) of Regulation S-X. Although you disclose that your future target policy will

be to limit compensation expense to 57.5% of operating revenues, based upon your disclosure on page 77 it does not appear as though using the 57.5% target ratio would be factually supportable.

Response: The Company has revised the Registration Statement on page 69 in response to the Staff's comment.

Management's Discussion and Analysis – page 70

Net Income Allocable to Members – page 76

31. Please clarify whether you intend to add additional non-cash forms of compensation, including stock options, which might not affect the current ratio.

Response: The Company supplementally advises the Staff that it does not currently contemplate using stock options as an additional non-cash form of compensation, although its equity plans would permit it to do so in the future. The Company's business model does, however, contemplate the use of restricted stock units and/or restricted stock awards, any grants of which will be expensed in the Company's consolidated statements of income in accordance with generally accepted accounting principles and will be included in the Company's compensation expense-to-operating revenue ratio.

32. We note your disclosure on page 77 that you exclude interest expense related to LFB in arriving at operating revenue. Please revise to explain why you do not deduct the entire amount of interest expense as presented in you statements of income in determining operating revenue.

Response: The Company has revised the Registration Statement on page 82 in response to the Staff's comment.

Business Segments: Financial Advisory – pages 83

33. Please revise to provide an analysis that explains the underlying reasons for material fluctuations or trends in revenues earned from your financial advisory activities. For example,

- **Your list of clients with whom you have transacted business does not provide sufficient insight into why revenues from financial advisory services were higher or lower in a given period. Correlate the impact that the economy had on M&A activity in general described on page 71 with the volume of your different types of financial advisory transactions during the periods and any significant deals with which you were involved to better explain any fluctuations.**
- **Consider presenting volume data in a tabular format.**

- **Correlate the volume of transactions and the amount of net revenues for each category of financial advisory services, describing any trends in gross profit margins (gross revenues less direct transaction-related expenses) during the periods presented.**
- **On page 2 you disclose that your financial restructuring practice provides countercyclical balance to your M&A practice. Describe how this can be evidenced by your revenue trends.**

Response: The Company has revised the Registration Statement on pages 89, 90 and 91 in response to the Staff's comment.

34. Please quantify the significant components of the segment's operating expenses for each period presented. Please similarly revise your MD&A regarding your other segments' operating results.

Response: The Company has revised the Registration Statement beginning on pages 90 and 91 in response to the Staff's comment.

Asset Management Results of Operations – page 87

35. Revise this section to explain why your fees grew significantly faster than your average assets under management.

Response: The Company has revised the Registration Statement on pages 93 and 94 in response to the Staff's comment.

Business Segments: Capital Markets and Other – pages 89

36. To help facilitate a reader's understanding of the future financial statement impact of pending separation transaction, please disclose the specific line items that comprise this segment's net revenues. Describe the nature of activities, if any, categorized within this segment that you intend to continue subsequent to the separation transaction and disclose the segment in which you intend to report the results of the activities.

Response: The Company has revised the Registration Statement beginning on page 96 in response to the Staff's comment.

Liquidity and Capital Resources – pages 91

37. If material, revise this section to note the amount of the capital of your regulatory subsidiaries is restricted under their various capital requirements. Also, if material, please note the amount of capital held by your subsidiaries which is available to be paid without regulatory approval.

Response: The Company has revised the Registration Statement on pages F-30 and F-31 in response to the Staff's comment.

38. Please revise to describe your trend of increasing liabilities relative to assets. Describe and quantify the estimated impact of the separation transaction on this ratio.

Response: The Company has revised the Registration Statement on page 99 in response to the Staff's comment. The Company supplementally advises the Staff that the trend of increasing liabilities relative to assets is a result of Lazard Group's decline in member's equity, which was attributable to its investments in senior professionals resulting in distributions exceeding net income allocable to members.

39. Please revise to describe and quantify the impact of foreign currency translation adjustments for each period presented.

Response: The Company has revised the Registration Statement on page 99 in response to the Staff's comment.

40. Please revise to describe the impact that this offering and the additional financing transactions, as well as the separation transaction, will have on your liquidity and capital resources.

Response: The Company has revised the Registration Statement beginning on page 98 in response to the Staff's comment.

Critical Accounting Policies and Estimates – page 95

41. Please refer to Item V of Release No. 33-8350 and revise your discussion of the valuation of investments to address the following:

- **Provide both a qualitative and quantitative discussion that describes the significant assumptions underlying your critical accounting estimates.**
- **Discuss the judgments and uncertainties affecting the application of your critical accounting policies and the likelihood that materially different amounts would be reported under different conditions or using different assumptions.**
- **Disclose how accurate your estimates and assumptions related to these policies have been in the past, how much they have changed in the past, and whether they are likely to change in the future.**
- **Discuss how you analyze the sensitivity to change and provide quantitative disclosure, to the extent available.**

Response: The Company has revised the Registration Statement on page 105 in response to the Staff's comment.

42. Please supplementally explain why you do not consider your accounting policies and estimates related to determining whether to consolidate VIEs (i.e., calculation of expected losses and expected residual returns to determine the primary beneficiary) to be critical accounting policies or estimates. Alternatively, refer to Item V of Release No. 33-8350 and revise your MD&A based on the guidance set forth therein.

Response: The Company has revised the Registration Statement beginning on page 105 in response to the Staff's comment.

Risk Management – page 97

43. Expand your discussion of your exposure to interest rate risk to disclose the model that you used to determine that you stood to lose $1.5 million for every 1% change in the US Dollar to euro exchange rate and $1 million for a 1% change in the Dollar to pound exchange rate. Please refer to Item 305 of Regulation S-K. Make similar changes to your discussion of your evaluation of your value at risk for your securities portfolio.

Response: The Company has revised the Registration Statement on pages 106, 107 and 110 in response to the Staff's comment. The Company supplementally advises the Staff that the quantification disclosed on page 106 of the Registration Statement refers to the impact on "operating income" of a 1% movement in foreign currency rates (rather than a 1% movement in "interest rates").

The Company further supplementally advises the Staff that the Company calculated the sensitivity on operating income as a result of hypothetical changes in the exchange rates of both the euro and British pound versus the U.S. dollar based on the amount of operating income in 2003 that was denominated in euros and British pounds. The calculation used to determine sensitivity to changes in foreign currency rates converted operating income as reported in U.S. dollars back to local currency at the 2003 average exchange rates of local currency to the U.S. dollar. The resulting local currency denominated operating income was then converted back to U.S. dollars by applying an increase or decrease of 1% to the 2003 average exchange rate. The difference between the two results is the amount reflected as the sensitivity for movements in exchange rates.

Concentrations of Credit Risk – page 100

44. We note your disclosure that you have a significant concentration of credit risk with the U.S. Government. Please advise the staff supplementally if you have any other concentrations of credit risk of a material size.

Response: The Company supplementally advises the Staff that it does not have any other concentrations of credit risk of a material size.

Business – page 106

Merchant Banking – page 116

45. Expand this section to provide more detail regarding your growth plans for rebuilding your merchant banking investments after your current operations and given to LFCM after the separation.

Response: The Company supplementally advises the Staff that its merchant banking fund management activities, other than its existing merchant banking business in France, are a part of the separated businesses that will be transferred to LFCM Holdings LLC prior to the completion of the offering. As a result, and as more fully explained in the "Certain Relationships and Related Party Transactions—Relationship with LAZ-MD Holdings and Lazard Group—Business Alliance Agreement" section of the Registration Statement, following the completion of this offering, the Company will not participate in the day-to-day operations of the separated merchant banking business, though it will have certain participation and consent rights in respect of that business. Any growth plans for rebuilding merchant banking investments after the separation will be the primary responsibility of, and undertaken by, LFCM Holdings LLC rather than the Company. The Company further supplementally advises the Staff that Lazard Group intends to invest capital in future funds to be managed by LFCM Holdings LLC subsidiaries and will be entitled to receive incentive fee payments from such funds as described on page 121. In order to more fully clarify the structure of the merchant banking business following the offering, the Company has revised the Registration Statement beginning on page 124 in response to the Staff's comment.

Management – Executive Compensation – page 125

46. We note that you have not provided information regarding executive compensation and regarding your current retirement benefits. In your next amendment, include the information required by Item 402 of Regulation S-K.

Response: The Company supplementally advises the Staff that the Company is in the process of finalizing the executive compensation data for 2004 in conjunction with the preparation of its year-end financial results and will provide such information in the next amendment to the Registration Statement.

Certain Relationships with Our Directors, Executive Officers and Employees – page 148

47. Please disclose the terms of any loans to officers or directors.

Response: The Company has revised the Registration Statement on page 157 in response to the Staff's comment.

Description of Capital Stock, page 150

48. Form S-1 does not require you to summarize the provision of the certificate of incorporation and the memorandum of association and bye-laws. Consequently you cannot qualify the description of capital stock by reference. See Rule 411.

Response: The Company has revised the Registration Statement on page 159 in response to the Staff's comment.

Certain Material U.S. Federal Income Tax and Bermuda Tax Considerations – page 156

49. Revise the section heading to eliminate the term "certain" as this term indicates that there may be material tax consequences which are not addressed.

Response: The Company has revised the Registration Statement on page 167 in response to the Staff's comment.

50. Since the tax considerations are material to investors, please revise to base the discussion on opinions, not advice, and please file the opinions.

Response: The Company has revised the Registration Statement on pages 167 and 168 and has filed forms of opinions as Exhibits 8.1 and 8.2 of the Registration Statement in response to the Staff's comment.

51. Please clarify what "should" means in the final sentence of the first paragraph of page 157.

Response: The Company has revised the Registration Statement on page 168 in response to the Staff's comment.

Lazard LLC Consolidated Financial Statements

Note 2 – Significant Accounting Policies: Marketable and Long-Term Investments – page F-9

52. Please revise to describe how management determines its best estimate of fair value of non-marketable investments.

Response: The Company has revised the Registration Statement on page F-9 in response to the Staff's comment.

Note 2 – Significant Accounting Policies: Swaps and Other Contractual Agreements – page F-10

53. Please revise to clarify whether your non-trading derivatives transactions receive accounting hedge treatment in accordance with SFAS 133. If so, please provide the disclosures required by paragraph 45 of SFAS 133.

Response: The Company has revised the Registration Statement on page F-10 in response to the Staff's comment.

54. Please revise to describe the types of contracts that are typically afforded extended settlement and explain why you record these transactions on a settlement date basis. Clarify what you mean when you state that your "obligation to deliver such securities is accounted for similar to a forward contract."

Response: The Company has revised the Registration Statement on page F-10 in response to the Staff's comment.

Note 2 – Significant Accounting Policies: Revenue Recognition – page F-12

55. Please supplementally describe your basis, including the specific accounting guidance upon which you rely, for deferring expenses incurred in performing mergers and acquisitions and financial restructuring advisory services until the related transactions are consummated.

Response: The Company supplementally advises the Staff that the deferral of investment banking expenses is consistent with industry practice and guidance prescribed by the *AICPA Audit and Accounting Guide – Brokers and Dealers in Securities* (the "Guide"). In particular, the Company refers to Section 1.89-1.96 for the definition of "Investment Banking" activities. These activities include Public Offerings, including Underwriting, Advisory Services and Private Placements, each as defined in the Guide. The Guide discusses the specific practice of deferring expenses related to Underwriting transactions in Paragraph 7.51, which states the following:

> "Many of the related underwriting expenses described above are incurred prior to the actual issuance of the securities. Such expenses are deferred and recognized at the time the related revenues are recorded. In the event the transaction is not completed and the securities are not issued, the firms that have agreed to participate in the costs associated with the underwriting write those costs off to expense."

The industry practice of deferring expenses on financial advisory deals is similar to the rationale for deferring expenses related to underwriting deals. These expenses are deferred and recognized at the time the related revenues are recorded. The Company

only defers transaction related expenses that are expected to be reimbursed. The Company periodically evaluates the collectibility of those expenses that are deferred and recognizes them in the current period earnings if they are deemed uncollectible. Deferred expenses include only transaction related expenses and no other costs, such as the compensation costs of those involved in providing advisory services to the client. Such costs are recorded as current period expenses in the Consolidated Statements of Income.

The Guide also addresses the practice of deferring expenses on investment banking and underwriting transactions in the "Audit Consideration" section, which states in the "Audit Objectives" section that "Deferred revenues, expenses and good faith deposits from investment banking/underwriting deals are recorded in the proper period." The Company accounts for its expenses relating to mergers and acquisitions and financial advisory services consistent with industry guidance and practice.

56. Please revise to describe how you report client reimbursement of expenses and quantify the amount of client reimbursements for each period presented.

Response: The Company supplementally advises the Staff that the Company follows industry practice with respect to recognition of investment banking revenues net of client expense reimbursements. The Company does not have any other business relationships in which it receives client reimbursements of expenses. Investment banking transactions are within the scope of the Guide and therefore are not included in the scope of EITF 01-14 "Income Statement Characterization of Reimbursements Received for 'Out of Pocket' Expenses Incurred," which states the following in paragraph 2:

> "The scope of this Issue excludes transactions for which guidance is provided under categories (a) and (b) of the GAAP hierarchy, including:
>
> - Sales of financial assets, including debt and equity securities, loans and receivables;
> - Lending transactions;
> - Insurance and reinsurance premiums; and
> - Transactions of broker-dealers that are within the scope of the *AICPA Audit and Accounting Guide – Brokers and Dealers in Securities* and reimbursements received for expenses incurred in other specialized industries for which the accounting for such reimbursements is addressed in AICPA accounting and auditing guides."

As a result, the Company does not believe that additional footnote disclosure is required.

57. We note your disclosure on page 28 that if the use of "soft dollar" arrangements was limited or prohibited you may have to bear the costs of research services that were previously paid for using soft dollars. Please revise to describe your accounting policies for "soft dollar" arrangements. Quantify the increase in your operating expenses or reduction of revenues, as applicable, if the use of "soft dollars" was eliminated in 2003.

Response: The Company has revised the Registration Statement on pages 29 and F-13 in response to the Staff's comment.

58. Please revise to explain why you recognize merchant banking incentive fees when the underlying investments have been liquidated. Describe the impact, if any, of future underperformance by the merchant banking funds. Quantify the amount of merchant banking incentive fees that you have earned but not recognized as of December 31, 2003, separately identifying amounts attributable to your Capital Markets and Other segment and your continuing operations.

Response: The Company has revised the Registration Statement beginning on page F-13 in response to the Staff's comment. In response to the last sentence of this comment, the Company supplementally advises the Staff that there are no merchant banking incentive fees that it has earned but not recognized as of December 31, 2003.

59. Please revise your discussion of trading gains and losses to disclose gross trading gains and losses for each period presented. In addition, disclose gross non-trading investment gains and losses.

Response: The Company advises the Staff that its presentation and disclosure of trading gains and losses on a net basis follows industry practice as referred to in the Guide, paragraph 4.56, which states:

> "A broker-dealer may buy and sell securities for its own account. The profit or loss is measured by the difference between the acquisition cost and the selling price or current market or fair value. Trading gains and losses, which are composed of both realized and unrealized gains and losses, are generally presented net."

The Company believes that the presentation and disclosure as written is consistent with industry guidance and practice.

In addition, the Company advises the Staff that it has revised its disclosure regarding gross non-trading investment gains and losses on page F-9 to disclose such gross non-trading gains and losses in response to the Staff's comment.

Note 4 – Trading Activities and Related Risks – pages F-15 – F-18

60. When referring to hedging strategies, please clarify whether you are referring to derivative transactions that qualify for hedge accounting treatment in accordance with SFAS 133 or economic hedges. For derivative transactions that qualify for hedge accounting treatment, please disclose the nature of the hedge accounting treatment (i.e. fair value, cash flow hedges). Please similarly revise your Risk Management disclosures.

Response: The Company supplementally advises the Staff that its non-trading derivatives hedge its trading portfolio. The Company records its trading portfolio and related economic hedges at fair value. The Company has revised the Registration Statement on pages 107, F-10 and F-18 in response to the Staff's comment to clarify its accounting treatment.

61. Please revise to explain why you report gains and losses resulting from changes in the fair value of your non-trading derivatives as trading gains and losses in your statements of income.

Response: The Company has revised the Registration Statement on page F-18 in response to the Staff's comment.

Note 6 – Formation of LAM – page F-19

62. Please revise to disclose the company's ownership percentage of LAM.

Response: The Company has revised the Registration Statement on page F-20 in response to the Staff's comment.

63. Please revise to describe the accounting treatment for the equity units in LAM issued in connection with its formation. Please supplementally explain your basis for the treatment, citing the specific accounting guidance upon which you rely.

Response: The Company has revised the Registration Statement on page F-20 in response to the Staff's comment. In addition, the Company supplementally advises the Staff that the equity units granted to LAM managing directors and those granted to certain key LAM employees are required to be treated differently for accounting purposes. As described more fully in Note 6 of the notes to consolidated financial statements, the equity units granted to LAM managing directors were granted in connection with the formation of LAM. Further, the Company supplementally advises the Staff that it treats those equity units as a part of the managing directors' membership interest and, therefore, any transaction related to such equity units would be treated as an equity transaction among the members. The Company supplementally advises the Staff that there has been no such transaction with respect to such equity units to date, other than the initial grant of such equity units.

The Company supplementally advises the Staff that, as opposed to the equity units granted to managing directors of LAM, the equity units granted to certain key LAM employees are not viewed for financial accounting purposes as an equity transaction among members but rather as a compensation transaction between LAM and these employees. In addition, the Company supplementally advises the Staff that it views the equity units granted to these LAM employees as akin to a profits interest granted in a limited liability company, and accordingly, considered the guidance in EITF 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*, issue number 40(b). The Company concluded that the equity units granted to these LAM employees lacked the characteristics of an equity interest and that the substance of the arrangement was similar to that of a stock appreciation right. Accordingly, the Company has accounted for the equity units granted to these LAM employees as a stock appreciation right (*i.e.*, a variable compensation plan) but, to date, no compensation expense has been recognized because a "fundamental transaction" has not been considered probable (as described in Note 6 to the Notes to Consolidated Financial Statements—Formation of LAM beginning on page F-19**)**. The Company supplementally advises the Staff that, in accordance with FASB Interpretation No. 38, *Determining the Measurement Date for Stock Option, Purchase, and Award Plans Involving Junior Stock*, paragraph 4, compensation cost shall be accrued when it becomes probable that the fundamental transaction will occur.

The Company has no current intention to cause or otherwise trigger a transaction that would give rise to payment obligations to the holders of interests in LAM.

Note 11 – Commitments and Contingencies – pages F-27 & F-28

64. We note your disclosure on page F-20 that you have $12,000 of remaining commitments to a company-sponsored investment vehicle under your incentive compensation plan. Please revise to reconcile or differentiate between this amount and your commitment of $3,012 to sponsored investment funds disclosed on page F-28. Please supplementally explain why the $12,000 of remaining commitments related to your incentive compensation plan is not presented on your table of contractual obligations on page 95.

Response: The Company has revised the Registration Statement on pages 103 and F-29 in response to the Staff's comment.

65. Please revise to provide a more detailed discussion of your contractual commitments to certain members and employees. Discuss the nature and business purpose of such commitments and the potential effects on your liquidity and results of operations.

Response: The Company has revised the Registration Statement on pages 103 and F-29 in response to the Staff's comment.

66. We note your disclosure on page F-28 that you believe the ultimate outcome of certain legal actions may be material to the company's operating results for any particular period. In light of the potential impact on future financial statements, please revise to describe these pending legal actions and provide an estimate of the possible loss or range of loss. In addition, state whether you have recorded an accrual for such estimated losses. Refer to paragraphs 9 and 10 of SFAS 5.

Response: The Company has revised the Registration Statement in "Business—Legal Proceedings" beginning on pages 128, F-29 and F-48 in response to the Staff's comment. The additional disclosure relates to a letter received from the NASD and a subpoena received from the SEC, as described therein.

Note 12 – Members' Equity – page F-28

67. Please revise to describe the nature of the provisions in your Operating Agreement or other contractual arrangements that provide for a fixed return on Member's equity. Describe the financial statement impact of the provisions.

Response: The Company has revised the Registration Statement beginning on page F-30 in response to the Staff's comment.

68. Please revise to describe how you determined the amount of the aggregate preferences of Members that exceeds the amount on the accompanying consolidated statement of financial condition as Members' equity. Explain how and when the $410,000 of aggregate preferences of Members in excess of Members' equity is distributed to the members. Supplementally provide us with your supporting calculation.

Response: The Company has revised the Registration Statement on page F-30 in response to the Staff's comment. In addition, the Company supplementally advises the Staff that the aggregate preferences of members of $410 million reflect (1) amounts allocated to the historical partner interests of approximately $137 million in respect of the revaluation of the Company's business as a result of the formation of the predecessor entity to Lazard Group in 1984, (2) amounts allocated to historical partner interests and working member interests in fiscal years 2002 and 2003 of approximately $212 million to reflect the value of additional intangibles not previously recognized in the capital accounts of Lazard Group prior to such years, and (3) the cumulative effect of approximately $61 million of other charges to members' equity (such as minimum pension liability adjustments) that were not charged to individual member's capital accounts. These aggregate preferences, when added together with the members' equity, equal the total amount of capital associated with the historical partner interests and working members interests. The Company supplementally advises the Staff that this capital (*i.e.*, the members' equity and aggregate preferences) will be repaid or transferred in connection with the separation and recapitalization transactions, as follows: (1) the

capital associated with the historical partner interests will be paid out as part of the redemption of the historical partner interests pursuant to the recapitalization, and (2) the capital associated with the working members interests will be assumed in full by LAZ-MD Holdings and will no longer be an obligation of Lazard Group.

The Company supplementally advises the Staff that a description of the redemption of historical partner interests, including associated capital, is included on page 47 of the Registration Statement, and a description of the assumption and repayment of the capital associated with the working members interests is included on page 50 of the Registration Statement. The Company has revised each such description to clarify the treatment of members' capital.

Note 14 – Income Taxes – pages F-29 – F-31

69. We note your disclosure on page F-30 that certain deferred tax assets have been offset by a valuation allowance primarily due to the uncertainty of realizing the benefit of certain foreign net operating loss carryforwards. Please revise to describe the uncertainty of realizing the benefits, especially in light of your disclosure that net operating loss carryforwards for your foreign subsidiaries may be carried forward indefinitely.

Response: The Company has revised the Registration Statement on page F-32 in response to the Staff's comment. In addition, the Company supplementally advises the Staff that SFAS 109, paragraph 17(e) requires that the balance of deferred tax assets be reduced by a valuation allowance "if based on the weight of the available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized." The gross deferred tax assets recorded as of December 31, 2003 relate primarily to the significant net operating loss carryforward amounts available in the U.K. Considering the cumulative recent historical losses incurred in the U.K., there is uncertainty related to the potential for future taxable profits to be recognized in the U.K., and there are various limitations under U.K. tax law applied to carryforward losses. Therefore management has determined that it is more likely than not that such assets will not be realized.

Note 15 – Segment Operating Results – page F-31

70. Please supplementally provide us with your analysis describing how you determined that LFB does not meet the definition of a reportable segment. Refer to paragraphs 16 – 19 of SFAS 131.

Response: The Company supplementally advises the Staff that LFB does not meet the definition of a reportable segment. In determining its operating segments, the Company

first looked to the definition of an operating segment in paragraph 10 of SFAS 131 which states:

"An *operating segment* is a component of an enterprise:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same enterprise),
- Whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues."

The Company supplementally advises the Staff that it concluded that since the operating results of LFB are not regularly reviewed by the enterprise's chief operating decision maker(s) to make decisions about resources to be allocated to LFB, LFB would not qualify as an operating segment. Further, the Company supplementally advises the Staff that it has included LFB in the Corporate and Other segment in accordance with paragraph 21 of SFAS 131.

71. Please revise to explain how trading gains and losses, investment gains and losses, interest income, and interest expense are allocated among your segments.

Response: The Company has revised the Registration Statement on page F-34 in response to the Staff's comment.

Note 17 – Fair Value of Financial Instruments – page F-35

72. Please revise to clarify whether the carrying value of subordinated loans approximates the estimated fair value.

Response: The Company has revised the Registration Statement on page F-37 in response to the Staff's comment.

Note 18 – Subsequent Events – Initial Public Offering – page F-37

73. We note your disclosure on page 24 that you may exercise your option under the business alliance agreement between Lazard Group and LFCM Holdings to acquire certain merchant banking investment management vehicles and related principal

investments from LFCM Holdings. Please revise to describe the nature of the business alliance agreement and the provision for the repurchase of these investments. Quantify the amount of investments that you will retain the option to repurchase subsequent to the Separation and disclose when you would have the ability to repurchase these assets. Describe how earned but unrecorded merchant banking incentive fees related to your Capital Markets and Other segment will be impacted by the Separation transaction and if you exercise your option to repurchase the investments.

Response: The Company has revised the Registration Statement beginning on pages F-38 and F-51 in response to the Staff's comment. The Company supplementally advises the Staff that there are two separate options to repurchase the merchant banking investments. One option involves the North American merchant banking business, and the other involves the European merchant banking business.

74. Supplementally tell us how you intend to presents the results of your Capital Markets and Other segment at the time the separation transaction is completed.

Response: The Company supplementally advises the Staff that it will reflect the results of its Capital Markets and Other segment as a discontinued operation at the time the separation transaction is completed in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and EITF 03-13: *Applying the Conditions of Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*.

The Capital Markets and Other segment has not been reflected as a discontinued operation in the Consolidated Financial Statements in accordance with paragraph 27 of SFAS 144, which states that:

> "A long lived asset to be disposed of other than by sale (for example, by abandonment, in exchange for a similar productive long-lived asset, or in a distribution to owners in a spinoff) shall continue to be classified as held and used until it is disposed of. Paragraphs 7-26 shall apply while the asset is classified as held and used. If a long-lived asset is to be abandoned or distributed to owners in a spinoff together with other assets (and liabilities) as a group and that disposal group is a *component of an entity*, paragraphs 41-44 shall apply to the disposal group at the date it is disposed of."

Lazard LLC Unaudited Condensed Consolidated Financial Statements

General

75. Please revise as appropriate based on the comments above.

Response: The Company has revised the Registration Statement as described herein, including beginning on pages F-48, F-50 and F-51, with respect to comments 66, 71 and 73, respectively, in response to the Staff's comment.

Exhibits

76. We note that several exhibits will be filed by amendment. Please ensure that those exhibits are filed as soon as possible so that the staff is able to review them in a timely manner.

Response: The Company notes the Staff's comment, and has filed additional exhibits with the Registration Statement. The Company undertakes to file all remaining exhibits to the Registration Statement as promptly as practicable after they have been finalized.

* * *

Should you require further clarification of the matters discussed in this letter or in the revised Registration Statement, please contact the undersigned at (212) 403-1000 (facsimile: (212) 403-2000).

Sincerely,

/s/ Craig M. Wasserman
Craig M. Wasserman, Esq.

cc: Scott D. Hoffman, Esq.
Managing Director and General Counsel, Lazard LLC

Kris F. Heinzelman, Esq.
Cravath, Swaine & Moore LLP

WACHTELL, LIPTON, ROSEN & KATZ

MARTIN LIPTON
HERBERT M. WACHTELL
BERNARD W. NUSSBAUM
RICHARD D. KATCHER
PETER C. CANELLOS
MICHAEL W. SCHWARTZ
ALLAN A. MARTIN
BARRY A. BRYER
LAWRENCE B. PEDOWITZ
ROBERT B. MAZUR
PAUL VIZCARRONDO, JR.
PETER C. HEIN
HAROLD S. NOVIKOFF
DAVID M. EINHORN
KENNETH B. FORREST
MEYER G. KOPLOW
THEODORE N. MIRVIS
EDWARD D. HERLIHY
DANIEL A. NEFF
ERIC M. ROTH
WARREN R. STERN
ANDREW R. BROWNSTEIN
MICHAEL H. BYOWITZ
PAUL K. ROWE
MICHAEL B. BENNER
MARC WOLINSKY
DAVID GRUENSTEIN
PATRICIA A. VLAHAKIS
STEPHEN G. GELLMAN
STEVEN A. ROSENBLUM
PAMELA S. SEYMON
STEPHANIE J. SELIGMAN
ERIC S. ROBINSON
JOHN F. SAVARESE
SCOTT K. CHARLES
ANDREW C. HOUSTON
PHILIP MINDLIN
DAVID S. NEILL
JODI J. SCHWARTZ

ADAM O. EMMERICH
CRAIG M. WASSERMAN
ADAM D. CHINN
GEORGE T. CONWAY III
RALPH M. LEVENE
RICHARD G. MASON
KAREN G. KRUEGER
DOUGLAS K. MAYER
DAVID M. SILK
ROBIN PANOVKA
DAVID A. KATZ
MITCHELL S. PRESSER
ILENE KNABLE GOTTS
JEFFREY R. BOFFA
DAVID M. MURPHY
JEFFREY M. WINTNER
TREVOR S. NORWITZ
BEN M. GERMANA
ANDREW J. NUSSBAUM
MICHAEL S. KATZKE
RACHELLE SILVERBERG
DAVID C. BRYAN
STEVEN A. COHEN
GAVIN D. SOLOTAR
DEBORAH L. PAUL
DAVID C. KARP
RICHARD K. KIM
JOSHUA R. CAMMAKER
MARK GORDON
JOSEPH D. LARSON
LAWRENCE S. MAKOW
JARED M. RUSMAN
JEANNEMARIE O'BRIEN
WAYNE M. CARLIN
JAMES COLE, JR.
STEPHEN R. DiPRIMA
NICHOLAS G. DEMMO
IGOR KIRMAN
JONATHAN M. MOSES

51 WEST 52ND STREET

NEW YORK, N.Y. 10019-6150

TELEPHONE: (212) 403-1000
FACSIMILE: (212) 403-2000

_____

GEORGE A. KATZ (1965-1989)
JAMES H. FOGELSON (1967-1991)

_____

OF COUNSEL

WILLIAM T. ALLEN
LEONARD M. ROSEN
THEODORE GEWERTZ
ELLIOTT V. STEIN
THEODORE A. LEVINE
J. BRYAN WHITWORTH
NORMAN REDLICH
AMY R. WOLF
JOHN M. RICHMAN

_____

COUNSEL

ADRIENNE ATKINSON
PAMELA EHRENKRANZ
ANDREW J.H. CHEUNG
LAWRENCE A. PASINI

J. AUSTIN LYONS
LORI S. SHERMAN
PAULA N. GORDON
T. EIKO STANGE
DAVID A. SCHWARTZ
ADAM J. SHAPIRO
JED I. BERGMAN
MICHAEL A. CHARISH
DAMIAN G. DIDDEN
MICHAEL E. GILLIGAN
JOHN F. LYNCH
ERIC M. ROSOF
WILLIAM SAVITT
MARTIN J.E. ARMS
BENJAMIN D. FACKLER
ISRAEL FRIEDMAN
DIMITRY JOFFE
ROY J. KATZOVICZ
ROBERT J. LIUBICIC
GREGORY E. OSTLING
JONATHAN E. PICKHARDT
GREGORY N. RACZ
EDWARD J.W. BLATNIK
BENJAMIN S. BURMAN
NELSON O. FITTS
JEFFREY C. FOURMAUX
MICHAEL GAT
JEREMY L. GOLDSTEIN
MAURA R. GROSSMAN
JOSHUA M. HOLMES
JOSHUA A. MUNN
DAVID E. SHAPIRO
ANTE VUCIC
IAN BOCZKO
KEVIN M. COSTANTINO
MATTHEW M. GUEST
WILLIAM R. HARKER
DAVID KAHAN
MARK A. KOENIG

DAVID K. LAM
KENNETH K. LEE
LAURA E. MUÑOZ
GEORGE J. RHEAULT
MICHAEL S. WINOGRAD
FORREST G. ALOGNA
JAMES R. LEVINE
STEPHANIE P. LISTOKIN
GORDON M. MEAD
DANIELLE L. ROSE
BENJAMIN M. ROTH
RICHARD C. SQUIRE
ROBIN M. WALL
JOSHUA D. BLANK
JOSHUA A. FELTMAN
JORDAN A. GOLDSTEIN
CHETAN GULATI
ADAM HICKEY
MARGARET ISA
EMIL A. KLEINHAUS
ANDREW S. JACOBS
JASON M. LYNCH
HEATHER L. MAHAR
DEBORAH MARTINEZ
SARAH E. McCALLUM
DAVID B. SILVA
STEPHANIE J. VAN DUREN
KRISHNA VEERARAGHAVAN
ADIR G. WALDMAN
B. UMUT ERGUN
KRISTELIA A. GARCIA
RICHARD S. GIPSTEIN
SARAH S. JOHNSON
SARAH A. LEWIS
SARAH FERN MEIL
GARRETT B. MORITZ
ALISON L. PLESSMAN
CHARLES C. YI

February 11, 2005

VIA EDGAR TRANSMISSION

Mr. Mark Webb
Branch Chief
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street
Washington, D.C. 20549

Re: Lazard Ltd —
Registration Statement on Form S-1 (No. 333-121407) relating to the
initial public offering of shares of Lazard Ltd Class A common stock

Dear Mr. Webb:

On behalf of Lazard Ltd, a Bermuda corporation (the "Company"), submitted for filing under the Securities Act of 1933, as amended, is Amendment No. 1 to the Company's Registration Statement on Form S-1 (the "Registration Statement"), relating to a proposed initial public offering of shares of the Company's Class A common stock, par value $0.01 per share.

Please note that the filing fee for the Registration Statement was previously paid upon the initial filing of the Registration Statement.

If you have any questions regarding this filing, please contact the undersigned at (212) 403-1340, or Benjamin D. Fackler, Esq. at (212) 403-1395, both of this office, as counsel to the Company.

Very truly yours,

/s/ Kevin M. Costantino

Kevin M. Costantino, Esq.

cc: Scott D. Hoffman, Esq. (Lazard Ltd)